CASCO BAY ISLAND TRANSIT DISTRICT

Financial Statements,
Management's Discussion and Analysis,
and Supplementary Information

and

Reports in Accordance with *The Uniform Guidance*
and *Maine Uniform Accounting and Auditing Practices for Community Agencies*

Years ended September 30, 2023 and 2022
With Independent Auditor's Reports

CASCO BAY ISLAND TRANSIT DISTRICT

Financial Statements

Year Ended September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Casco Bay Island Transit District
Portland, Maine

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Casco Bay Island Transit District (the District), as of September 30, 2023, 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.

In our opinion, the 2023 financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Casco Bay Island Transit District as of September 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Changes in Accounting Principles

As discussed in Note 2 to the basic financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* during the year ended September 30, 2023. Our opinion is not modified with respect to those matters.

Adjustments to Prior Period Financial Statements

The basic financial statements of the District as of and for the year ended September 30, 2022 were audited by other auditors whose report dated June 27, 2023, expressed an unmodified opinion on those basic financial statements. As more fully described in Note 15, the District discovered errors to the 2022 basic financial statements which has resulted in restating the 2022 basic financial statements during the current year in accordance with U.S. GAAP. The other auditors reported on the 2022 basic financial statements before the restatement.

As part of our audit of the 2023 basic financial statements, we also audited the adjustments described in Note 15 that were applied to restate the 2022 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2022 basic financial statements of the District other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 basic financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require that Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 4 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 U.S. GAAS, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statements of operating expenses, schedule of expenditures of federal awards 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 schedule of expenditures of Department agreements as required by the *Maine Uniform Accounting and Auditing Practices for Community Agencies* are presented for purpose of additional analysis are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is 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 27, 2024 on our consideration of the 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 solely 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 effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
June 27, 2024

CASCO BAY ISLAND TRANSIT DISTRICT

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

The Management of the Casco Bay Island Transit District (herein referred to as “the District”) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the fiscal years ended September 30, 2023 and 2022.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations 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

Revenues for the year ended September 30, 2023 were above budget by 2% and expenses were above budget by 4%. As compared to the year ended September 30, 2022, revenues for the fiscal year (FY) ended September 30, 2023 were 14% higher than in FY 2022 and FY 2023 expenses were higher than in FY 2022 by 1.3%.

2023 Financial Highlights

Statement of Net Position:

As of September 30, 2023:

- Total current assets increased approximately $264k over the prior year primarily due to increases in the grants receivable balances from activity at year-end within the vessel and terminal projects.
- Total noncurrent assets increased by $6.1M over the prior year primarily due to capital asset additions of $7.0M netted with depreciation expense of $768K
- Total liabilities increased by $424K over the prior year primarily due to increases in payables at year-end associated with the vessel and terminal projects.
- Total net position increased by $5.9M due to an overall operating loss of ($4.5M), non operating revenues of $4.3M, and capital grant revenues of $6.1M.

Revenue:

Year to date (YTD), FY 2023:

YTD Operating Revenue was $5.9M and was 1.3% ahead of budget and 1.8% above the same period last fiscal year.

- Scheduled passenger revenues YTD of $2.7M were 5.12% above budget and .3% above compared to last fiscal year.
- Vehicle revenues YTD of $1.5M are better than budget by 18.47% and are 2.1% ahead of FY 2022.

- Freight revenues YTD of $947K were 11% below budgeted numbers and 6% below FY 2022.
- Group sales YTD of $798K closed 17% below budget and 19% above the same period last year YTD.

Expenses:

Year to date (YTD), FY 2023:

FY 2023 Expenses were 4% over budget and were 1.3% above FY 2022.

- Personnel expenses YTD were 8% favorable to budget and 7% above FY 2022.
- Vessel maintenance was 13% under budget and 21% below last fiscal YTD.
  - Bay Mist drydock expense of $341K, significantly lower than budget of $485K.
  - Machigonne drydock expense at $430K compared to budget of $450K.
  - Aucocisco drydock, budgeted at $325K actuals are at $44K – primary drydock expense will be incurred in 2024.
  - Wabanaki general repairs include $10K for engine repairs – rocker arms and bushings, and $10K for crane upgrade.
  - Bay Mist repairs at $116K compared to budget of $42K, increase of $74K.
  - Fuel expense YTD budgeted at $1.131M and as of September YTD is at $1.132M. Fuel price lock of $3.45 in 2023 compared to $1.85 in 2022.
- Operations expenses were 1% under budget and 6% above last YTD.
  - Barge subcontracting was up $176K over last fiscal YTD, and $54K above budget, for unplanned need during work on Portland pier. Professional services were up $49K over last fiscal YTD and $30K over budget – this includes $31K for unplanned Human Resources consulting services.
- Terminal expense was 96% above budget and 122% higher than last YTD.
  - YTD Miscellaneous expense includes $34K for closed circuit tvs that would normally have been capitalized and unbudgeted Taylor Made security expense of $102K.
- Sales expense YTD was 30% below budget and 24% above last YTD.

Operating Surplus/Loss:

Year to date (YTD), FY 2023:

FY 2023 operating result of -$4.477M was 7.6% unfavorable to budget and 0.5% unfavorable compared to -$4.454M in FY 2022.

