

# State Compliance Audit

## Casco Bay Island Transit District

Six Months Ended September 30, 2017



*Proven Expertise and Integrity*

CASCO BAY ISLAND TRANSIT DISTRICT

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SEPTEMBER 30, 2017

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*Proven Expertise and Integrity*

## 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 six months ended September 30, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the six months 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 6 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 December 15, 2017 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  
December 15, 2017

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2017**

**(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, 2017.

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 performed strongly in FY2017B with improvements in key operational metrics as well as financial performance. It’s critical to note that FY2017B is a 6 month “stub year” that is the result of the District changing the fiscal year end from March 31 to September 30. The new end date coincides with the Federal Fiscal Year and offers many financial reporting and accounting advantages. The District migrated from legacy Sage accounting software to Tyler Munis at the beginning of FY2017B, which has created efficiencies and allowed for additional financial controls. The District’s FY2017B contained only the 6 busiest months of the year and omitted the 6 winter months where revenues are low and expenses high, which skews the data in a favorable direction. Nonetheless, 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 District. The District’s financial position is supported by strong liquidity and a debt balance of zero. The District is well positioned to make necessary strategic investments to meet the needs of the Casco Bay Islands into the future.

**FINANCIAL HIGHLIGHTS\***

**Synopsis:**

Year-to-date Revenues were favorable and exceeded budget by 16.4% while year-to-date expenses only exceeded budget by 3.4% and grant revenue exceeded budget by 37.0% resulting in a surplus favorably exceeding budget by 76.3%.

**Revenue Assessment: Excellent**

*Year to date (YTD):*

Revenues on YTD basis were 16.4% ahead of budget and have now exceeded the first 6 months of FY2017 at 2.3% above last YTD.

- FY2017B marked the 4<sup>th</sup> year in a row that CBL achieved over \$1M in revenues in both July and August.
- Scheduled passenger revenues YTD were 13.7% ahead of budget and 2.5% above last September YTD.
  - CBL experienced typical ticket pre-buys prior to spring schedule fare increases, as expected.
- Vehicle revenues were 3.8% ahead of budget YTD and improved to 9.3% below last YTD. These numbers were sharply impacted by the Machigonne drydock during the month of April, 2017. The Machigonne was operating in April, 2016.

- The Machigonne was also out of service for 2 days during the month of July, though CBL contracted replacement barge service with minimal interruption in scheduled vehicle service.
- Freight revenues YTD were 37.4% ahead of budget and 19.6% ahead of last YTD.
- Group sales YTD were 22.6% ahead of budget and are now 4.8% better than last YTD – this is remarkable as the Spring Wabanaki charter in the previous fiscal year that did not occur in FY2017B and CBL has now overcome this \$80K+ revenue difference.

**Expense Assessment: Good**

*Year to date (YTD):*

YTD Expenses were 3.4% higher than budget and were 13.9% above last YTD.

- Personnel expenses YTD are 5.2% over budget 8.8% over last YTD. It's important to note that the District has recently started to capture direct labor from grants in FY2017B. This amount is reflected in grant revenue, rather than directly against the personnel expense that it offsets.
  - FY2017B included extra expenses for Peaks crowd control, waiting area information staffing.
- Vessel maintenance is 2.2% under budget and 21.4% above last YTD, primarily due to the heavy drydock schedule this winter and payments that were delayed into the spring months.
  - FY2017B Aucocisco drydock expense was \$227K against a budget of \$175K for FY2017B.
  - FY2017B Machigonne drydock expense was \$201K against a budget of \$250K for FY2017B. Machigonne drydock spanned fiscal years with total noncapital expense of \$346K.
  - In July, Machigonne repairs that were necessary during the month were billed to Rockland Marine under service warranty, rather than to CBL. We are investigating the recovery of Barge Service charges of \$9K due to Machigonne being out of service for 2 days.
  - July Bay Mist Repairs included charges for painting, \$12K, which was delayed due to inclement weather during her drydock.
  - In August the Bay Mist needed an emergency starboard transmission rebuild, however this was capitalized and does not appear in expenses. Total was approximately \$19K.
- Operations expense was 2.8% over budget and 20.1% higher than last YTD.
  - In August, Barge Subcontracting of \$7K was unplanned, but necessary, to fill scheduled service for two days of outage for the Machigonne.
  - September included employee bonus for end of summer season.
- Terminal expense YTD was 1.6% under budget and 6.3% higher than last YTD.
- Sales expense YTD was 28.4% over budget and was higher than last YTD at 28.4% above this time last year. CBL interprets over budget performance as positive in this category, as it corresponds to higher charter and catering billing and ultimately revenue.

