

State Compliance Audit

Casco Bay Island Transit District

September 30, 2019



Proven Expertise & Integrity

CASCO BAY ISLAND TRANSIT DISTRICT

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SEPTEMBER 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Casco Bay Island Transit District
Portland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Casco Bay Island Transit District, as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the Casco Bay Island Transit District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Casco Bay Island Transit District as of September 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Casco Bay Island Transit District's basic financial statements. The statements of expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The statement of expenses and the schedule of expenditures of federal awards are the responsibility of management and derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare the financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of expenses and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2020 on our consideration of Casco Bay Island Transit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Casco Bay Island Transit District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
June 19, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019**

(UNAUDITED)

The Management of Casco Bay Island Transit District (herein referred as “the District”) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the fiscal year ended September 30, 2019.

This Management’s Discussion and Analysis report provides an opportunity, through narrative, for the District’s management to identify elements of the audited financial statements that might be of particular interest to the reader. Please read it in conjunction with the District’s financial statements.

PROLOGUE

The District and Islands of Casco Bay continued the tradition of a vibrant summer season with increasing tourism and strong resident ridership that helped to contribute to strong financial performance. The District continues to be well positioned for growth by way of grant awards that are pivotal to serving the increasing demand placed upon the ferry routes. The District’s financial position is supported by strong liquidity and a debt balance of zero. At the end of FY2019, the District is well positioned to make necessary strategic investments to meet the needs of the Casco Bay Islands into the future, including new vessel construction, facility expansion and other necessary investments.

FINANCIAL HIGHLIGHTS*

Synopsis:

Fiscal Year 2019 was another excellent year for the District where assets, cash and financial performance all reflected strongly at year end. On YTD basis, Revenues were 12.2% better than budget while expenses were also better than budget by 0.1%. The FY19 Operating Result was 34.6% better than budget, but was 153.6% below FY18, primarily due to the heavy annual drydock cycle. Despite the deeper operating loss, final surplus for the year, which is aided by grant revenue, was 3,324% better than budget and only 17.6% below FY18.

Revenue Assessment: Excellent

Year to date (YTD):

YTD Operating Revenue was \$6.109M and was 12.2% ahead of budget and was nearly identical to the prior year which was only 0.4% lower.

- **This year, 2019, marked the second year in a row that July and August monthly revenues were \$1.2M plus, per month!**
- Scheduled passenger revenues YTD were ahead of budget by 8.1% and were down 0.4% as compared to last fiscal year.
- Vehicle revenues YTD of \$1.096M were better than budget by 6.5% and were 5.4% unfavorable to FY18 YTD. The Machigonne was not in drydock in FY18, however she was at the shipyard in April and May of FY19, contributing to the difference. April and May 19 revenue numbers are low in comparison to FY18 due to diminished vehicle service during the period.

- Freight revenues YTD of \$1.025K were 20.5% above budgeted numbers and were 7.2% ahead of last fiscal YTD.
- Group sales YTD of \$1.199M closed 21.9% ahead of budget and 3.9% ahead of the same period last year.

Expense Assessment: Very Good

Year to date (YTD):

YTD Expenses were 0.1% under budget and were 11.9% higher than last YTD.