Nonoperating Revenues:

Year to date (YTD):

Nonoperating revenue YTD of $4.3M was 3% above budget, and 37% higher last YTD at $3.12M.

Surplus/Loss:

Year to date (YTD):

FY 2023 YTD result is -$165K loss which was slightly under budget, as YTD budget was for a break-even.

Line of Credit Balance: Currently $0

2022 Financial Highlights

Statement of Net Position:

As of September 30, 2022:

- Total current assets decrease $1.4M over the prior year primarily due to decreases in the grants receivable balances from activity at year-end.
- Total noncurrent assets increased by $12.8M over the prior year primarily due to capital asset additions of $12.6M netted with depreciation expense of $817K
- Total liabilities increased by $1.4M over the prior year primarily due to the adoption of GASB 87, *Leases* and GASB 96, *Subscription Based Information Technology Agreements*
- Total net position increased by $10.1M due to an overall operating loss of ($4.5M), non operating revenues of $3.1M, and capital grant revenues of $11.5M.

Revenue:

Year to date (YTD), FY 2022:

YTD Operating Revenue was $5.799M and was 4.2% ahead of budget and 8% ahead of the period last fiscal year.

- Scheduled passenger revenues YTD of $2.65M were better than budget by 4.8% and were up 5% as compared to last fiscal year.
- Vehicle revenues YTD of $1.429M are better than budget by 38.4% and are 8% ahead of FY 2021 YTD.
- Freight revenues YTD of $1.01M were 9.4% above budgeted numbers and were 12% below last fiscal YTD.

- Group sales YTD of $669K were 38.9% below budget and 347% above the same period last year.
  - The Diamond Pass Run and Mailboat Run were offered starting in October 2021 and were responsible for the majority of Group Sales Revenue for the year.
  - Bailey Island and Nature Cruise did not operate in FY 2021 or FY 2022, though the tour was budgeted in FY 2022.
  - Staffing levels continued to be a challenge in 2022.

Expenses:

Year to date (YTD), FY 2022:

YTD Expenses were 24% over budget and were 8% below last YTD, primarily due to reduction of Personnel Expense related to the COVID-19 pandemic.

- Personnel expenses YTD were 3.8% favorable to budget and 20% below last YTD, primarily due to crew platooning in response to COVID-19 and a resulting increase in overtime hours in 2021 that did not carry over into 2022.
  - During COVID-19 pandemic, CBITD waived employee premiums on health insurance coverage.
- Vessel maintenance was 57% over budget and 46% higher than last fiscal YTD.
  - Wabanaki drydock expenses were $497K compared to budget of $390K due to higher than anticipated engine overhaul expense.
  - Bay Mist vessel expenses of $51K was flat to budget of $51K.
  - Machigonne vessel expenses were $121K while $119K was budgeted.
  - Maquoit drydock expenses were $456K compared to budget of $550K.
  - Aucocisco vessel expenses were $86K, while $156K was budgeted.
  - Fuel expense of $714K was 29.4% over budget and 14% above prior year. The District entered into a fuel lock for 210K gallons at $1.85 per gallon early in the year.
- Operations expenses were 18.4% over budget and 51% below last YTD.
  - Data processing $106K over budget including $69K for conference room video systems installed due to COVID meeting protocols, funded by CARES. Network infrastructure maintenance and security upgrades, as well as ticket office IT equipment and other licensing renewals also contributed to the increase.
  - Employee recognition included holiday gift cards and summer seasonal bonuses.
  - Ops Misc. included items and supplies to clean and sanitize vessels due to COVID-19, as well as face masks.

    - Credit card fees were 27% over budget for FY 2022, (and 37% higher than prior year) as sales were higher than planned for the year. Credit cards were also more commonly used over cash due to the pandemic.

- Terminal expense was 5% over budget and 4% lower than FY 2021.
    - Paper and Cleaning Supplies included various safety supplies and items and supplies to clean and sanitize terminal areas due to COVID-19.
    - Increase in utilities expense.
    - Miscellaneous expenses included general repairs and maintenance in and around the terminal and included an additional forklift rental, repairs to PA system, and offsite storage fees.
    - Pier and transfer bridge expenses were 104% above budget at $16K.
- Sales expense YTD was 36.4% below budget and 126% above last YTD.
    - Marketing included COVID-19 communications consulting and related services.
    - Reduced number of charters led to expense reduction.

Operating Surplus/Loss:

Year to date (YTD), FY 2022:

YTD operating result of -$4.454M was 65.2% unfavorable to budget compared to -$5.813M in 2021.

Nonoperating Revenues:

Year to date (YTD), FY 2022:

Nonoperating revenue YTD of $3.14M was 26% below budget, and 25.6% below last YTD.

Surplus/Loss:

Year to date (YTD), FY 2022:

FY 2022 YTD result is $1.407M which is unfavorable to budget, as the YTD budget was for a break-even. The FY2022 YTD results was an improvement compared to a loss of $1.58M for FY2021 YTD.

Line of Credit Balance: Currently $0

Economic Outlook

In 2023 Casco Bay Lines returned to pre-pandemic levels in ridership, freight and vehicles with corresponding revenues. Staffing levels rebounded over 2022, with increased seasonal work force. Higher inflation has resulted in cost increases related to fuel, repairs expense, materials and supplies as well as outside contractor costs. This was mitigated by locking in fuel costs through the end of the fiscal year and continued use of federal emergency funds including CARES Act and ARP grant funds made available through Federal Transit Administration (FTA) and State of Maine in 2023. The District's planned capital investments continued in 2023 with the completion of the Phase 2 Terminal Renovation and continued development of the District's replacement vessels with funding from a variety of sources.