**Operating Surplus/Loss: Excellent**

*Year to date (YTD):*

YTD operating result of \$807K was 188.1% better than budget but 30.4% below YTD September 2016, where the result was \$1.160M.

**Grant Revenues: Excellent**

*Year to date (YTD):*

Grant revenue YTD of \$1.196M is 49.2% ahead of budget, and 170.0% ahead of last YTD.

It's important to note that while CBITD budgeted for FTA Indirect Cost revenue, these funds are being reflected in the various other Grant Revenue Categories due to the setup of our new accounting software.

**Surplus/Loss: Excellent**

*Year to date (YTD):*

Our current YTD result is \$2.004M, which is 71.0% ahead of budget and 17.6% ahead of last YTD, where the result was \$1.703M.

Note: This Surplus/Loss is reported prior to any Fund Balance Deposit for FY2017B that serves to support capital investment, state of good repair and debt service for the District.

**Line of Credit Balance: \$0**

\* The data in this section is from CBITD'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

## CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF NET POSITION  
SEPTEMBER 30,

	<u>Operating</u>	<u>Garage Funds</u>	<u>Maintenance and Capital Reserve</u>	<u>2017</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 1,841,826	\$ 1,106,159	\$ 1,120,000	\$ 4,067,985
Accounts receivable (net of allowance for uncollectible accounts)	65,314	-	-	65,314
Grants receivable	464,189	-	-	464,189
Inventory	88,490	-	-	88,490
Prepaid items	19,341	-	-	19,341
<b>TOTAL CURRENT ASSETS</b>	<u>2,479,160</u>	<u>1,106,159</u>	<u>1,120,000</u>	<u>4,705,319</u>
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Buildings and equipment, net of accumulated depreciation	11,778,233	-	-	11,778,233
<b>TOTAL NONCURRENT ASSETS</b>	<u>11,778,233</u>	<u>-</u>	<u>-</u>	<u>11,778,233</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,257,393</u>	<u>\$ 1,106,159</u>	<u>\$ 1,120,000</u>	<u>\$ 16,483,552</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 313,301	\$ -	\$ -	\$ 313,301
Accrued payroll and payroll taxes	65,257	-	-	65,257
Accrued compensated absences	163,574	-	-	163,574
Accrued pension	327,928	-	-	327,928
Other accrued liabilities	58,289	-	-	58,289
Charter deposits	6,900	-	-	6,900
Unearned revenue	57,417	-	-	57,417
Deferred reserve fund	-	1,106,159	-	1,106,159
<b>TOTAL CURRENT LIABILITIES</b>	<u>992,666</u>	<u>1,106,159</u>	<u>-</u>	<u>2,098,825</u>
<b>TOTAL LIABILITIES</b>	<u>992,666</u>	<u>1,106,159</u>	<u>-</u>	<u>2,098,825</u>
<b>NET POSITION</b>				
Net investment in capital assets	11,778,233	-	-	11,778,233
Temporarily restricted net assets	-	-	1,120,000	1,120,000
Unrestricted	1,486,494	-	-	1,486,494
<b>TOTAL NET POSITION</b>	<u>13,264,727</u>	<u>-</u>	<u>1,120,000</u>	<u>14,384,727</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 14,257,393</u>	<u>\$ 1,106,159</u>	<u>\$ 1,120,000</u>	<u>\$ 16,483,552</u>