- Personnel expenses YTD were 0.7% favorable to budget and 1.5% higher than last YTD.
 - Payroll categories were at or below budget, except ticket office, where shifts were added to cover staff requirements.
 - Employee Related Expense continued to be unfavorable to budget, as new FSA accounts required additional maintenance fees and there were job search costs for summer staffing.
 - Insurance was significantly under budget, as the District rec'd a health insurance renewal of -4% for 2019. As stated in the CBA, this savings was shared equally with employees.
 - CBITD is continuing to apply grant revenues to labor expense for capital projects in FY2019. YTD recovery of this personnel expense was nearly \$80K.
- Vessel maintenance was 5.9% under budget and 40.8% higher than last fiscal YTD, when only 2 vessels went to drydock. FY19 included 3 planned vessel drydocks and 1 emergency haul out.
 - Total drydock expense for Aucocisco was \$193K, while \$260K was budgeted.
 - Total drydock expense for Machigonne was \$541K including capital items.
 - Total drydock expense for Bay Mist was \$443.7K including capital items.
 - Aucocisco drydock and repairs included \$26K for emergency haul out and related work at Portland Yacht Services, in addition to \$4.9K for battery charger and \$11.4K for rudder post repairs in December.
 - Fuel expenses were well under budget for the year and cost was incurred at a fixed price per gallon for the duration of FY2019.
- Operations expense was 19.7% over budget and 16.2% above last YTD.
 - Data processing included \$5.1K quarterly for Gateway Ticketing Software quarterly maintenance, which was a timing variance from budget. The category also included AVL support and maintenance.
 - November Employee Recognition included expense from Holiday gift cards for employees, which was budgeted in December, however expense occurred in November.
 - Dues and PUC included PVA, Waterfront Alliance and Maine Transit annual memberships.
 - Barge subcontracting was higher than planned due to the delay in Machigonne drydock, and replacement service that was necessary for unplanned repairs of fire damper and drive shaft alignment.
 - Employee recognition included charges for annual employee lunch.
- Terminal expense was 8.5% unfavorable to budget and 16.2% higher than last YTD.
 - Pier and transfer bridge repairs included hoist inspections and replacement cable.
 - Misc. included Gate 4 lighting repairs, Gate 2 shore power repairs, sliding door repairs and various terminal maintenance supplies.

- Terminal Utilities were over budget due to a rate increase from CMP. kWh rates increased 82% from January 2018 to January 2019.
- Sales expense YTD was 6.4% unfavorable to budget and 0.7% above last YTD.
 - Special Events Cruises YTD included Inter-Island Cruise and Parade of Lights donation payment to SailMaine.
 - Marketing includes marketing consulting and support services.
 - Bar Expense included the annual ASCAP Music License.

Operating Surplus/Loss: Very Good

Year to date (YTD):

YTD operating result of \$-1.263M was 34.6% favorable to budget and 153.6% unfavorable to last YTD where the result was -\$498K.

Grant Revenues: Very Good

Year to date (YTD):

Grant revenue YTD of \$1.879M is 1.8% unfavorable to budget, and 51.7% above last YTD.

Surplus/Loss: Excellent

Year to date (YTD):

YTD result was \$615K, which was 3,324.0% ahead of budget but 17.6% unfavorable to last YTD, where the result was \$747K.

The District depreciation expense was \$1.038M for FY2019, which is the sum of depreciation on capital assets from October 1, 2018 through September 30, 2019.

Line of Credit Balance: \$0

The data in this section is from CBTD's unaudited monthly "Revenue and Expenses" reports.

Our basic financial statements are prepared utilizing propriety fund (enterprise fund) accounting that uses the same basis of accounting as the private-sector business enterprises. The District is accounted for as an accrual basis enterprise fund. This method of accounting has an economic resources measurement focus using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a balance sheet, statement of revenues, expenses and changes in net assets and a statement of cash flows. These are followed by the notes to the financial statements. In addition to the basic financial statements, this report also contains the required supplementary information that pertains to the District's retirement/pension plan.

The balance sheet presents information on assets and liabilities, with the difference between the two reported as net assets. In comparisons over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets reports the operating revenue, non-operating revenue and expenses of the District for the fiscal year. The difference (net income or loss) is combined with the activity in capital grants to determine the change in net assets for the fiscal year. This change in net assets, when added to the net asset total from the previous fiscal year, reconciles to the net asset total at the end of the current fiscal year.

The statement of cash flows reports the changes in cash and cash equivalents for the fiscal year resulting from operating activities, financing activities and investing activities. The net result of these activities added to the beginning cash and cash equivalent balance for the fiscal year results in the cash and cash equivalent balance at the end of the current fiscal year.