Looking ahead, CBL is fully funded for FY 2024 and FY 2025 with the inclusion of the Portland Area Comprehensive Transportation System (PACTS) 2024 and 2025 allocations of FTA 5307 & 5337 formula funds for preventative maintenance and planned capital investments.

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,

Nick Mavodones
Interim General Manager

Laurie Bowie
Director of Finance and HR

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Net Position

September 30, 2023 and 2022

	Operating	Garage Funds	Maintenance and Capital Reserve	2023	Restated 2022
Assets					
Current assets					
Cash and cash equivalents	$ 1,785,301	$ 664,058	$ 418,766	$ 2,868,125	$ 2,975,552
Accounts receivable	175,154	-	-	175,154	362,129
Grants receivable	1,294,783	-	-	1,294,783	752,763
Inventory	70,427	-	-	70,427	62,836
Prepaid items	41,935	-	-	41,935	33,378
Total current assets	3,367,600	664,058	418,766	4,450,424	4,186,658
Noncurrent assets					
Capital assets					
Construction in progress	27,018,636	-	-	27,018,636	20,005,668
Buildings and equipment, net of accumulated depreciation	8,550,418	-	-	8,550,418	9,318,900
Subscription assets	609,739	-	-	609,739	703,881
Lease assets	222,688	-	-	222,688	237,534
Total noncurrent assets	36,401,481	-	-	36,401,481	30,265,983
Total assets	39,769,081	664,058	418,766	40,851,905	34,452,641
Liabilities					
Current liabilities					
Accounts payable	1,100,767	-	-	1,100,767	686,136
Accrued payroll and payroll taxes	87,499	-	-	87,499	71,698
Accrued compensated absences	229,702	-	-	229,702	195,786
Accrued pension	351,235	-	-	351,235	352,168
Other accrued liabilities	19,764	-	-	19,764	11,074
Current portion of lease liabilities	11,868	-	-	11,868	11,276
Current portion of subscription liabilities	91,177	-	-	91,177	94,142
Deferred reserve fund	-	664,058	-	664,058	612,567
Total current liabilities	1,892,012	664,058	-	2,556,070	2,034,847
Noncurrent liabilities					
Lease liabilities, net of current portion	242,537	-	-	242,537	254,405
Subscription liabilities, net of current portion	554,674	-	-	554,674	639,915
Total noncurrent liabilities	797,211	-	-	797,211	894,320
Total liabilities	2,689,223	664,058	-	3,353,281	2,929,167
Net position					
Net investment in capital asset	35,244,174	-	-	35,244,174	29,324,568
Restricted	-	-	418,766	418,766	996,913
Unrestricted	1,835,684	-	-	1,835,684	1,201,993
Total net position	$ 37,079,858	$ -	$ 418,766	$ 37,498,624	$ 31,523,474

The accompanying notes are an integral part of these financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended September 30, 2023 and 2022

	Operating	Garage Funds	Maintenance and Capital Reserve	2023	Restated 2022
Operating revenues					
Passenger fares	$ 2,658,674	$ -	$ -	$ 2,658,674	$ 2,650,354
Vehicles	1,459,340	-	-	1,459,340	1,429,191
Freight	946,582	-	-	946,582	1,009,471
Mail contract	268,185	-	-	268,185	255,970
Tours and cruises	169,591	-	-	169,591	160,159
Charters	360,514	-	-	360,514	252,704
Miscellaneous	42,117	-	-	42,117	40,814
Total operating revenues	5,905,003	-	-	5,905,003	5,798,663
Operating expenses	9,783,992	-	598,257	10,382,249	10,252,856
Operating loss	(3,878,989)	-	(598,257)	(4,477,246)	(4,454,193)
Nonoperating revenues (expenses)					
U.S. Department of Transportation, Federal Transit Administration grant	4,225,077	-	-	4,225,077	3,069,922
State of Maine grants	68,444	-	-	68,444	74,872
Interest income	35,641	-	20,110	55,751	13,258
Interest expense	(37,023)	-	-	(37,023)	(40,464)
Total nonoperating revenues	4,292,139	-	20,110	4,312,249	3,117,588
Income (loss) before capital grant revenues	413,150	-	(578,147)	(164,997)	(1,336,605)
Capital grant revenues					
State of Maine grants	5,738,036	-	-	5,738,036	11,446,907
Other capital grants	402,111	-	-	402,111	-
Total capital grant revenues	6,140,147	-	-	6,140,147	11,446,907
Change in net position	6,553,297	-	(578,147)	5,975,150	10,110,302
Net position, beginning of year, as previously stated	30,334,551	-	996,913	31,331,464	21,457,701
Cumulative effect of prior period adjustments	192,010	-	-	192,010	(44,529)
Net position, beginning of year, restated	30,526,561	-	996,913	31,523,474	21,413,172
Net position, end of year	$ 37,079,858	$ -	$ 418,766	$ 37,498,624	$ 31,523,474

The accompanying notes are an integral part of these financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Cash Flows

For the Years Ended September 30, 2023 and 2022

	2023	Restated 2022
Cash flows from operating activities		
Receipts from customers	**$ 6,143,469**	$ 5,748,319
Payments to employees	**(4,772,128)**	(3,199,164)
Payments to suppliers and vendors	**(4,376,176)**	(5,851,434)
Net cash used by operating activities	**(3,004,835)**	(3,302,279)
Cash flows from noncapital financing activities		
Federal maintenance grant	**4,293,521**	3,144,794
State subsidy grant	**5,598,127**	11,851,657
Net cash provided by noncapital financing activities	**9,891,648**	14,996,451
Cash flow from investing activities		
Interest on investments	**55,751**	13,258
Net cash provided by investing activities	**55,751**	13,258
Cash flows from capital and related financing activities		
Acquisition of capital assets	**(7,012,968)**	(12,657,358)
Interest paid	**(37,023)**	(40,464)
Other	**-**	(44,529)
Net cash used by capital and related financing activities	**(7,049,991)**	(12,742,351)
Net decrease in cash and cash equivalents	**(107,427)**	(1,034,921)
Cash and cash equivalents, beginning of year	**2,975,552**	4,010,473
Cash and cash equivalents, end of year	**$ 2,868,125**	$ 2,975,552

Reconciliation of operating loss to net cash used by operating activities		
Operating loss	**(4,477,246)**	(4,454,193)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	**768,482**	816,952
Amortization expense	**108,988**	108,988
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	**186,975**	(108,761)
(Increase) decrease in other assets	**(16,148)**	3,562
Increase in accounts payable	**414,631**	442,039
Increase in compensated absences	**33,916**	10,956
(Decrease) in other liabilities	**(75,924)**	(180,239)
Increase in deferred revenue fund	**51,491**	58,417
Net cash used by operating activities	**$ (3,004,835)**	$ (3,302,279)

The accompanying notes are an integral part of these financial statements.

1. Reporting Entity

Casco Bay Island Transit District (the 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 Board of 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 Board of Directors of the District are determined by election as provided for in Private and Special Laws of the State of Maine (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.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. 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 financial statements include all accounts and all operations of the District. Management has determined the District has no component units as defined by GASB.

2. Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2023, the District adopted new accounting guidance, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The adoption of the statement and related guidance during the year ended September 30, 2023 did not have a material impact of the financial statements of the District.

During the year ended September 30, 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The retrospective adjustments made to the basic financial statements to comply with the new accounting standards have been reported as an adjustment of prior periods, and the financial statements presented for the periods affected have been restated.

The adoption of GASB 96 at October 1, 2021, required the recognition of $798,023 of long-term subscription assets, $94,142 of short-term subscription liabilities, and $725,246 of long-term subscription liabilities. At September 30, 2022, those balances related to subscription leases amounted to $703,881 of long-term subscription assets, $94,142 in short-term subscription liabilities, and $639,915 of long-term subscription liabilities. The impact of the adoption of the standard for the year ended September 30, 2022 was a decrease in net position of $30,176 as of September 30, 2022.

Basis of Accounting

The accompanying financial statements of Casco Bay Island Transit District were prepared in accordance with U.S. GAAP and as prescribed by GASB, which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. Casco Bay Island Transit District uses enterprise fund reporting, which uses the economic resources measurement focus and the accrual basis of accounting.

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.

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. Accounts and grants receivable were $1,469,937 as of September 30, 2023 and $1,114,892 as of September 30, 2022. There was no allowance for uncollectible accounts deemed necessary.

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 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:

Leasehold improvements	20 - 50
Equipment	3 - 50
Vessels	3 - 30

Subscription-Based Information Technology Arrangements

The District is party to 2 subscription-based information technology arrangements (SBITAs). The District recognizes subscription liabilities and intangible right of use subscription asset (subscription asset) in the statements of net position. The District reports SBITA current expenditures in the statement of revenues, expenditures, and changes in net position. The District recognizes subscription liabilities with an initial term greater than twelve months. Remaining subscription terms range from 1 to 7 years with fixed payments due monthly and annually. For SBITAs with a maximum possible term of twelve months or less at commencement, the District the recognizes expenses based on the provisions of the arrangement.

At the commencement of a SBITA, the District initially measures the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the IT asset or subscription term.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

The District uses prime rate at the commencement date of the contract as the discount rate. The subscription term includes the noncancellable period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the District or vendor will exercise that option or to terminate if it is reasonably certain that the District or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments only.

The District monitors changes in circumstances that would require a remeasurement of a SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with noncurrent assets and subscription liabilities, net of current portion are reported with long term liabilities on the statements of net position.

Net Position

Net position represents the difference between all other elements in a statements 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 legislation's 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.

Operating/Nonoperating Proprietary Fund Revenues

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

Use of Estimates

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

3. 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, 2023, the District's deposits amounting to $2,868,125 were comprised of bank deposits of $3,258,898. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash and cash equivalents. Of these deposits, $183,975 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The District also has an overnight repurchase agreement for their checking account in the amount of $3,074,923 that is also insured by a third-party agreement. In addition, the District had a petty cash/change fund balance of $6,750 as of September 30, 2023.

Account Type	Bank Balance
Checking accounts	$ 183,975
Repurchase agreement	3,074,923
	$ 3,258,898

4. Capital Assets

Capital assets activity for the year ended September 30, 2023 is summarized below:

	Balance Beginning	Additions	Disposals	Transfers	**Ending Balance**
Construction in progress	$ 20,005,668	$ 7,012,968	$ -	$ -	**$ 27,018,636**
Total non-depreciated assets	20,005,668	7,012,968	-	-	**27,018,636**
Leasehold improvements	4,430,072	-	-	-	**4,430,072**
Equipment	1,952,408	-	-	-	**1,952,408**
Vessels	18,198,432	-	-	-	**18,198,432**
Total depreciable assets	24,580,912	-	-	-	**24,580,912**
Accumulated depreciation	(15,262,012)	(768,482)	-	-	**(16,030,494)**
	9,318,900	(768,482)	-	-	**8,550,418**
Capital assets, net	$ 29,324,568	$ 6,244,486	$ -	$ -	**$ 35,569,054**

Capital assets activity for the year ended September 30, 2022 is summarized below:

	Balance Beginning	Additions	Disposals	Transfers	Ending Balance
Construction in progress	$ 7,348,310	$ 12,657,358	$ -	$ -	$ 20,005,668
Total non-depreciated assets	7,348,310	12,657,358	-	-	20,005,668
Leasehold improvements	4,430,072	-	-	-	4,430,072
Equipment	1,952,408	-	-	-	1,952,408
Vessels	18,198,432	-	-	-	18,198,432
Total depreciable assets	24,580,912	-	-	-	24,580,912
Accumulated depreciation	(14,445,060)	(816,952)	-	-	(15,262,012)
	10,135,852	(816,952)	-	-	9,318,900
Capital assets, net	$ 17,484,162	$ 11,840,406	$ -	$ -	$ 29,324,568

5. Changes in Noncurrent Liabilities

Noncurrent liability activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022	Additions	Reductions	**Balance September 30, 2023**	Due in One Year
Lease liabilities	$ 265,681	$ -	$ (11,276)	**$ 254,405**	$ 11,868
Subscription liabilities	734,057	-	(88,206)	**645,851**	91,177
	$ 999,738	$ -	$ (99,482)	**$ 900,256**	$ 103,045

Noncurrent liability activity for the year ended September 30, 2022 was as follows:

	Balance October 1, 2021	Additions	Reductions	Balance September 30, 2022	Due in One Year
Lease liabilities	$ 275,544	$ -	$ (9,863)	$ 265,681	$ 11,276
Subscription liabilities	819,388	-	(85,331)	734,057	94,142
	$ 1,094,932	$ -	$ (95,194)	$ 999,738	$ 105,418

6. 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, 2023 and 2022 was $229,702 and $195,786, respectively.

7. 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 years ended were September 30, 2023 and $351,235 and $352,168, respectively.

8. Leases

The District has a lease agreement with the City of Portland (the City) 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, 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 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.

In instances in which the District is the lessee, GASB Statement No. 87, *Leases* requires the recording as a right-of-use asset and lease liability even in the case that the lease does not transfer ownership of the leased asset.

The total lease liabilities were $254,405 and $265,681 as of September 30, 2023 and 2022, respectively. During the years September 30, 2023 and 2022, the District incurred $14,199 and $14,757, respectively, in interest expenses related to lease liabilities.

The total lease assets, net of accumulated amortization amounted to $222,688 and $237,534 as of September 30, 2023 and 2022, respectively. During the years ended September 30, 2023 and 2022, the District recognized $14,846 each year in amortization expense from the lease assets.

Long-term lease agreements existing prior to the implementation date of October 1, 2020 for GASB Statement No. 87, *Leases* were valued at the discounted value of future expected scheduled lease payments as of the implementation date. Long-term lease agreements entered into subsequent to the implementation date of October 1, 2020 were valued at the discounted value of future expected scheduled lease payments as of the commencement date of the individual lease. As the leases do not provide an implicit rate, the District uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. The incremental borrowing rate used to determine the present value of lease payments was derived by reference to the secured-debt yields the District would receive to finance each lease transaction or needed to borrow the amount of the undiscounted future payments over the term of the lease.

At September 30,2023 the projected minimum future amortization and interest from noncancelable lease agreements is approximately:

Years ending September 30,	Principal	Principal	Interest
2024	$ 25,103	$ 11,868	$ 13,235
2025	25,103	12,491	12,612
2026	25,104	13,147	11,957
2027	25,103	13,837	11,266
2028	25,104	14,564	10,540
2029 to 2033	125,519	85,124	40,395
2034 to 2038	127,822	103,374	24,448
	$ 378,858	$ 254,405	$ 124,453

The District also 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, 2022. In lieu of annual rental payments, the District agrees to perform minor maintenance activities that require prompt attention.

9. Software Subscriptions

The total subscription assets were $964,376 net of accumulated amortization of $354,637 and $260,495, as of September 30, 2023 and 2022, respectively. During the years ended September 30, 2023 and 2022, the District incurred $94,142 each year, in SBITA amortization expense.