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

## STATEMENT B

## CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE SIX MONTHS ENDED SEPTEMBER 30,

	Operating	Garage Funds	Maintenance and Capital Reserve	2017
OPERATING REVENUES				
Passenger fares	\$ 2,167,359	\$ -	\$ -	\$ 2,167,359
Vehicles	749,255	-	-	749,255
Freight	621,304	-	-	621,304
Mail contract	35,168	-	-	35,168
Tours and cruises	524,597	-	-	524,597
Charters	437,574	-	-	437,574
Miscellaneous	32,837	-	-	32,837
TOTAL OPERATING REVENUES	<u>4,568,094</u>	<u>-</u>	<u>-</u>	<u>4,568,094</u>
EXPENSES	<u>4,343,623</u>	<u>-</u>	<u>-</u>	<u>4,343,623</u>
OPERATING INCOME (LOSS)	<u>224,471</u>	<u>-</u>	<u>-</u>	<u>224,471</u>
NONOPERATING REVENUES (EXPENSES):				
U.S. Department of Transportation, Federal Transit Administration grant	1,190,487	-	-	1,190,487
Interest income	3,640	-	-	3,640
TOTAL NONOPERATING REVENUES	<u>1,194,127</u>	<u>-</u>	<u>-</u>	<u>1,194,127</u>
INCOME (LOSS) BEFORE CAPITAL GRANT REVENUES	<u>1,418,598</u>	<u>-</u>	<u>-</u>	<u>1,418,598</u>
CAPITAL GRANT REVENUES:				
U.S. Department of Transportation, Federal Transit Administration grant	166,175	-	-	166,175
Other capital revenue	42,017	-	-	42,017
TOTAL CAPITAL GRANT REVENUES	<u>208,192</u>	<u>-</u>	<u>-</u>	<u>208,192</u>
CHANGE IN NET POSITION	1,626,790	-	-	1,626,790
TRANSFER OF NET POSITION	(800,000)		800,000	-
NET POSITION - APRIL 1	<u>12,437,937</u>	<u>-</u>	<u>320,000</u>	<u>12,757,937</u>
NET POSITION - SEPTEMBER 30	<u>\$ 13,264,727</u>	<u>\$ -</u>	<u>\$ 1,120,000</u>	<u>\$ 14,384,727</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30,

	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,500,920
Payments to employees	(1,853,287)
Payments to suppliers and vendors	(1,756,300)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	891,333
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal maintenance grant	1,883,330
Other	42,017
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,925,347
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	3,640
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,640
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of property, plant and equipment	(874,554)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(926,304)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,894,016
CASH AND CASH EQUIVALENTS - APRIL 1	2,173,969
CASH AND CASH EQUIVALENTS- SEPTEMBER 30,	\$ 4,067,985
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 224,471
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	532,095
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(44,230)
(Increase) decrease in prepaid items	40,469
(Increase) decrease in inventory	4,368
Increase (decrease) in accounts payable	(120,356)
Increase (decrease) in accrued payroll and payroll taxes	7,485
Increase (decrease) in accrued compensated absences	50,691
Increase (decrease) in accrued pension	139,345
Increase (decrease) in other accrued liabilities	28,189
Increase (decrease) in charter deposits	(29,400)
Increase (decrease) in unearned revenue	31,673
Increase (decrease) in deferred revenue fund	(25,217)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 891,333

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

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 six months ended September 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. 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 unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

**Measurement Focus - Basic Financial Statements & 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:

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 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.

**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, 2017 was \$163,574.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

**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.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

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, 2017, the District's deposits amounting to \$4,067,985 were comprised of bank deposits of \$4,129,745. Of these deposits, \$184,162 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 \$3,945,583 that is also insured by a third party agreement. In addition, the District had a petty cash/change fund balance of \$7,950 as of September 30, 2017.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 184,162
Repurchase agreement	<u>3,945,583</u>
	<u>\$ 4,129,745</u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 3 – CAPITAL ASSETS

The following is a summary of the changes in capital assets for the six months ended September 30, 2017:

	Balance, 4/1/17	Additions	Disposals	Balance, 9/30/17
Non-depreciated assets:				
Construction in progress	\$ -	\$ 218,515	\$ -	\$ 218,515
	<u>-</u>	<u>218,515</u>	<u>-</u>	<u>218,515</u>
Depreciated assets:				
Leasehold improvements	\$ 4,427,306	\$ -	\$ -	\$ 4,427,306
Equipment	1,509,644	181,429	(38,296)	1,652,777
Vessels	15,556,543	474,610	-	16,031,153
	<u>21,493,493</u>	<u>656,039</u>	<u>(38,296)</u>	<u>22,111,236</u>
Less: accumulated depreciation	<u>(10,057,719)</u>	<u>(532,095)</u>	<u>38,296</u>	<u>(10,551,518)</u>
	<u>11,435,774</u>	<u>123,944</u>	<u>-</u>	<u>11,559,718</u>
Net capital assets	<u>\$ 11,435,774</u>	<u>\$ 342,459</u>	<u>\$ -</u>	<u>\$ 11,778,233</u>

NOTE 4 – 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 six months ended September 30, 2017 was \$139,345.