Requests for Information

This financial report is intended to provide an overview of the finances of the Casco Bay Island Transit District. Questions concerning any information contained in this report should be directed to the following:

Respectfully submitted,

Henry Berg
General Manager

Jonathan Greven
Director of Finance and HR

STATEMENT A

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF NET POSITION
SEPTEMBER 30,

	Operating	Garage Funds	Maintenance and Capital Reserve	2019	2018
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 3,084,280	\$ 1,692,209	\$ 1,608,690	\$ 6,385,179	\$ 5,294,192
Accounts receivable (net of allowance for uncollectible accounts)	127,387	-	-	127,387	168,114
Grants receivable	110,240	-	-	110,240	267,530
Inventory	103,150	-	-	103,150	95,129
Prepaid items	18,482	-	-	18,482	22,607
Due from other funds	-	-	-	-	460,000
TOTAL CURRENT ASSETS	<u>3,443,539</u>	<u>1,692,209</u>	<u>1,608,690</u>	<u>6,744,438</u>	<u>6,307,572</u>
NONCURRENT ASSETS					
Capital assets:					
Buildings and equipment, net of accumulated depreciation	12,201,171	-	-	12,201,171	12,093,567
TOTAL NONCURRENT ASSETS	<u>12,201,171</u>	<u>-</u>	<u>-</u>	<u>12,201,171</u>	<u>12,093,567</u>
TOTAL ASSETS	<u>\$ 15,644,710</u>	<u>\$ 1,692,209</u>	<u>\$ 1,608,690</u>	<u>\$ 18,945,609</u>	<u>\$ 18,401,139</u>
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	\$ 148,968	\$ -	\$ -	\$ 148,968	\$ 323,407
Accrued payroll and payroll taxes	94,171	-	-	94,171	72,868
Accrued compensated absences	122,544	-	-	122,544	122,544
Accrued pension	351,155	-	-	351,155	348,099
Other accrued liabilities	31,466	-	-	31,466	79,527
Charter deposits	3,755	-	-	3,755	5,908
Unearned revenue	5,200	-	-	5,200	60,171
Deferred reserve fund	-	1,692,209	-	1,692,209	1,374,791
Due to other funds	-	-	-	-	460,000
TOTAL CURRENT LIABILITIES	<u>757,259</u>	<u>1,692,209</u>	<u>-</u>	<u>2,449,468</u>	<u>2,847,315</u>
TOTAL LIABILITIES	<u>757,259</u>	<u>1,692,209</u>	<u>-</u>	<u>2,449,468</u>	<u>2,847,315</u>
NET POSITION					
Net investment in capital assets	12,201,171	-	-	12,201,171	12,093,567
Restricted	-	-	1,608,690	1,608,690	1,580,000
Unrestricted	2,686,280	-	-	2,686,280	1,880,257
TOTAL NET POSITION	<u>14,887,451</u>	<u>-</u>	<u>1,608,690</u>	<u>16,496,141</u>	<u>15,553,824</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 15,644,710</u>	<u>\$ 1,692,209</u>	<u>\$ 1,608,690</u>	<u>\$ 18,945,609</u>	<u>\$ 18,401,139</u>

See accompanying independent auditors' report and notes to financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Operating	Garage Funds	Maintenance and Capital Reserve	2019
OPERATING REVENUES				
Passenger fares	\$ 2,723,453	\$ -	\$ -	\$ 2,723,453
Vehicles	1,096,013	-	-	1,096,013
Freight	1,014,065	-	-	1,014,065
Mail contract	332,038	-	-	332,038
Tours and cruises	357,939	-	-	357,939
Charters	480,887	-	-	480,887
Miscellaneous	57,083	-	-	57,083
TOTAL OPERATING REVENUES	6,061,478	-	-	6,061,478
EXPENSES				
	8,480,473	-	-	8,480,473
OPERATING INCOME (LOSS)	(2,418,995)	-	-	(2,418,995)
NONOPERATING REVENUES (EXPENSES):				
U.S. Department of Transportation, Federal Transit Administration grant	1,792,480	-	-	1,792,480
State of Maine grants	146,663	-	-	146,663
Interest income	17,279	-	28,690	45,969
TOTAL NONOPERATING REVENUES	1,956,422	-	28,690	1,985,112
INCOME (LOSS) BEFORE CAPITAL GRANT REVENUES	(462,573)	-	28,690	(433,883)
CAPITAL GRANT REVENUES:				
U.S. Department of Transportation, Federal Transit Administration grant	1,119,671	-	-	1,119,671
Other capital revenue	256,529	-	-	256,529
TOTAL CAPITAL GRANT REVENUES	1,376,200	-	-	1,376,200
CHANGE IN NET POSITION	913,627	-	28,690	942,317
NET POSITION - OCTOBER 1	13,973,824	-	1,580,000	15,553,824
NET POSITION - SEPTEMBER 30	\$ 14,887,451	\$ -	\$ 1,608,690	\$ 16,496,141

See accompanying independent auditors' report and notes to financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,362,499
Payments to employees	(4,017,486)
Payments to suppliers and vendors	(3,551,422)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,206,409)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal maintenance grant	3,069,441
State subsidy grant	146,663
Other	256,529
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	3,472,633
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	45,969
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	45,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of property, plant and equipment	(1,145,656)
Interest paid	(75,550)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,221,206)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,090,987
CASH AND CASH EQUIVALENTS - OCTOBER 1	5,294,192
CASH AND CASH EQUIVALENTS - SEPTEMBER 30,	\$ 6,385,179
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (2,418,995)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,038,052
Amortization expense	75,550
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	40,727
(Increase) decrease in prepaid items	4,125
(Increase) decrease in inventory	(8,021)
Increase (decrease) in accounts payable	(174,439)
Increase (decrease) in accrued payroll and payroll taxes	21,303
Increase (decrease) in accrued pension	3,056
Increase (decrease) in other accrued liabilities	(48,061)
Increase (decrease) in charter deposits	(2,153)
Increase (decrease) in unearned revenue	(54,971)
Increase (decrease) in deferred revenue fund	317,418
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (1,206,409)

See accompanying independent auditors' report and notes to financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Casco Bay Island Transit District operates a year-round ferry service to the islands of Casco Bay as well as tours and charter trips. The District was created by the P&S Law, 1981 Chapter 22 of the State of Maine, as a transit district. The Directors of the District have charge of and supervise the management, operation and direction of all business and affairs of the District, including the issuance of debt. The Directors of the District are determined by election as provided for in P&S Law, 1981 Chapter 22. The District receives capital grants from local, State of Maine and Federal government sources and operating subsidies from the State of Maine and Federal government sources and must comply with requirements of these funding sources.

Reporting Entity

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

The District's combined financial statements include all accounts and all operations of the District. We have determined that the District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended September 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Department's basic financial statements include government-wide statements (reporting the District as a whole).

The government-wide financial statements categorize primary activities as business-type.

In the government-wide Statement of Net Position, the business-type activities column is (a) presented on a consolidated basis by column and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - net investment in capital assets; restricted net position and

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

1. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the District's policy to value investments at fair value. None of the District's investments are reported at amortized cost.

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of September 30, 2019. Allowances for uncollectible accounts netted with accounts receivable were \$237,627 for the year ended September 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of September 30, 2019.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost and more than one year of useful life are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data were unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximately market, using first-in first-out (FIFO) method. The costs of inventories are recorded as expenditures when used consumption method. Inventory consists of replacement vessel parts.

Budget

The District is not legally required to adopt a budget. Therefore, no budgetary comparison is presented.

Net Position

Net position represent the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

During the preparation of the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS

Deposits

The District's investment policies, which follow state statutes, authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The District does not have a policy covering custodial credit risk.

At September 30, 2019, the District's deposits amounting to \$6,385,179 were comprised of bank deposits of \$6,455,490. Of these deposits, \$184,200 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The District also has an overnight repurchase agreement for their checking account in the amount of \$6,271,290 that is also insured by a third-party agreement. In addition, the District had a petty cash/change fund balance of \$6,750 as of September 30, 2019.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 - DEPOSITS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 184,200
Repurchase agreement	6,271,290
	<u>\$ 6,455,490</u>

NOTE 3 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended September 30, 2019:

	<u>Balance, 10/1/18</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, 9/30/19</u>
Non-depreciated assets:				
Construction in progress	\$ 626,858	\$ 466,875	\$ -	\$ 1,093,733
	<u>626,858</u>	<u>466,875</u>	<u>-</u>	<u>1,093,733</u>
Depreciated assets:				
Leasehold improvements	\$ 4,430,072	\$ -	\$ -	\$ 4,430,072
Equipment	1,793,366	102,427	-	1,895,793
Vessels	16,788,124	576,354	-	17,364,478
	<u>23,011,562</u>	<u>678,781</u>	<u>-</u>	<u>23,690,343</u>
Less: accumulated depreciation	<u>(11,544,853)</u>	<u>(1,038,052)</u>	<u>-</u>	<u>(12,582,905)</u>
	<u>11,466,709</u>	<u>(359,271)</u>	<u>-</u>	<u>11,107,438</u>
Net capital assets	<u>\$ 12,093,567</u>	<u>\$ 107,604</u>	<u>\$ -</u>	<u>\$ 12,201,171</u>

NOTE 4 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended September 30, 2019:

	<u>Balance, 10/1/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 9/30/19</u>	<u>Current Portion</u>
Accrued compensated absences	\$ 122,544	\$ -	\$ -	\$ 122,544	\$ -

Refer to Note 5 of Notes to Financial Statements for detailed accrued compensated absences information.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 - ACCRUED COMPENSATED ABSENCES

Employees of the District are entitled to be paid vacation and paid sick days depending on job classification, length of service and other factors. The District's policy is to recognize the cost of sick days when actually paid to employees. There is no liability to pay accrued sick days, as the District is not obligated for payment upon termination of employment. Accrued vacation pay at September 30, 2019 was \$122,544.

NOTE 6 - PENSION PLAN

The District has a non-contributory money purchase plan. All employees are eligible to participate in the plan if they are at least 20 years of age and have completed one year of eligible service. The District's contribution rate is 15% of the total compensation of all eligible participants and is funded currently. Effective March 16, 2011 the rate changed to 8% for new participants to the plan. The plan also reflects credits against current year expense for nonvested amounts of employees who are no longer employed by the District. The District's total contributions for the year ended September 30, 2019 was \$351,155.

NOTE 7 - OPERATING LEASES

The District has a lease agreement with the City of Portland to lease their facilities in the Casco Bay Ferry Terminal. The lease began March 5th, 1985 and the renewal lease term is for thirty years following the date of the lease amendment on October 1, 2018. The amount of future minimum lease payments had been agreed upon through September 30, 2038. The increase in minimum rental payments will be no less than the annual rate of inflation for the twelve months immediately preceding but in no event shall exceed 5%.

The annual rent will be the greater of \$20,000 or 5.4% of gross revenues from tours, cruises and charter operations and the food establishment subject to the inflation adjustment.

The District will pay to the City, no later than November 15 of each year, an amount equal to 5.4% of gross revenues mentioned above for each fiscal year. This amount will be reduced by the monthly payments already paid to the City during the year. The District is responsible for all costs and expenses related to the Casco Bay Ferry Terminal.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 7 - OPERATING LEASES (CONTINUED)

In the lease, the City agreed to establish a maintenance fund to assist the District with major repairs and maintenance of the Terminal facility. The fund will consist of 50% of the annual net revenues (less the City's annual cost of all casualty insurance covering the Terminal, less City's future capital expenses not paid out of the Garage Capital Reserve, City's debt service related to future borrowings for capital expenses not paid out of the Garage Capital Reserve) received by the City from the 190 parking spaces in the parking garage adjacent to the Terminal, which were funded by the Federal Transit Administration. The maintenance fund may not exceed \$160,000 which will be increased by \$5,000 in the fifth, tenth and fifteen anniversaries of the effective date.

