

State Compliance Audit

Casco Bay Island Transit District

September 30, 2020



Proven Expertise & Integrity

CASCO BAY ISLAND TRANSIT DISTRICT

CONTENTS

SEPTEMBER 30, 2020

FINANCIAL STATEMENTS

PAGE

INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 6

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT A - STATEMENT OF NET POSITION	7
STATEMENT B - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	8
STATEMENT C - STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10 - 21

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	22
STATEMENT 1 - STATEMENT OF EXPENSES	23

FEDERAL COMPLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	25
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 <i>GOVERNMENT AUDITING STANDARDS</i>	26 - 27
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	28 - 30

SCHEDULE OF FINDINGS AND QUESTIONED COSTS <u>STATE COMPLIANCE</u>	31
ACCOUNTANTS' REVIEW REPORT ON SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS	32
SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS	33
ACCOUNTANTS' COMPILATION REPORT ON AGREEMENT SETTLEMENT FORMS	34
AGREEMENT SETTLEMENT FORMS	35 - 38



Proven Expertise & 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 years ended September 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Casco Bay Island Transit District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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, 2020 and 2019 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 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 September 27, 2021 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
September 27, 2021



**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

(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, 2020.

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 had a resounding negative impact on CBITD. The pandemic impacted District employees, passengers, operational efficiency, and financial position by way of reduced revenue as well as increased expenses. While the District has become accustomed to a vibrant summer season, this did not materialize in 2020 and CBITD relied heavily on CARES Act grant funds made available through FTA and State of Maine. While 2020 was a difficult year, the District’s planned capital investments continued to press ahead with Phase 2 Terminal Renovation Groundbreaking and continued development of naval plans for the District’s new vessel both progressing during the pandemic due to stability of budgeted local match sources.

FINANCIAL HIGHLIGHTS*

Revenue Assessment:

Year to date (YTD):

YTD Operating Revenue was \$3.374M and was 39.7% behind budget and 44.8% below the same period last fiscal year.

- Scheduled passenger revenues of \$1.414M YTD were lower than budget by 44.1%, and were down 48.3% as compared to last fiscal year.
 - COVID-19 and low ridership has been the primary driver of low revenue.
 - Extending winter rates through early July has had an impact on revenues that compounds COVID-19 reduced ridership, due to reduced revenue.
- Vehicle revenues YTD of \$923K are worse than budget by 12.9% and are 15.8% behind FY19 YTD.
 - Extension of winter rates into early July reduced vehicle revenues further.
- Freight revenues YTD of \$852K were 7.2% below budgeted numbers and were 16.9% behind last fiscal YTD.
 - Extended off-peak freight rates through July resulted in reducing revenues for this category.
- Group sales YTD of \$146K closed 85.8% below budget and 87.8% behind of the same period last year.

- This is attributed to ceasing all tour operations beginning in mid-March due to COVID-19. Also, most charters and lobster bakes for the year have either cancelled or rescheduled due to the ongoing pandemic.

Expense Assessment:

Year to date (YTD):

YTD Expenses were 3.0% under budget and were 4.7 % lower than last YTD.

- Personnel expenses YTD were 0.1% favorable to budget and 7.1% above last YTD.
 - Employee insurance, medical coverage experienced sharp increases of 26.0% from calendar 2019 to calendar 2020, due to state legislation changes for groups CBITD's size.
 - COVID-19 related personnel savings are minimal, as CBITD is maintaining full staffing through pandemic. These costs will be offset by operating assistance provided through CARES Act funding.
 - During COVID-19 pandemic, CBITD waived employee premiums on health insurance coverage.
- Vessel maintenance is 0.1% over budget and 18.7% lower than last fiscal YTD. Last fiscal year included 3 drydocks, while this year included 2.
 - Wabanaki drydock expense was recognized in December and final cost was \$179K against \$150K budgeted.
 - Maquoit was in drydock for the month of April and a total of \$491K has been recognized to date. The budget for Maquoit drydock was \$320K.
- Operations expense was 8.3% better than budget and 9.3% below last YTD.
 - During COVID-19 pandemic, additional cleaning and sanitizing supplies have added cost in this category.
 - Also during pandemic, hotel stays were necessary for some staff, to maintain platooning, which added significantly to operations expense.
- Terminal expense was 12.6% unfavorable to budget and 4.1% higher than last YTD.
 - COVID-19 has added expense to this category, with necessary cleaning, signage and pandemic response supplies.
- Sales expense YTD was 62.8% below budget and 60.8% below last YTD.
 - COVID-19 communications expense has taken over as the primary expense line item in this category.
 - Most costs associated with charters have not been recognized due to postponements and cancellations of charters booked during summer of 2020.
 - Most marketing and advertising has been postponed due to COVID-19.

Operating Surplus/Loss:

Year to date (YTD):

YTD operating result of \$-3.594M was 126.3% below budget and 198.4% unfavorable to last YTD where the result was \$-1.204M.

Grant Revenues:

Year to date (YTD):

Grant revenue YTD of \$3.101M is 104.9% over budget, and 100.6% above last YTD. As discussed above, CARES Act funding is an enormous component of this YTD number and CBITD anticipates that these large draws will continue into the future.

Surplus/Loss:

Year to date (YTD):

Our current YTD result is -\$493K, which is 557.3% worse than budget and extremely unfavorable to last YTD, where the result was \$341K.

As stated above, the District expects to post \$984K in depreciation for FY2020, 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. At this time, the anticipated Surplus/Loss for the District for FY2020 is - \$1.478M as shown on the September 2020 Financial Detail and Summary Reports.

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

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,

	Operating	Garage Funds	Maintenance and Capital Reserve	2020	2019
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 2,146,023	\$ 1,634,228	\$ 1,616,932	\$ 5,397,183	\$ 6,385,179
Accounts receivable (net of allowance for uncollectible accounts)	88,244	-	-	88,244	127,387
Grants receivable	519,723	-	-	519,723	110,240
Inventory	89,152	-	-	89,152	103,150
Prepaid items	41,319	-	-	41,319	18,482
TOTAL CURRENT ASSETS	2,884,461	1,634,228	1,616,932	6,135,621	6,744,438
NONCURRENT ASSETS					
Capital assets:					
Buildings and equipment, net of accumulated depreciation	11,467,690	-	-	11,467,690	12,201,171
TOTAL NONCURRENT ASSETS	11,467,690	-	-	11,467,690	12,201,171
TOTAL ASSETS	\$ 14,352,151	\$ 1,634,228	\$ 1,616,932	\$ 17,603,311	\$ 18,945,609
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	\$ 144,215	\$ -	\$ -	\$ 144,215	\$ 148,968
Accrued payroll and payroll taxes	40,384	-	-	40,384	94,171
Accrued compensated absences	119,572	-	-	119,572	122,544
Accrued pension	354,892	-	-	354,892	351,155
Other accrued liabilities	4,080	-	-	4,080	31,466
Charter deposits	6,124	-	-	6,124	3,755
Unearned revenue	-	-	-	-	5,200
Deferred reserve fund	-	1,634,228	-	1,634,228	1,692,209
TOTAL CURRENT LIABILITIES	669,267	1,634,228	-	2,303,495	2,449,468
TOTAL LIABILITIES	669,267	1,634,228	-	2,303,495	2,449,468
NET POSITION					
Net investment in capital assets	11,467,690	-	-	11,467,690	12,201,171
Restricted	-	-	1,616,932	1,616,932	1,608,690
Unrestricted	2,215,194	-	-	2,215,194	2,686,280
TOTAL NET POSITION	13,682,884	-	1,616,932	15,299,816	16,496,141
TOTAL LIABILITIES AND NET POSITION	\$ 14,352,151	\$ 1,634,228	\$ 1,616,932	\$ 17,603,311	\$ 18,945,609

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 YEARS ENDED SEPTEMBER 30,

	Operating	Garage Funds	Maintenance and Capital Reserve	2020	2019
OPERATING REVENUES					
Passenger fares	\$ 1,422,897	\$ -	\$ -	\$ 1,422,897	\$ 2,723,453
Vehicles	923,288	-	-	923,288	1,096,013
Freight	851,369	-	-	851,369	1,014,065
Mail contract	57,530	-	-	57,530	332,038
Tours and cruises	11,519	-	-	11,519	357,939
Charters	58,781	-	-	58,781	480,887
Miscellaneous	31,902	-	-	31,902	57,083
TOTAL OPERATING REVENUES	<u>3,357,286</u>	<u>-</u>	<u>-</u>	<u>3,357,286</u>	<u>6,061,478</u>
EXPENSES	<u>7,946,871</u>	<u>-</u>	<u>-</u>	<u>7,946,871</u>	<u>8,480,473</u>
OPERATING INCOME (LOSS)	<u>(4,589,585)</u>	<u>-</u>	<u>-</u>	<u>(4,589,585)</u>	<u>(2,418,995)</u>
NONOPERATING REVENUES (EXPENSES):					
U.S. Department of Transportation, Federal Transit Administration grant	3,033,228	-	-	3,033,228	1,792,480
State of Maine grants	68,444	-	-	68,444	146,663
Interest income	21,277	-	8,242	29,519	45,969
TOTAL NONOPERATING REVENUES	<u>3,122,949</u>	<u>-</u>	<u>8,242</u>	<u>3,131,191</u>	<u>1,985,112</u>
INCOME (LOSS) BEFORE CAPITAL GRANT REVENUES	<u>(1,466,636)</u>	<u>-</u>	<u>8,242</u>	<u>(1,458,394)</u>	<u>(433,883)</u>
CAPITAL GRANT REVENUES:					
U.S. Department of Transportation, Federal Transit Administration grant	204,088	-	-	204,088	1,119,671
Other capital revenue	57,981	-	-	57,981	256,529
TOTAL CAPITAL GRANT REVENUES	<u>262,069</u>	<u>-</u>	<u>-</u>	<u>262,069</u>	<u>1,376,200</u>
CHANGE IN NET POSITION	(1,204,567)	-	8,242	(1,196,325)	942,317
NET POSITION - OCTOBER 1	<u>14,887,451</u>	<u>-</u>	<u>1,608,690</u>	<u>16,496,141</u>	<u>15,553,824</u>
NET POSITION - SEPTEMBER 30	<u>\$ 13,682,884</u>	<u>\$ -</u>	<u>\$ 1,616,932</u>	<u>\$ 15,299,816</u>	<u>\$ 16,496,141</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,335,617	\$ 6,362,499
Payments to employees	(4,287,714)	(4,017,486)
Payments to suppliers and vendors	(2,753,952)	(3,551,422)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(3,706,049)</u>	<u>(1,206,409)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal maintenance grant	2,827,833	3,069,441
State subsidy grant	68,444	146,663
Other	57,981	256,529
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,954,258</u>	<u>3,472,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	29,519	45,969
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>29,519</u>	<u>45,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	(251,324)	(1,145,656)
Interest paid	(14,400)	(75,550)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(265,724)</u>	<u>(1,221,206)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(987,996)	1,090,987
CASH AND CASH EQUIVALENTS - OCTOBER 1	6,385,179	5,294,192
CASH AND CASH EQUIVALENTS - SEPTEMBER 30,	<u>\$ 5,397,183</u>	<u>\$ 6,385,179</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (4,589,585)	\$ (2,418,995)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	984,805	1,038,052
Amortization expense	14,400	75,550
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	39,143	40,727
(Increase) decrease in prepaid items	(22,837)	4,125
(Increase) decrease in inventory	13,998	(8,021)
Increase (decrease) in accounts payable	(4,753)	(174,439)
Increase (decrease) in accrued payroll and payroll taxes	(53,787)	21,303
Increase (decrease) in accrued compensated absences	(2,972)	-
Increase (decrease) in accrued pension	3,737	3,056
Increase (decrease) in other accrued liabilities	(27,386)	(48,061)
Increase (decrease) in charter deposits	2,369	(2,153)
Increase (decrease) in unearned revenue	(5,200)	(54,971)
Increase (decrease) in deferred revenue fund	(57,981)	317,418
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,706,049)</u>	<u>\$ (1,206,409)</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Reporting Entity

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

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

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, the Governor of Maine issued multiple executive orders and declarations to protect the

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 was lifted as of June 30, 2021. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

Extended deadlines

The District’s deadline for filing the financial statements with the Federal Audit Clearinghouse was extended from June 30, 2021 to December 31, 2021 due to guidance from the Office of Management and Budget for COVID-related delays.

Impact on Finances

The District does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act 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.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Standards

During the year ended September 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

Fund Financial Statements

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Fund Financial Statements

The financial transactions of the District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund type is used by the District:

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, 2020 AND 2019

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.

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits 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.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The allowance for uncollectible accounts is estimated to be \$2,712 as of September 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$607,967 for the year ended September 30, 2020.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost and more than one year of useful life are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition 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 capital assets are valued at their acquisition 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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

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

Inventories

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

Budget

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

Net Position

Net position 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.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 - DEPOSITS

Deposits

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

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

At September 30, 2020, the District's deposits amounting to \$5,397,183 were comprised of bank deposits of \$5,626,561 . Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash. Of these deposits, \$184,200 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The District also has an overnight repurchase agreement for their checking account in the amount of \$5,442,361 that is also insured by a third-party agreement. In addition, the District had a petty cash/change fund balance of \$6,450 as of September 30, 2020.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 184,200
Repurchase agreement	5,442,361
	<u>\$ 5,626,561</u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 3 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended September 30, 2020:

	Balance, 10/1/19	Additions	Disposals	Balance, 9/30/20
Non-depreciated assets:				
Construction in progress	\$ 1,093,733	\$ 96,408	\$ -	\$ 1,190,141
	<u>1,093,733</u>	<u>96,408</u>	<u>-</u>	<u>1,190,141</u>
Depreciated assets:				
Leasehold improvements	4,430,072	-	-	4,430,072
Equipment	1,895,793	8,687	-	1,904,480
Vessels	17,364,478	146,229	-	17,510,707
	<u>23,690,343</u>	<u>154,916</u>	<u>-</u>	<u>23,845,259</u>
Less: accumulated depreciation	<u>(12,582,905)</u>	<u>(984,805)</u>	<u>-</u>	<u>(13,567,710)</u>
	<u>11,107,438</u>	<u>(829,889)</u>	<u>-</u>	<u>10,277,549</u>
Net capital assets	<u>\$ 12,201,171</u>	<u>\$ (733,481)</u>	<u>\$ -</u>	<u>\$ 11,467,690</u>

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in the long-term obligations for the year ended September 30, 2020:

	Balance, 10/1/19	Additions	Deletions	Balance, 9/30/20	Current Portion
Accrued compensated absences	<u>\$ 122,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,544</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, 2020 was \$122,544.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

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, 2020 was \$372,175.

NOTE 7 - OPERATING LEASES

The District has a lease agreement with the City of Portland to lease their facilities in the Casco Bay Ferry Terminal. The lease began March 5th, 1985 and the renewal lease term is for twenty years following the date of the lease amendment on October 1, 2019. 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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 7 - OPERATING LEASES (CONTINUED)

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, 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, 2020 was \$42,910.

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

NOTE 10 - RISK MANAGEMENT

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 \$1,634,228 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 FY2021 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	\$ 3,357,286	\$ -	\$ -	\$ 3,357,286
Operating expenses	(7,946,871)	-	-	(7,946,871)
Nonoperating revenues (expenses)	3,122,949	8,242	-	3,131,191
Capital grant revenues	204,088	-	-	204,088
Other capital revenues	57,981	-	-	57,981
Depreciation expense	984,805	-	(984,805)	-
Change in fixed assets account not in expenses	(251,324)	-	251,324	-
Increase (Decrease) in net position	(471,086)	8,242	(733,481)	(1,196,325)
Net Position - October 1, 2019	<u>2,686,280</u>	<u>1,608,690</u>	<u>12,201,171</u>	<u>16,496,141</u>
Net Position - September 30, 2020	<u>\$ 2,215,194</u>	<u>\$ 1,616,932</u>	<u>\$ 11,467,690</u>	<u>\$ 15,299,816</u>

The decrease in unrestricted net position is mainly due to the decreased services provided during the pandemic, bringing in much less revenue than in prior years. The decrease in the net investment in capital assets is due to depreciation expense that far exceeded the 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>2020</u>	<u>2019</u>
OPERATING EXPENSES		
Salaries and wages	\$ 3,254,628	\$ 3,077,356
Payroll taxes	163,468	232,034
Employee benefits	414,465	333,239
Pension plan	374,745	351,155
Repairs and maintenance	1,070,200	1,337,889
Fuel	562,992	691,387
Insurance	98,257	102,324
Telephone	23,227	20,053
Mail agent	11,228	11,220
Office expense	149,464	150,574
Postage	3,234	3,249
Travel	10,328	18,333
Injuries and damages	13,844	16,080
Professional fees	60,119	75,361
Dues and subscriptions	13,034	20,025
Uniforms	703	28,071
Heat and utilities	53,686	62,695
Janitorial	74,030	85,582
Rent	20,081	38,411
Terminal	192,461	154,768
Credit card settlement fees	105,242	141,285
Charter expenses	22,526	150,299
Depreciation	984,805	1,038,052
Barge subcontracting	14,400	75,550
Sales/marketing expense	96,053	164,827
Miscellaneous	159,651	100,654
	<u>\$ 7,946,871</u>	<u>\$ 8,480,473</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, 2020

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster:				
State of Good Repair Grants Program	20.525	ME-2019-018	\$ -	\$ 47,098
			-	47,098
Federal Transit Formula Grants	20.507	ME-2019-018	-	414,075
Federal Transit Formula Grants	20.507	ME-2018-014	-	3,244
Federal Transit Formula Grants	20.507	ME-2016-018	-	99,903
Federal Transit Formula Grants	20.507	ME-2016-014	-	4,417
Federal Transit Formula Grants	20.507	ME-2016-013	-	132,015
			-	653,654
Federal Transit Formula Grants - CARES	20.507	ME-2020-016	-	1,824,712
Total Federal Transit Cluster			-	2,525,464
Pass-through State of Maine Department of Transportation				
Formula Grants for Rural Areas	20.509	CSN 40775	-	24,568
Formula Grants for Rural Areas	20.509	CSN 40827	-	800
Formula Grants for Rural Areas	20.509	CSN 41146	-	800
Formula Grants for Rural Areas	20.509	CSN 41599	-	600,000
Formula Grants for Rural Areas	20.509	CSN 42240	-	25,717
			-	651,885
TOTAL FEDERAL AWARDS			\$ -	\$ 3,177,349

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020. 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.



Proven Expertise & Integrity

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, 2020 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 September 27, 2021.

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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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 September 27, 2021.

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
September 27, 2021



Proven Expertise & Integrity

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, 2020. 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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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, 2020.

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
September 27, 2021

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 Federal Transit Cluster: Federal Transit - Formula Grants

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



Proven Expertise & Integrity

ACCOUNTANTS' REVIEW REPORT ON SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have reviewed the accompanying schedule of expenditures of department agreements for the Casco Bay Island Transit District as of and for the year ended September 30, 2020 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
September 27, 2021

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Department Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses	Local Share Expenses	Total Agreement/Match Expenses
DOT:										
OPT	CSN 40775	\$ 300,000	7/1/19-6/30/20	Admin/Operating	Interim	\$ 24,568	\$ -	\$ 24,568	\$ -	\$ 24,568
OPT	CSN 40827	1,849	6/5/19-11/15/19	RTAP	Final	800	-	800	-	800
OPT	CSN 41146	800	8/5/19-11/30/19	RTAP	Final	800	-	800	-	800
OPT	CSN 40646	68,444	7/1/19-6/30/20	Admin/Operating	Final	-	68,444	68,444	-	68,444
OPT	CSN 41599	600,000	2/1/20-6/30/21	CARES Operating	Final	600,000	-	600,000	-	600,000
OPT	CSN 42240	500,000	8/1/20-9/30/21	CARES Operating	Interim	25,717	-	25,717	-	25,717
TOTAL						<u>\$ 651,885</u>	<u>\$ 68,444</u>	<u>\$ 720,329</u>	<u>\$ -</u>	<u>\$ 720,329</u>

Disclosures:

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



Proven Expertise & Integrity

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, 2020 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
September 27, 2021

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: 30-Sep-20
CFDA#: 20.509
Project Name/No: CARES Operating
CSN#: CSN 41599
PIN#: 024843.00
Agreement Period: 2/1/20-6/30/21

	Operating	Admin	Capital	Total
Gross Expenditures	\$ 600,000	\$ -	\$ -	\$ 600,000
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ -	\$ -	\$ -	\$ -
Net Expenditures/Deficit	\$ 600,000	\$ -	\$ -	\$ 600,000
<u>Federal Share</u>				
Maximum %	100%	0%	\$ -	
Amount Paid	\$ 600,000	\$ -	\$ -	\$ 600,000
Maximum Amount	\$ 600,000	\$ -	\$ -	\$ 600,000
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>State Share</u>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>Local Share</u>				
Minimum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Minimum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Minimum	\$ -	\$ -	\$ -	\$ -
<u>Summary:</u>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: 30-Sep-20
CFDA#: 20.509
Project Name/No: Admin
CSN#: 40827
PIN#: 20769.01
Agreement Period: 6/5/19-11/15/19

	Operating	Admin	Capital	Total
Gross Expenditures	\$ -	\$ -	\$ -	\$ -
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ -	\$ -	\$ -	\$ -
Net Expenditures/Deficit	\$ -	\$ -	\$ -	\$ -
<u>Federal Share</u>				
Maximum %	0.0%	100.0%	0%	
Amount Paid	\$ -	\$ 1,849	\$ -	\$ 1,849
Maximum Amount	\$ -	\$ 1,849	\$ -	\$ 1,849
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>State Share</u>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>Local Share</u>				
Minimum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Minimum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Minimum	\$ -	\$ -	\$ -	\$ -
<u>Summary:</u>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: 30-Sep-20
CFDA#: 20.509
Project Name/No: Admin
CSN#: 41146
PIN#: 20769.01
Agreement Period: 8/5/19-11/30/19

	Operating	Admin	Capital	Total
Gross Expenditures	\$ -	\$ -	\$ -	\$ -
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ -	\$ -	\$ -	\$ -
Net Expenditures/Deficit	\$ -	\$ -	\$ -	\$ -
<u>Federal Share</u>				
Maximum %	0.0%	100.0%	0%	
Amount Paid	\$ -	\$ 800	\$ -	\$ 800
Maximum Amount	\$ -	\$ 800	\$ -	\$ 800
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>State Share</u>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>Local Share</u>				
Minimum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Minimum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Minimum	\$ -	\$ -	\$ -	\$ -
<u>Summary:</u>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

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

Community Agency: Casco Bay Island Transit District
Fiscal Year End: September 30, 2020
Project Name/Grant No: Operating
CSN#: 40646
PIN#: 022760.19
Agreement Period: 7/1/19-6/30/20

State Participating Share

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

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