NOTE 5 – 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 5<sup>th</sup>, 1985 and the lease term is for thirty years following the date of the notice of beneficial occupancy of the facility. The amount of future minimum lease payments had been agreed upon through September 30, 2017. The City of Portland and the District are in the process of establishing the new future lease payments. The increase in minimum rental payments will be no less than the annual rate of inflation for the twelve months immediately preceding September 1, 2005.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 5 – OPERATING LEASES (CONTINUED)

The annual rent will be 5% of gross revenues from tours and cruises and charter operations.

The District will pay to the City, no later than November 15 of each year, an amount equal to 5% 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.

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) 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. As of September 30, 2017, the District and the City have not reached an agreement on the appropriate allocation of revenues and expenses at the parking garage.

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 six months ended September 30, 2017 was \$38,266.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Equipment and four vessels owned and operated by the District were purchased, in part, with grants from the Federal Transit Administration. 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%.

NOTE 7 – 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 8 – 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 9 – RESERVE FUND

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 \$1,106,159 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.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 10 – RECONCILIATION OF NET POSITION

	Unrestricted net position	Temporarily Restricted	Net investment in capital assets	Total
Operating revenues	\$ 4,568,094	\$ -	\$ -	\$ 4,568,094
Operating expenses	(4,343,623)	-	-	(4,343,623)
Nonoperating revenues (expenses)	1,194,127	-	-	1,194,127
Capital grant revenues	166,175	-	-	166,175
Other capital revenues	42,017	-	-	42,017
Depreciation expense	532,095	-	(532,095)	-
Change in fixed assets account not in expenses	(874,554)	-	874,554	-
Increase (Decrease) in net position	1,284,331	-	342,459	1,626,790
Net Position - April 1, 2017	1,002,163	320,000	11,435,774	12,757,937
Transfer of Net Positions	(800,000)	800,000	-	-
Net Position - September 30, 2017	<u>\$ 1,486,494</u>	<u>\$ 1,120,000</u>	<u>\$ 11,778,233</u>	<u>\$ 14,384,727</u>

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government 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 SIX MONTHS ENDED SEPTEMBER 30,

	2017
OPERATING EXPENSES	
Salaries and wages	\$ 1,663,156
Payroll taxes	120,879
Employee benefits	155,617
Pension plan	139,345
Repairs and maintenance	652,276
Fuel	282,812
Insurance	54,364
Telephone	11,855
Mail agent	5,651
Office expense	157,807
Postage	2,186
Travel	3,895
Injuries and damages	4,491
Professional fees	56,342
Dues and subscriptions	767
Uniforms	14,167
Training	907
Heat and utilities	24,679
Janitorial	36,135
Rent	38,266
Terminal	79,108
Advertising	42,230
Catering	136,548
Depreciation	532,095
Barge subcontracting	51,750
Sales/marketing expense	37,706
Miscellaneous	38,589
	\$ 4,343,623

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

CASCO BAY ISLAND TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

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	20.525	ME-2016-019	\$ -	\$ 771,894
Federal Transit Formula Grants	20.507	ME-2018-03	-	92,189
Federal Transit Formula Grants	20.507	ME-2016-022	-	23,942
Federal Transit Formula Grants	20.507	ME-90-0217	-	200
Federal Transit Formula Grants	20.507	ME-2016-013	-	270,773
Federal Transit Formula Grants	20.507	ME-90-0194	-	25,936
Federal Transit Formula Grants	20.507	ME-90-0208	-	74,933
Federal Transit Formula Grants	20.507	ME-90-0192	-	17,723
			<u>-</u>	<u>505,696</u>
Total Federal Transit Cluster			<u>-</u>	<u>1,277,590</u>
Pass-through State of Maine Department of Transportation				
Formula Grants for Rural Areas	20.509	CSN 38057	-	5,600
Formula Grants for Rural Areas	20.509	CSN 36761	-	73,472
			<u>-</u>	<u>79,072</u>
TOTAL FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,356,662</u>

## CASCO BAY ISLAND TRANSIT DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

#### 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 six months ended September 30, 2017. 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 six months ended September 30, 2017, 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 December 15, 2017.