The following is a schedule by year of future minimum SBITA payments as of September 30, 2023:

Years ending September 30,	Payment	Principal	Interest
2024	$ 111,274	$ 91,177	$ 20,097
2025	111,274	94,249	17,025
2026	111,274	97,425	13,849
2027	111,274	100,708	10,566
2028	111,274	104,101	7,173
2029 to 2033	162,549	158,191	4,358
Total minimum SBITA payments	$ 718,919	$ 645,851	$ 73,068

10. Commitments and Contingencies

Construction Commitment

The District had commitments under construction contracts totaling approximately $17,170,000 at September 30, 2023. The more significant commitment under construction contracts at September 30, 2023 included $16.1 million for the new Peaks Ferry.

Union Contracts

Substantially all of the District's employees are covered by a collective bargaining agreement, except for executive officers and confidential personnel. The District has two collective bargaining agreements, both with the Maine Marine Association for the Marine Employees and Shoreside Employees, which are set to expire on March 15, 2025.

Contingencies

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

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.

11. Line of Credit

The District currently has a $2,000,000 unsecured Line of Credit Facility (LOC) secured through the Gorham Savings Bank, which matures December 22, 2024. The terms of the LOC provide that a) the loan shall bear interest at a per annum rate equal to the National Prime Rate plus zero; and b) the District shall maintain various covenants that are to be reported on an annual basis. The proceeds of any draw on the LOC are to be used for general working capital purposes of the District and cash flow needs for capital projects. There were no amounts outstanding on this LOC as of September 30, 2023 and 2022.

12. 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.

13. 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 $664,058 and $612,567 as of September 30, 2023 and 2022, respectively.

14. 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.

15. Restatement of Net Assets

During 2023, the District discovered errors to the 2022 financial statements. Net position at the beginning of 2022 and net position at the end of 2022 as well as the change in net position for the year ended September 30, 2022 have been corrected through prior period adjustments as follows:

	Operating	Garage Funds	Maintenance and Capital Reserve	Total
Balances, at September 30, 2021, as previously reported	$ 19,967,605	$ -	$ 1,490,096	$ 21,457,701
To correct amounts from the lease adoption in accordance with GASB 87	(28,147)	-	-	(28,147)
To correct miscellaneous errors noted with beginning net position	(16,382)	-	-	(16,382)
Balances, at September 30, 2021, as restated	19,923,076	-	1,490,096	21,413,172
To correct amounts from the lease adoption in accordance with GASB 87	(4,260)	-	-	(4,260)
To record amounts from the subscription assets and liabilities adoption in accordance with GASB 96	(8,811)	-	-	(8,811)
To correct overstatement in accrued pension balance	84,010	-	-	84,010
To correct grant revenue reported in the incorrect period.	165,600	-	-	165,600
Total change in net position for the year ended September 30, 2022	236,539	-	-	236,539
Total change in net position for the year ended September 30, 2022, as previously reported	10,366,946	-	(493,183)	9,873,763
Total change in net position, as restated	10,603,485	-	(493,183)	10,110,302
Balances, at September 30 2022, as restated	$ 30,526,561	$ -	$ 996,913	$ 31,523,474

INDEPENDENT AUDITOR'S 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 U.S. generally accepted auditing standards 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 (the District) as of and for the year ended September 30, 2023, 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 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-003, and 2023-004, that we consider to be material weaknesses.

Board of Directors
Casco Bay Island Transit District

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs related to federal awards. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
June 27, 2024

SUPPLEMENTARY INFORMATION

CASCO BAY ISLAND TRANSIT DISTRICT

Statements of Operating Expenses

For the Years Ended September 30, 2023 and 2022

	2023	2022
Operating expenses		
Salaries and wages	**$ 3,764,212**	$ 3,405,000
Payroll taxes	**276,984**	252,260
Employee benefits	**430,487**	505,768
Pension plan	**349,229**	350,240
Repairs and maintenance	**1,502,728**	2,609,543
Fuel	**1,131,799**	714,078
Insurance	**140,024**	166,664
Telephone	**28,457**	25,874
Mail agent	**11,220**	11,220
Office expense	**136,029**	269,193
Postage	**5,251**	4,955
Travel	**6,326**	4,723
Inquiries and damages	**22,370**	8,086
Professional fees	**128,979**	79,615
Dues and subscriptions	**11,906**	5,229
Uniforms	**28,478**	19,449
Heat and utilities	**76,667**	67,249
Janitorial	**91,839**	91,839
Rent	**17,906**	(662)
Terminal	**632,927**	210,390
Credit care settlement fees	**172,403**	179,397
Charter expenses	**140,048**	79,250
Depreciation	**768,482**	816,952
Amortization	**108,988**	108,988
Barge subcontracting	**197,035**	20,903
Sales/marketing expense	**124,520**	134,787
Miscellaneous	**76,955**	111,866
	$10,382,249	$10,252,856

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

Board of Directors
Casco Bay Island Transit District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Casco Bay Island Transit District's (the District) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs related to federal awards.

In our opinion, the 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 federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District's and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs related to federal awards as item 2023-005. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs related to federal awards. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal controls over compliance described in the accompanying schedule of findings and questioned costs related to federal awards as item 2023-005 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs related to federal awards. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The 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.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
June 27, 2024

CASCO BAY ISLAND TRANSIT DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Transportation			
Federal Transit Cluster			
ME-2016-018	20.507		$ 961,501
ME-2019-005	20.507		3,411,144
ME-2020-034	20.507		2,828,237
ME-2021-006	20.507		929,480
ME-2023-010	20.507		442,500
ME-2023-030	20.507		165,797
ME-2023-037	20.507		193,374
Total AL 20.507			8,932,033
Passed through Maine Department of Transportation			
Formula Grants for Rural Areas			
CSN 43021 - COVID	20.509	CSN 43021	461,655
CSN 44067 - COVID	20.509	CSN 44067	300,000
Total AL 20.509			761,655
Total U.S. Department of Transportation and Total Expenditures of Federal Awards			$ 9,693,688

See accompanying notes to the schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) includes the federal grant activity of Casco Bay Island Transit District (the District) during the year ended September 30, 2023. The information in the SEFA 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 SEFA presents only a portion of the operations of the District, it is not intended to, and does not, present the net position, changes in net position or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA 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. Pass-through entity identifying numbers are presented where available.

The District has not elected to use the 10% de minimis indirect cost rate.

CASCO BAY ISLAND TRANSIT DISTRICT

Schedule of Findings and Questioned Costs Related to Federal Awards

Year Ended September 30, 2023

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unmodified		
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None Reported
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 Uniform Guidance?	X	Yes		No

Identification of Major Programs:

AL Number(s)	Name of Federal Program or Cluster
20.507	U.S.Department of Transportation: Federal Transit Cluster
20.509	U.S. Department of Transportation Formula Grants for Rural Areas

Dollar threshold used to distinguish between Type A and Type B programs:		$750,000		
Auditee qualified as low-risk auditee?	X	Yes		No

Section II. Financial Statement Findings

Finding Number: 2023-001

Criteria: The District is responsible for designing, implementing, and maintaining effective internal controls over financial reporting that provide reasonable assurance that the internal controls will prevent misstatements, or detect and correct misstatements on a timely basis, intentional or unintentional, from occurring.

Condition Found: During our audit of the financial statements, we noted monthly reconciliation of trial balance accounts were not being consistently performed throughout the year. Though significant reconciliation of trial balance accounts was performed as of September 30, 2023, timely reconciliation throughout the year is an important function of internal control which allows management and those charged with governance to have up-to-date information to support decision making.

We further noted that reconciliations that were selected for testing did not have documented evidence of review and approval by a member of management. Review of reconciliations is an important internal control to identify errors, intentional or unintentional, and to provide oversight to the finance team.

Cause and Effect: There are no formal procedures for performing monthly reconciliations for key balance sheet accounts. As a result, there is potential for an error or misstatement may not be prevented or detected or corrected, on a timely basis.

Recommendation: We recommend the District develop a month-end checklist to document the procedures to be followed as part of each month-end closing. This checklist should include reconciliation and related review of the reconciliations for the key accounts. Each reconciliation should be initialed by the preparer and the individual reviewing the reconciliation in order to attribute responsibility to the appropriate individuals. We further recommend a monthly statement of net position be prepared to be reviewed by management.

Views of a Responsible Official and Corrective Action Plan: Management agrees with the finding and the recommendation. See Corrective Action Plan on page 46.

Responsible party: Laurie Bowie, (207) 774-7874

Finding Number:	**2023-002**
Criteria:	The District is responsible for designing, implementing, and maintaining effective internal controls over financial reporting that provide reasonable assurance that the internal controls will prevent misstatements, or detect and correct misstatements on a timely basis, intentional or unintentional, from occurring.
Condition Found:	Based on the results of our testing, we noted supporting documentation for journal entries is not consistently retained. We further noted that journal entries do not include evidence of a review and approval by a second individual. Retaining documentation and related approvals are important segments of internal control.
Cause and Effect:	There are no formal procedures for documenting and reviewing journal entries. As a result, there is potential for an error or misstatement may not be prevented, detected or corrected, on a timely basis.
Recommendation:	We recommend all journal entries be properly supported by underlying documentation and include evidence of a review and approval.
Views of a Responsible Official and Corrective Action Plan:	Management agrees with the finding and the recommendation. See Corrective Action Plan on page 46. Responsible party: Laurie Bowie, (207) 774-7874
Finding Number:	**2023-003**
Criteria:	The District is responsible for designing, implementing, and maintaining effective internal controls over financial reporting that provide reasonable assurance that the internal controls will prevent misstatements, or detect and correct misstatements on a timely basis, intentional or unintentional, from occurring.
Condition Found:	We noted internal control deficiencies related to segregation of duties for the payroll and human resources (HR) function of the District. The following control deficiencies were identified during our audit: • The Director of Finance and HR had full access to the payroll system, was able to post journal entries in the general ledger, maintained personnel information in the payroll processing system and served as the backup for processing payroll.

- There is no pre or post payroll review of the overall payroll data provided to the payroll processor for accuracy.
- Payroll change reports are not generated, reviewed, or maintained.

Cause and Effect: The conditions identified above related to the segregation of duties issues are due to the limited size of the finance department. Limited segregation of duties over financial reporting creates a significant risk to the District that misstatements, intentional or unintentional, could occur.

Recommendation: We recommend the District implement a system of internal controls that would improve the segregation of duties related to payroll. Specifically, we recommend the following:

- We recommend the person responsible for processing payroll not be able to change data within the payroll processing system.
- We recommend an individual without the ability to change data in the system or payroll perform the review over the payroll register.
- We recommend payroll change reports be generated and a documented review of the changes made be maintained by someone outside the payroll processing functions.