Also in the lease, the City agreed to establish an Excess Fund upon repayment to the City of all of its debt services costs associated with acquisition of the west side of the Maine State Pier. The fund will consist of 100% of the net revenues received by the City from the 190 parking spaces in excess of the Maintenance Fund plus the rent paid by the District. The City shall make the funds available on a priority basis: first to the District for capital costs associated with its operation and then to be disbursed to all other mass transportation needs and not limited to capital expenditures.

The District entered into a rental agreement with the State of Maine Department of Transportation for the right to use pier facilities on the islands the District serves. The rental period shall run for a period of twelve years beginning April 1, 2009. In lieu of annual rental payments, the District agrees to perform minor maintenance activities that require prompt attention.

The total rent and minor repairs expense for the year ended September 30, 2019 was \$47,466.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Equipment and three vessels owned and operated by the District were purchased, in part, with grants from the Federal Transit Administration and one vessel was purchased with a Federal Highway Administration grant. All District vessels are maintained by FTA grants. Upon disposal of the vessels or equipment that sell for more than \$1,000, the District may be required to return a portion of the funds to the FTA in proportion to the original percentage of Federal funds contributed by the FTA. That proportion would be approximately 80%.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 9 - CONTINGENT LIABILITIES

Grant funds amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District maintains insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to District. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 11 - RESERVE FUND - GARAGE

The deferred reserve fund is money received from a current operating lease paid to Casco Bay Island Transit District during the fiscal year. This money is to be used for capital expenses or preventive maintenance as stated in the lease. The value of deferred capital reserve is \$1,692,209 with part of this being used for the local match of the current construction project being done during the next fiscal year and for preventive maintenance.

NOTE 12 - RESERVE FUND - MAINTENANCE AND CAPITAL

The maintenance and repair reserve for the District is being used to fund long-term capital additions and maintenance repairs. It is anticipated that the District will spend \$40,000,000 in capital additions and ongoing maintenance for its current infrastructure over the next five years, according to the District's calculated spending plan. The District expects to reserve from end of year net position an amount up to the excess over its established fund balance policy. The District will defer a contribution into the reserve until FY2020 due to economic uncertainty from COVID-19.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 - RECONCILIATION OF NET POSITION

	Unrestricted net position	Restricted	Net investment in capital assets	Total
Operating revenues	\$ 6,061,478	\$ -	\$ -	\$ 6,061,478
Operating expenses	(8,480,473)	-	-	(8,480,473)
Nonoperating revenues (expenses)	1,985,112	-	-	1,985,112
Capital grant revenues	1,119,671	-	-	1,119,671
Other capital revenues	256,529	-	-	256,529
Depreciation expense	1,038,052	-	(1,038,052)	-
Change in fixed assets account not in expenses	(1,145,656)	-	1,145,656	-
Increase (Decrease) in net position	834,713	-	107,604	942,317
Net Position - October 1, 2018	1,880,257	1,580,000	12,093,567	15,553,824
Net Position - September 30, 2019	\$ 2,714,970	\$ 1,580,000	\$ 12,201,171	\$ 16,496,141

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Statement of Expenses

CASCO BAY ISLAND TRANSIT DISTRICT
 STATEMENT OF EXPENSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019
OPERATING EXPENSES	
Salaries and wages	\$ 3,077,356
Payroll taxes	232,034
Employee benefits	333,239
Pension plan	351,155
Repairs and maintenance	1,337,889
Fuel	691,387
Insurance	102,324
Telephone	20,053
Mail agent	11,220
Office expense	150,574
Postage	3,249
Travel	18,333
Injuries and damages	16,080
Professional fees	75,361
Dues and subscriptions	20,025
Uniforms	28,071
Heat and utilities	62,695
Janitorial	85,582
Rent	38,411
Terminal	154,768
Credit card settlement fees	141,285
Charter expenses	150,299
Depreciation	1,038,052
Barge subcontracting	75,550
Sales/marketing expense	164,827
Miscellaneous	100,654
	\$ 8,480,473