**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  
December 15, 2017



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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 six months ended September 30, 2017. 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.

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 six months ended September 30, 2017.

### **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  
December 15, 2017

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

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:

CFDA Numbers                      Name of Federal Program or Cluster

20.507/20.525                      Federal Transit Cluster

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



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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 six months ended September 30, 2017 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  
December 15, 2017

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

<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 36340	\$ 5,000	7/1/16-6/30/17	RTAP	Final	\$ -	\$ -	\$ -	\$ -	\$ -
OPT	CSN 36761	298,000	7/1/16-6/30/17	Admin/Operating	Final	73,473	-	73,473	73,473	146,946
OPT	CSN 38057	278,000	7/1/17-6/30/18	Admin/Operating	Interim	5,600	-	5,600	4,224	9,824
								-		
TOTAL						\$ 79,073	\$ -	\$ 79,073	\$ 77,697	\$ 156,770

NOTES:

Disclosures:

Is your Agency required to have a federal A-133 Audit? YES  X  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, 2017 and for the six months 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  
December 15, 2017

AGREEMENT SETTLEMENT FORM (ASF)

**Community Agency:** Casco Bay Island Transit District  
**Fiscal Year End:** September 30, 2017  
**CFDA#:** 20.509  
**Project Name/No:** Admin/Operating  
**CSN#:** CSN 36761  
**PIN#:** 20787.03  
**Agreement Period:** 7/1/16-9/30/17

	Operating	Admin	Capital	Total
<b>Gross Expenditures</b>	\$ 1,074,455	\$ 62,960	\$ -	\$ 1,137,415.00
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ 574,447	\$ -	\$ -	\$ 574,447
Excess Unrestricted Fed	\$ 8	\$ 2,960	\$ -	\$ 2,968
<b>Total Deductions</b>	\$ 574,455	\$ 2,960	\$ -	\$ 577,415
<b>Net Expenditures/Deficit</b>	\$ 500,000	\$ 60,000	\$ -	\$ 560,000
<b><u>Federal Share</u></b>				
Maximum %	50%	80%	\$ -	
Amount Paid	\$ 250,000	\$ 48,000	\$ -	\$ 298,000
Maximum Amount	\$ 250,000	\$ 48,000	\$ -	\$ 298,000
<b>Over (Under) Maximum</b>	\$ -	\$ -	\$ -	\$ -
<b><u>State Share</u></b>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
<b>Over (Under) Maximum</b>	\$ -	\$ -	\$ -	\$ -
<b><u>Local Share</u></b>				
Minimum %	50.0%	20.0%	0%	
Amount Paid	\$ 250,000	\$ 12,000	\$ -	\$ 262,000
Minimum Amount	\$ 250,000	\$ 12,000	\$ -	\$ 262,000
<b>Over (Under) Minimum</b>	\$ -	\$ -	\$ -	\$ -
<b><u>Summary:</u></b>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

**Community Agency:** Casco Bay Island Transit District  
**Fiscal Year End:** September 30, 2017  
**CFDA#:** 20.509  
**Project Name/No:** Admin  
**CSN#:** 36340  
**PIN#:** 19538  
**Agreement Period:** 7/1/15-6/30/17

	Operating	Admin	Capital	Total
<b>Gross Expenditures</b>	\$ -	\$ 5,000	\$ -	\$ 5,000
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
<b>Total Deductions</b>	\$ -	\$ -	\$ -	\$ -
<b>Net Expenditures/Deficit</b>	\$ -	\$ 5,000	\$ -	\$ 5,000
<b><u>Federal Share</u></b>				
Maximum %	0.0%	100.0%	0%	
Amount Paid	\$ -	\$ 4,887	\$ -	\$ 4,887
Maximum Amount	\$ -	\$ 5,000	\$ -	\$ 5,000
<b>Over (Under) Maximum</b>	\$ -	\$ (113)	\$ -	\$ (113)
<b><u>State Share</u></b>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
<b>Over (Under) Maximum</b>	\$ -	\$ -	\$ -	\$ -
<b><u>Local Share</u></b>				
Minimum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Minimum Amount	\$ -	\$ -	\$ -	\$ -
<b>Over (Under) Minimum</b>	\$ -	\$ -	\$ -	\$ -
<b><u>Summary:</u></b>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -