

Federal Compliance Audit

# Casco Bay Island Transit District

September 30, 2021



*Proven Expertise & Integrity*

CASCO BAY ISLAND TRANSIT DISTRICT

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SEPTEMBER 30, 2021

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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 years ended September 30, 2021 and 2020 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, 2021 and 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 statement 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 accompanying schedule of expenditures of department agreements is presented for purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies* and is not a required part of the basic financial statements.

The statement of expenses, the schedule of expenditures of federal awards and the schedule of expenditures of department agreements 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, the schedule of expenditures of federal awards and the schedule of expenditures of department agreements 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 30, 2022 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.

The image shows a handwritten signature in black ink that reads "RHR Smith & Company". The signature is written in a cursive, flowing style.

Buxton, Maine  
June 30, 2022



Casco Bay Lines  
P.O. Box 4656  
56 Commercial St.  
Portland, ME 04112

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**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

**(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, 2021.

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 COVID-19 pandemic continued to have a negative impact on CBITD in FY2021. The pandemic impacted District employees, passengers, operational efficiency, and financial position by way of reduced revenue as well as increased expenses. Staffing challenges caused by the pandemic and efforts to keep crew and passengers safe, made operations more difficult than ever and resulted in significant increases in personnel expense in all operational staff categories. While the District has become accustomed to a vibrant summer season, this did not materialize in 2021 and CBITD relied heavily on CARES Act grant funds made available through FTA and State of Maine. Although 2021 was a difficult year, the District’s planned capital investments continued to press ahead with Phase 2 Terminal Renovation and continued development of the District’s replacement vessels, in addition to other planned capital projects such as information technology and planning. The District was able to proceed with these projects, despite the pandemic, due to long term financial planning and Fund Balance deposits from previous years.

**FINANCIAL HIGHLIGHTS\***

**Revenue:**

*Year to date (YTD):*

YTD Operating Revenue was \$5.421M and was 118.2% ahead of budget and 60.7% ahead of the same period last fiscal year.

- Scheduled passenger revenues YTD were better than budget by 192.1% and were up 82.8% as compared to last fiscal year.
  - Passenger Peaks had approximately \$37K in school pass revenue in October.
- Vehicle revenues YTD of \$1.351M are better than budget by 87.7% and are 46.4% ahead of FY20 YTD.
- Freight revenues YTD of \$1.168M were 101.7% above budgeted numbers and were 46.4% ahead of last fiscal YTD.
- Group sales YTD of \$168K closed 35.7% behind budget but 14.7% above the same period last year.

- Note that Tours and Charters were near zero from October through April, FY21.
- Tours were budgeted, at reduced levels, for the summer season however only 1 tour was available for the bulk of the year with a second added towards the end of the summer. In summer months of FY21, the Diamond Pass Run and Mailboat Run were the only operational tours and were responsible for most Group Sales Revenue.

**Expenses:**

*Year to date (YTD):*

YTD Expenses were 16.8% over budget and were 32.6% higher than last YTD, primarily due to Personnel Expense related to the COVID-19 pandemic.

- Personnel expenses YTD were 21.6% unfavorable to budget and 29.2% above last YTD, primarily due to crew platooning in response to COVID-19 and a resulting increase in overtime hours.
  - Employee recognition included summer/seasonal bonuses for all employees.
  - CBITD reduced vacation leave accrual by cashing out hours for employees, which was grant reimbursable.
  - During COVID-19 pandemic, CBITD waived employee premiums on health insurance coverage.
  - FICA and Pension are derived from wages, so when they are high, they follow suit.
- Vessel maintenance was 2.8% over budget and 35.5% higher than last fiscal YTD, primarily due to number of drydocks in the year.
  - Bay Mist drydock expense reached \$255K while \$183K was budgeted.
  - Machigonne drydock expenses were \$490K while \$630K was budgeted, however drydock had not been completed by the end of September. The vessel also required an unplanned haul out for approximately \$30K.
  - Maquoit had an unplanned drydock to repair drive shaft costing \$113K.
  - Aucocisco drydock expenses were \$301K, while \$273K was budgeted. Work also included drive shaft support replacement which comprised about \$60K of the \$301K expense.
  - The District entered into a fuel lock for 210K gallons at \$1.85 per gallon. Fuel pricing is favorable and predictable through FY2022, despite increasing prices.
- Operations expense was 48.3% over budget and 70.9% above last YTD.
  - Employee recognition included summer seasonal bonuses.
  - Ops Misc. included items and supplies to clean and sanitize vessels due to COVID-19, as well as face masks, stretch wrap and ID pass cards.
  - Credit card fees were over budget for FY21, as sales were higher than planned for the year.
  - Office supplies were higher than planned due to administrative staff working from home.
- Terminal expense was 15.9% unfavorable to budget and 13.8% higher than last YTD.
  - Paper and Cleaning Supplies included various safety supplies and items and supplies to clean and sanitize terminal areas due to COVID-19.
- Sales expense YTD was 45.2% below budget and 20.2% below last YTD.
  - Group sales were suspended during the period due to the Pandemic
  - Marketing included COVID-19 communications consulting and related services for the month.



**Operating Surplus/Loss:**

*Year to date (YTD):*

YTD operating result of -\$3.861M was 20.4% better than budget and 6.5% unfavorable to last YTD where the result was -\$3.625M.

**Grant Revenues:**

*Year to date (YTD):*

Grant revenue YTD of \$4.286M is 20.7% below budget, and 39.4% above last YTD. The single largest constraint to increased grant revenue has been ticket, freight and vehicle revenue that has been higher than planned, which reduced CBITD's ability to draw against un-funded expenses due to the restrictions of CARES act funding.

**Surplus/Loss:**

*Year to date (YTD):*

**FY21 YTD result is \$425K, which is better than budget by 256.4% and is enormously favorable to last YTD, where the result was -\$344K.**

**Line of Credit Balance:** Currently \$0 with an available credit balance of \$2,000,000

**As stated above, the District expects to post \$877K in depreciation for FY2021, which will occur at the time of the Annual Audit. This amount has an impact on Surplus/Loss, as reported on our Annual Audited Financial Statements.**

**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,

	Operating	Garage Funds	Maintenance and Capital Reserve	2021	2020
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 1,966,227	\$ 554,150	\$ 1,490,096	\$ 4,010,473	\$ 5,397,183
Accounts receivable (net of allowance for uncollectible accounts)	177,903	-	-	177,903	88,244
Grants receivable	1,157,513	-	-	1,157,513	519,723
Inventory	63,349	-	-	63,349	89,152
Prepaid items	36,427	-	-	36,427	41,319
<b>TOTAL CURRENT ASSETS</b>	<u>3,401,419</u>	<u>554,150</u>	<u>1,490,096</u>	<u>5,445,665</u>	<u>6,135,621</u>
<b>NONCURRENT ASSETS</b>					
Capital assets:					
Construction in progress	7,348,310	-	-	7,348,310	1,190,141
Buildings and equipment, net of accumulated depreciation	10,135,852	-	-	10,135,852	10,277,549
<b>TOTAL NONCURRENT ASSETS</b>	<u>17,484,162</u>	<u>-</u>	<u>-</u>	<u>17,484,162</u>	<u>11,467,690</u>
<b>TOTAL ASSETS</b>	<u>\$ 20,885,581</u>	<u>\$ 554,150</u>	<u>\$ 1,490,096</u>	<u>\$ 22,929,827</u>	<u>\$ 17,603,311</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 244,097	\$ -	\$ -	\$ 244,097	\$ 144,215
Accrued payroll and payroll taxes	73,291	-	-	73,291	40,384
Accrued compensated absences	184,830	-	-	184,830	119,572
Accrued pension	490,773	-	-	490,773	354,892
Other accrued liabilities	-	-	-	-	4,080
Charter deposits	450	-	-	450	6,124
Deferred reserve fund	-	554,150	-	554,150	1,634,228
<b>TOTAL CURRENT LIABILITIES</b>	<u>993,441</u>	<u>554,150</u>	<u>-</u>	<u>1,547,591</u>	<u>2,303,495</u>
<b>TOTAL LIABILITIES</b>	<u>993,441</u>	<u>554,150</u>	<u>-</u>	<u>1,547,591</u>	<u>2,303,495</u>
<b>NET POSITION</b>					
Net investment in capital assets	17,484,162	-	-	17,484,162	11,467,690
Restricted	-	-	1,490,096	1,490,096	1,616,932
Unrestricted	2,407,978	-	-	2,407,978	2,215,194
<b>TOTAL NET POSITION</b>	<u>19,892,140</u>	<u>-</u>	<u>1,490,096</u>	<u>21,382,236</u>	<u>15,299,816</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 20,885,581</u>	<u>\$ 554,150</u>	<u>\$ 1,490,096</u>	<u>\$ 22,929,827</u>	<u>\$ 17,603,311</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 YEARS ENDED SEPTEMBER 30,

	Operating	Garage Funds	Maintenance and Capital Reserve	2021	2020
OPERATING REVENUES					
Passenger fares	\$ 2,533,779	\$ -	\$ -	\$ 2,533,779	\$ 1,422,897
Vehicles	1,325,048	-	-	1,325,048	923,288
Freight	1,149,133	-	-	1,149,133	851,369
Mail contract	17,775	-	-	17,775	57,530
Tours and cruises	88,081	-	-	88,081	11,519
Charters	43,720	-	-	43,720	58,781
Miscellaneous	190,576	-	-	190,576	31,902
TOTAL OPERATING REVENUES	<u>5,348,112</u>	<u>-</u>	<u>-</u>	<u>5,348,112</u>	<u>3,357,286</u>
EXPENSES	<u>11,034,725</u>	<u>-</u>	<u>126,836</u>	<u>11,161,561</u>	<u>7,946,871</u>
OPERATING INCOME (LOSS)	<u>(5,686,613)</u>	<u>-</u>	<u>(126,836)</u>	<u>(5,813,449)</u>	<u>(4,589,585)</u>
NONOPERATING REVENUES (EXPENSES):					
U.S. Department of Transportation, Federal Transit Administration grant	4,146,652	-	-	4,146,652	3,033,228
State of Maine grants	75,207	-	-	75,207	68,444
Interest income	9,710	-	-	9,710	29,519
TOTAL NONOPERATING REVENUES	<u>4,231,569</u>	<u>-</u>	<u>-</u>	<u>4,231,569</u>	<u>3,131,191</u>
INCOME (LOSS) BEFORE CAPITAL GRANT REVENUES	<u>(1,455,044)</u>	<u>-</u>	<u>(126,836)</u>	<u>(1,581,880)</u>	<u>(1,458,394)</u>
CAPITAL GRANT REVENUES:					
U.S. Department of Transportation, Federal Transit Administration grant	-	-	-	-	204,088
State of Maine grants	7,664,300	-	-	7,664,300	-
Other capital revenue	-	-	-	-	57,981
TOTAL CAPITAL GRANT REVENUES	<u>7,664,300</u>	<u>-</u>	<u>-</u>	<u>7,664,300</u>	<u>262,069</u>
CHANGE IN NET POSITION	6,209,256	-	(126,836)	6,082,420	(1,196,325)
NET POSITION - OCTOBER 1	<u>13,682,884</u>	<u>-</u>	<u>1,616,932</u>	<u>15,299,816</u>	<u>16,496,141</u>
NET POSITION - SEPTEMBER 30	<u>\$ 19,892,140</u>	<u>\$ -</u>	<u>\$ 1,490,096</u>	<u>\$ 21,382,236</u>	<u>\$ 15,299,816</u>

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

## STATEMENT C

## CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,172,701	\$ 3,335,617
Payments to employees	(5,439,847)	(4,287,714)
Payments to suppliers and vendors	(4,204,321)	(2,753,952)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(5,471,467)</u>	<u>(3,706,049)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal maintenance grant	3,508,862	2,827,833
State subsidy grant	7,739,507	68,444
Other	-	57,981
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>11,248,369</u>	<u>2,954,258</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	9,710	29,519
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>9,710</u>	<u>29,519</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	(6,893,822)	(251,324)
Interest paid	(279,500)	(14,400)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,173,322)</u>	<u>(265,724)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,386,710)	(987,996)
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>5,397,183</u>	<u>6,385,179</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30,	<u>\$ 4,010,473</u>	<u>\$ 5,397,183</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (5,813,449)	\$ (4,589,585)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	877,350	984,805
Amortization expense	279,500	14,400
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(89,659)	39,143
(Increase) decrease in prepaid items	4,892	(22,837)
(Increase) decrease in inventory	25,803	13,998
Increase (decrease) in accounts payable	99,882	(4,753)
Increase (decrease) in accrued payroll and payroll taxes	32,907	(53,787)
Increase (decrease) in accrued compensated absences	65,258	(2,972)
Increase (decrease) in accrued pension	135,881	3,737
Increase (decrease) in other accrued liabilities	(4,080)	(27,386)
Increase (decrease) in charter deposits	(5,674)	2,369
Increase (decrease) in unearned revenue	-	(5,200)
Increase (decrease) in deferred revenue fund	(1,080,078)	(57,981)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (5,471,467)</u>	<u>\$ (3,706,049)</u>

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

# CASCO BAY ISLAND TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 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.

#### **COVID-19 Outbreak**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Maine, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March of 2020, the Governor of Maine issued multiple executive orders and declarations to protect the

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a “stay at home” directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. The state of emergency expired on June 30, 2021.

*Impact on Finances*

The District does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act, American Rescue Plan Act (“ARPA”) funding and applicable State programs.

*Expected Federal/State Support*

The District may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the District expects that if those actions are necessary, that the District would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

*Conclusion*

The ongoing effects of COVID-19, including the financial impact to the District, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

**Implementation of New Accounting Standards**

During the year ended September 30, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 "Replacement of Interbank Offered Rates (paragraphs 4-11a)." The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. Management has determined the impact of this Statement is not material to the financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Financial Statements**

The District'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 activities.

In the 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.

The Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (personnel salaries, utilities, maintenance, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these financial statements.

The net costs (by function) are normally covered by general revenue (certain intergovernmental revenues and charges for services, etc.).

**Measurement Focus - Basic Financial Statements**

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. Nonoperating 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, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The District is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence 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 \$757 as of September 30,

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2021. Accounts receivable netted with allowances for uncollectible accounts were \$1,345,416 for the year ended September 30, 2021.

**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. 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 capital assets are reported at their 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 and vessels	3 - 30 years

**Prepaid Items**

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 represents 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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, the District's deposits amounting to \$4,010,473 were comprised of bank deposits of \$4,609,300. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash. Of these deposits, \$184,000 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 \$4,425,300 that is also insured by a third-party agreement. In addition, the District had a petty cash/change fund balance of \$6,050 as of September 30, 2021.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 184,000
Repurchase agreement	4,425,300
	<u>\$ 4,609,300</u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 3 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended September 30, 2021:

	Balance, 10/1/20	Additions	Disposals	Balance, 9/30/21
Non-depreciated assets:				
Construction in progress	\$ 1,190,141	\$ 6,158,169	\$ -	\$ 7,348,310
	<u>1,190,141</u>	<u>6,158,169</u>	<u>-</u>	<u>7,348,310</u>
Depreciated assets:				
Leasehold improvements	4,430,072	-	-	4,430,072
Equipment	1,904,480	47,928	-	1,952,408
Vessels	17,510,707	687,725	-	18,198,432
	<u>23,845,259</u>	<u>735,653</u>	<u>-</u>	<u>24,580,912</u>
Less: accumulated depreciation	(13,567,710)	(877,350)	-	(14,445,060)
	<u>10,277,549</u>	<u>(141,697)</u>	<u>-</u>	<u>10,135,852</u>
Net capital assets	<u>\$ 11,467,690</u>	<u>\$ 6,016,472</u>	<u>\$ -</u>	<u>\$ 17,484,162</u>

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in the long-term obligations for the year ended September 30, 2021:

	Balance, 10/1/20	Additions	Deletions	Balance, 9/30/21	Current Portion
Accrued compensated absences	<u>\$ 119,572</u>	<u>\$ 65,258</u>	<u>\$ -</u>	<u>\$ 184,830</u>	<u>\$ -</u>

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

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, 2021 was \$184,830.

## CASCO BAY ISLAND TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

#### 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, 2021 was \$490,773.

#### 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 5<sup>th</sup>, 1985 and the renewal lease term is for twenty 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.

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

## CASCO BAY ISLAND TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

#### NOTE 7 - OPERATING LEASES (CONTINUED)

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, 2021. 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, 2021 was \$19,811.

#### 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%.

#### NOTE 9 - CONTINGENT LIABILITIES

Grant 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.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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 \$1,490,096 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 FY22/23 due to economic uncertainty from COVID-19.

NOTE 13 - RECONCILIATION OF NET POSITION

	Unrestricted net position	Restricted	Net investment in capital assets	Total
Operating revenues	\$ 5,348,112	\$ -	\$ -	\$ 5,348,112
Operating expenses	(11,034,725)	(126,836)	-	(11,161,561)
Nonoperating revenues (expenses)	4,231,569	-	-	4,231,569
Capital grant revenues	7,664,300	-	-	7,664,300
Depreciation expense	877,350	-	(877,350)	-
Change in fixed assets account not in expenses	(6,893,822)	-	6,893,822	-
Increase (Decrease) in net position	192,784	(126,836)	6,016,472	6,082,420
Net Position - October 1, 2020	2,215,194	1,616,932	11,467,690	15,299,816
Net Position - September 30, 2021	<u>\$ 2,407,978</u>	<u>\$ 1,490,096</u>	<u>\$ 17,484,162</u>	<u>\$ 21,382,236</u>

The decrease in restricted net position is mainly due to local match for projects in progress. The increase in the net investment in capital assets is due to capital additions.



## 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 YEARS ENDED SEPTEMBER 30,

	<u>2021</u>	<u>2020</u>
OPERATING EXPENSES		
Salaries and wages	\$ 4,340,770	\$ 3,254,628
Payroll taxes	327,068	163,468
Employee benefits	493,281	414,465
Pension plan	508,694	374,745
Repairs and maintenance	1,648,314	1,070,200
Fuel	626,278	562,992
Insurance	114,281	98,257
Telephone	20,062	23,227
Mail agent	11,220	11,228
Office expense	240,073	149,464
Postage	3,827	3,234
Travel	9,067	10,328
Injuries and damages	9,825	13,844
Professional fees	67,662	60,119
Dues and subscriptions	17,076	13,034
Uniforms	10,571	703
Heat and utilities	56,432	53,686
Janitorial	75,239	74,030
Rent	19,811	20,081
Terminal	231,270	192,461
Credit card settlement fees	160,732	105,242
Charter expenses	13,082	22,526
Depreciation	877,350	984,805
Barge subcontracting	279,500	14,400
Sales/marketing expense	81,575	96,053
Miscellaneous	918,501	159,651
	<u>\$11,161,561</u>	<u>\$ 7,946,871</u>

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, 2021

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal AL Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507	ME-90-0194	\$ -	\$ 11,940
Federal Transit Formula Grants	20.507	ME-2016-013	-	346,794
Federal Transit Formula Grants	20.507	ME-2016-014	-	7,693
Federal Transit Formula Grants	20.507	ME-2016-018	-	4,071,190
Federal Transit Formula Grants	20.507	ME-2018-014	-	14,552
Federal Transit Formula Grants	20.507	ME-2019-005	-	272,933
Federal Transit Formula Grants	20.507	ME-2020-001	-	296,571
Federal Transit Formula Grants	20.507	ME-2020-016	-	859,203
Federal Transit Formula Grants	20.507	ME-2020-034	-	2,393,827
Federal Transit Formula Grants	20.507	ME-2021-006	-	298,724
			<u>-</u>	<u>8,573,427</u>
Total Federal Transit Cluster			<u>-</u>	<u>8,573,427</u>
Pass-through State of Maine Department of Transportation				
Formula Grants for Rural Areas	20.509	CSN 40775	-	75,936
Formula Grants for Rural Areas	20.509	CSN 42240	-	854,283
Formula Grants for Rural Areas	20.509	CSN 43021	-	17,892
			<u>-</u>	<u>948,111</u>
TOTAL FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 9,521,538</u>

## CASCO BAY ISLAND TRANSIT DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 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, 2021. 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, 2021 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 30, 2022.

### **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.

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## **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*. However, we noted certain other matters that we reported to management of the Casco Bay Island Transit District in a separate letter dated June 30, 2022.

## **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.

A handwritten signature in black ink that reads "RHR Smith & Company". The signature is written in a cursive, flowing style.

Buxton, Maine  
June 30, 2022



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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, 2021. 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, 2021.

### **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 30, 2022

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**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>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.507	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

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Department Office	Agreement Number	Agreement Amount	Agreement Term	Service Area	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses	Local Share Expenses	Total Agreement/ Match Expenses
DOT:										
OPT	CSN 41960	\$ 68,444	7/1/20-6/30/21	Admin/Operating	Final	-	\$ 68,444	\$ 68,444	-	\$ 68,444
OPT	CSN 42240	880,000	7/1/17-12/31/27	CARES Operating	Final	854,283	-	854,283	-	854,283
OPT	CSN 43021	600,000	7/1/17-12/31/27	CARES Operating	Interim	17,892	-	17,892	-	17,892
OPT	CSN 40775	300,000	7/1/17-12/31/27	Admin/Operating	Final	75,936	-	75,936	75,936	151,872
OPT	CSN 36968	320,000	8/23/16-12/31/20	Terminal Renovation	Interim	-	280,824	280,824	-	280,824
OPT	CSN 42329	1,150,000	12/2/20-10/2/30	VW Environmental Mitigation Trust	Interim	-	262,970	262,970	65,743	328,713
TOTAL						<u>\$ 948,111</u>	<u>\$612,238</u>	<u>\$1,560,349</u>	<u>\$ 141,679</u>	<u>\$1,702,028</u>

NOTES:

The following programs were tested as major agreements:

CSN 36968

CSN 42240

The amount of DOT expenses that were tested in relation to total Department expenses was 72.75%.

Disclosures:

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



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## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES FOR COMMUNITY AGENCIES

Board of Directors  
Casco Bay Island Transit District  
Portland, Maine

### Compliance

We have audited Casco Bay Island Transit District's compliance with the types of compliance requirements described in *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP) and with the requirements in the Contract Compliance Rider(s) of the Agency's agreements with the Maine Department of Transportation (the department) that could have a direct and material effect on each of Casco Bay Island Transit District's major Department agreements for the year ended September 30, 2021. Casco Bay Island Transit District's major Department programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Department programs is the responsibility of Casco Bay Island Transit District's management. Our responsibility is to express an opinion on Casco Bay Island Transit District's compliance based on our audit.

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 MAAP. Those standards and the MAAP 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 Department agreement 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. Our audit does not provide a legal determination of Casco Bay Island Transit District's compliance with those requirements.

In our opinion, Casco Bay Island Transit District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Department agreements for the year ended September 30, 2021.

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## Internal Control over Compliance

Management of Casco Bay Island Transit District is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts and grants applicable to Department agreements. In planning and performing our audit, we consider Casco Bay Island Transit District's internal control over compliance with the requirements that could have a direct and material effect on a major Department agreement to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with MAAP, 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 Department agreement 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 Department agreement will not be prevented or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, State of Maine, Department of Health and Human Services, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*RHR Smith & Company*

Buxton, Maine  
June 30, 2022

CASCO BAY TRANSIT DISTRICT

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE COMPLIANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?            \_\_\_yes          X  no
- Significant deficiency(ies) identified?        \_\_\_yes          X  no
- Noncompliance material to financial statements noted?   \_\_\_yes          X  no

*State Agreements*

Internal control over major programs:

- Material weakness(es) identified?            \_\_\_yes          X  no
- Significant deficiency(ies) identified?        \_\_\_yes          X  no

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

Any audit findings disclosed that are required to be reported  
in accordance with MAAP regulations?        \_\_\_yes          X  no

Identification of major programs:

CSN 36968  
CSN 42240

**Section II - Financial Statement Findings**

None

**Section III - State Awards Findings and Questioned Costs**

None

**Section IV - Status of Prior Year Findings**

None



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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, 2021 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 30, 2022

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## AGREEMENT SETTLEMENT FORM (ASF)

**Community Agency:** Casco Bay Island Transit District  
**Fiscal Year End:** September 30, 2021  
**CFDA#:** 20.509  
**Project Name/No:** Admin/Operating  
**CSN#:** CSN 42240  
**PIN#:** 20170626\*0826  
**Agreement Period:** 8/1/2020 - 9/30/2021

	Operating	Admin	Capital	Total
<b>Gross Expenditures</b>	\$ 880,000	\$ -	\$ -	\$ 880,000
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
<b>Total Deductions</b>	\$ -	\$ -	\$ -	\$ -
<b>Net Expenditures/Deficit</b>	\$ 880,000	\$ -	\$ -	\$ 880,000
<b><u>Federal Share</u></b>				
Maximum %	100%	0%	\$ -	
Amount Paid	\$ 880,000	\$ -	\$ -	\$ 880,000
Maximum Amount	\$ 880,000	\$ -	\$ -	\$ 880,000
<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 %	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	\$ -	\$ -	\$ -	\$ -



## AGREEMENT SETTLEMENT FORM (ASF)

**Community Agency:** Casco Bay Island Transit District  
**Fiscal Year End:** September 30, 2021  
**CFDA#:** 20.509  
**Project Name/No:** Admin/Operating  
**CSN#:** CSN 40775  
**PIN#:** 20170626\*0826  
**Agreement Period:** 7/1/2019 - 6/30/2020

	Operating	Admin	Capital	Total
<b>Gross Expenditures</b>	\$ 460,000	\$ 87,500	\$ -	\$ 547,500
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
<b>Total Deductions</b>	\$ -	\$ -	\$ -	\$ -
<b>Net Expenditures/Deficit</b>	\$ 460,000	\$ 87,500	\$ -	\$ 547,500
<b><u>Federal Share</u></b>				
Maximum %	50.0%	80.0%	0%	
Amount Paid	\$ 230,000.00	\$ 70,000	\$ -	\$ 300,000
Maximum Amount	\$ 230,000.00	\$ 70,000	\$ -	\$ 300,000
<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%	0.0%	0%	
Amount Paid	\$ 233,694.00	\$ -	\$ -	\$ 233,694.00
Minimum Amount	\$ 230,000.00	\$ -	\$ -	\$ 230,000.00
<b>Over (Under) Minimum</b>	\$ 3,694.00	\$ -	\$ -	\$ 3,694.00
<b><u>Summary:</u></b>				
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, 2021  
**Project Name/Grant No:** Operating  
**CSN#:** 41960  
**PIN#:**  
**Agreement Period:** 7/1/20-6/30/21

**State Participating Share**

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

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