See accompanying independent auditors' report and notes to financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster:				
State of Good Repair Grants Program	20.525	ME-2018-014	\$ -	\$ 345,930
State of Good Repair Grants Program	20.525	ME-2019-018	-	641,972
			<u>-</u>	<u>987,902</u>
Federal Transit-Formula Grants	20.507	ME-2019-018	-	9,099
Federal Transit-Formula Grants	20.507	ME-2018-014	-	678,638
Federal Transit-Formula Grants	20.507	ME-2018-004	-	9,616
Federal Transit-Formula Grants	20.507	ME-2016-018	-	482,646
Federal Transit-Formula Grants	20.507	ME-2018-003	-	22,019
Federal Transit-Formula Grants	20.507	ME-2016-014	-	6,804
Federal Transit-Formula Grants	20.507	ME-90-2217	-	747
Federal Transit-Formula Grants	20.507	ME-90-0194	-	3,419
Federal Transit-Formula Grants	20.507	ME-2016-013	-	271,998
Federal Transit-Formula Grants	20.507	ME-90-208	-	512
			<u>-</u>	<u>1,485,498</u>
Total Federal Transit Cluster			<u>-</u>	<u>2,473,400</u>
Pass-through State of Maine Department of Transportation				
Formula Grants for Rural Areas	20.509	CSN 40827	-	1,049
Formula Grants for Rural Areas	20.509	CSN 39505	-	278,374
Formula Grants for Rural Areas	20.509	CSN 40775	-	85,654
			<u>-</u>	<u>365,077</u>
TOTAL FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 2,838,477</u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Casco Bay Island Transit District, under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Casco Bay Island Transit District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Casco Bay Island Transit District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Casco Bay Island Transit District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the business-type activities of Casco Bay Island Transit District as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise Casco Bay Island Transit District's basic financial statements and have issued our report thereon dated June 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casco Bay Island Transit District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casco Bay Island Transit District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casco Bay Island Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
June 19, 2020



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Casco Bay Island Transit District
Portland, Maine

Report on Compliance for Each Major Federal Program

We have audited Casco Bay Island Transit District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Casco Bay Island Transit District's major federal programs for the year ended September 30, 2019. Casco Bay Island Transit District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations and the terms and conditions of its federal awards.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Casco Bay Island Transit District's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Casco Bay Island Transit District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Casco Bay Island Transit District's compliance.

Opinion on Each Major Federal Program

In our opinion, Casco Bay Island Transit District, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of Casco Bay Island Transit District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Casco Bay Island Transit District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Casco Bay Island Transit District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
June 19, 2020

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster: Federal Transit - Formula Grants
20.525	Federal Transit Cluster: State of Good Repair Grants Program

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

NONE

Section III - Federal Awards Findings and Questioned Costs

NONE



ACCOUNTANTS' REVIEW REPORT ON SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have reviewed the accompanying schedule of expenditures of department agreements for the Casco Bay Island Transit District as of and for the year ended September 30, 2019 in accordance with standards for accounting and review services established by the American Institute of Certified Public Accountants and the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP).

Our review was limited to presenting in the form prescribed by the Department of Transportation under Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) information that is the representation of the management of the Casco Bay Island Transit District. We have reviewed the schedule of expenditures of department agreements and we have performed procedures to obtain limited assurance that there are no material modifications that should be made to the schedule of expenditures of department agreements. We believe that the results of our procedures provide reasonable basis for our report.

The schedule of expenditures of department agreements is presented in accordance with the requirements of MAAP, is are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the management of the Casco Bay Island Transit District and is not intended to be and should not be used by anyone other than these specified parties.

RHR Smith & Company

Buxton, Maine
June 19, 2020

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CASCO BAY TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Department Office</u>	<u>Agreement Number</u>	<u>Agreement Amount</u>	<u>Agreement Period</u>	<u>Agreement Service</u>	<u>Agreement Status</u>	<u>Federal Expenses</u>	<u>State Expenses</u>	<u>Total Department Expenses</u>	<u>Local Share Expenses</u>	<u>Total Agreement/ Match Expenses</u>
DOT:										
OPT	CSN 40827	\$ 1,049	6/5/19-9/30/19	RTAP	Final	\$ 1,049	\$ -	\$ 1,049	\$ -	\$ 1,049
OPT	CSN 40775	300,000	7/1/19-6/30/20	Admin/Operating	Interim	85,654	-	85,654	57,335	142,989
OPT	CSN 39259	68,444	7/1/18-6/30/19	Admin/Operating	Final	-	68,444	68,444	-	68,444
OPT	CSN 39505	285,000	7/1/18-6/30/19	Admin/Operating	Final	278,374	-	278,374	247,066	525,440
TOTAL						<u>\$ 365,077</u>	<u>\$ 68,444</u>	<u>\$ 433,521</u>	<u>\$ 304,401</u>	<u>\$ 737,922</u>

Disclosures:

Is your Agency required to have a Federal Uniform Guidance Audit? YES NO .



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ACCOUNTANTS' COMPILATION REPORT ON AGREEMENT SETTLEMENT FORMS

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have compiled the accompanying Agreement Settlement Forms of Casco Bay Island Transit District as of September 30, 2019 and for the year then ended, in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

RHR Smith & Company

Buxton, Maine
June 19, 2020

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: 30-Sep-19
CFDA#: 20.509
Project Name/No: Admin/Operating
CSN#: CSN 39505
PIN#: 020787.54/020789.47
Agreement Period: 7/1/18-6/30/19

	Operating	Admin	Capital	Total
Gross Expenditures	\$ 710,946	\$ 143,611	\$ -	\$ 854,557
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ 256,007	\$ -	\$ -	\$ 256,007
Excess Unrestricted Fed	\$ -		\$ -	\$ -
Total Deductions	\$ 256,007	\$ -	\$ -	\$ 256,007
Net Expenditures/Deficit	\$ 454,939	\$ 143,611	\$ -	\$ 598,550
<u>Federal Share</u>				
Maximum %	50%	80%	\$ -	
Amount Paid	\$ 220,000	\$ 65,000	\$ -	\$ 285,000
Maximum Amount	\$ 220,000	\$ 65,000	\$ -	\$ 285,000
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>State Share</u>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>Local Share</u>				
Minimum %	50.0%	20.0%	0%	
Amount Paid	\$ 227,470	\$ 25,484	\$ -	\$ 252,954
Minimum Amount	\$ 227,470	\$ 28,722	\$ -	\$ 256,192
Over (Under) Minimum	\$ -	\$ (3,238)	\$ -	\$ (3,238)
<u>Summary:</u>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: 30-Sep-19
CFDA#: 20.509
Project Name/No: Admin
CSN#: 40827
PIN#: 20769.01
Agreement Period: 6/5/19-9/30/19

	Operating	Admin	Capital	Total
Gross Expenditures	\$ -	\$ 1,049	\$ -	\$ 1,049
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ -	\$ -	\$ -	\$ -
Net Expenditures/Deficit	\$ -	\$ 1,049	\$ -	\$ 1,049
<u>Federal Share</u>				
Maximum %	0.0%	100.0%	0%	
Amount Paid	\$ -	\$ 1,049	\$ -	\$ 1,049
Maximum Amount	\$ -	\$ 1,049	\$ -	\$ 1,049
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>State Share</u>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>Local Share</u>				
Minimum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Minimum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Minimum	\$ -	\$ -	\$ -	\$ -
<u>Summary:</u>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

DOT/Passenger Transportation
D.O.T. SECTION # 9
URBAN TRANSPORTATION PROGRAM
STATE FUNDING FOR DIRECT FTA RECEIPIENTS

Community Agency: Casco Bay Island Transit District
Fiscal Year End: September 30, 2019
Project Name/Grant No: Operating
CSN#: 39259
PIN#: 022760.18
Agreement Period: 7/1/18-6/30/19

State Participating Share

Max Authorized Amount	\$	68,444
State Share Paid	\$	68,444
State Over (Under) Paid	\$	<u><u>-</u></u>

State funds from MDOT cannot exceed the amount authorized, and in no event exceed 50% of the eligible deficit.