Views of a Responsible Official and Corrective Action Plan: Management agrees with the finding and the recommendation. See Corrective Action Plan on page 46.

Responsible party: Laurie Bowie, (207) 774-7874

Finding Number: 2023-004

Criteria: The District is responsible for designing, implementing, and maintaining effective internal controls over financial reporting that provide reasonable assurance that the internal controls will prevent misstatements, or detect and correct misstatements on a timely basis, intentional or unintentional, from occurring.

Condition Found: During our testing of capital assets and related liabilities, we noted the District had not recorded the retainage associated with the projects under construction during the construction stage. Instead, the retainage component of the contracts had been recorded by the District when it was paid at the conclusion of the project.

Cause and Effect:	The District was not aware of the requirement to record for the retainage payable as these amounts cannot be billed towards the grant until paid. As a result, there is a potential that a misstatement related to accrued retainage and capital asset additions may not be detected or corrected on a timely basis.
Recommendation:	We recommended the District record the retainage component of vendor invoices during the construction phase to capture the full amount of the committed costs associated with each project.
Views of a Responsible Official and Corrective Action Plan:	Management agrees with the finding and the recommendation. See Corrective Action Plan on page 47. Responsible party: Laurie Bowie, (207) 774-7874

Section III. **Findings for Each Major Federal Program**

Finding Number:	**2023-005**
Information on the Federal Program:	Federal Agency: United States Department of Transportation Program Name: Federal Transit Cluster AL: 20.507 Federal Award Year: 2023 Federal Agency: United States Department of Transportation Program Name: Formula Grants for Rural Areas AL: 20.509 Federal Award Year: 2023
Criteria:	Required by 2 CFR, Part 200 for federally funded programs, when an institution enters into a covered transaction with an entity or individual, an institution must verify that the vendor or employee is not suspended or debarred or otherwise excluded from participating in federal programs. Generally, a covered transaction is a transaction expected to equal or exceed $25,000 and be funded with federal dollars. This verification may be accomplished by checking the System for Award Management (SAM), formerly the Excluded Parties List System, maintained by the General Services Administration, collecting a certification from the vendor, or by adding a clause or condition to the covered transaction.
Condition Found:	During our audit, we noted the District did not consistently review the SAM for vendors meeting the covered transaction threshold.
Context:	Based on our testing, we noted that none of the vendors selected in our testing that were charged to the grant were included in the SAM listing. Although we did note the District has a process to review SAM for vendors during the procurement process and during prior to payment to vendors, this review does not consistently occur.
Questioned Costs:	None noted
Cause and Effect:	The District is aware of the requirement to verify vendors against the SAM. Since this process was not performed on all vendors, there was a risk vendors who may be included on the SAM were included in the expenditures for the federal program.
Identification as a Repeat Finding, if applicable:	N/A

Recommendation:	We recommend the District implement a process to verify all vendors prior to payment against the SAM. We also recommend the District provide additional training to all individuals involved in the accounts payable and procurement on the importance of the SAM reviews.
Views of a Responsible Official and Corrective Action Plan:	Management agrees with the finding and the recommendation. See Corrective Action Plan on page 47. Responsible party: Laurie Bowie, (207) 774-7874

BerryDunn

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT 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

Report on Compliance for Each Major Department Agreement

Opinion on Each Major Department Agreement

We have audited Casco Bay Island Transit District's (the District) compliance with the types of compliance requirements described in the *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP) and with the requirements identified in the Contract Compliance Riders of the District's agreement with the Maine Department of Transportation (the Department) that could have a direct and material effect on each of the District's major Department agreements for the year ended September 30, 2023. The District's major Department agreements are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs related to Department agreements.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Department Agreement

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and MAAP. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Department agreement. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's Department agreements.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and MAAP will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major Department agreement as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and MAAP, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. 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 Department agreement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Casco Bay Island Transit District

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses, or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The 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 MAAP. Accordingly, this report is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
June 27, 2024

CASCO BAY ISLAND TRANSIT DISTRICT

Schedule of Expenditures of Department Agreements

Year Ended September 30, 2023

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 43131	$ 68,444	7/1/22-6/30/23	Admin/ Operating	Final	$ -	$ 68,444	$ 68,444	$ -	$ 68,444
DOT - OPT	CSN 43021	$ 400,000	7/1/17-12/31/27	CARES Operating	Final	279,138	-	279,138	-	279,138
DOT - OPT	CSN 43021	$ 435,000	7/1/17-12/31/27	CARES Operating	Interim	182,517	-	182,517	-	182,517
DOT - OPT	CSN 43500	$2,750,000	1/18/22-12/31/24	Peaks Replacement	Interim	-	222,980	222,980	125,679	348,659
DOT - OPT	CSN 42329	$1,150,000	12/2/20-10/2/30	VW Environmental Mitigation Trust	Interim	-	187,734	187,734	46,933	234,667
DOT - OPT	CSN 44067	$ 300,000	7/1/22-12/31/23	ARPA Operating	Final	300,000	-	300,000	-	300,000
						$ 761,655	$ 479,158	$ 1,240,813	$ 172,612	$ 1,413,425

See accompanying notes to the Schedule of Department Agreements.

CASCO BAY ISLAND TRANSIT DISTRICT

Notes to Schedule of Expenditures of Department Agreements

Year Ended September 30, 2023

1. Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of Department agreements (the SEDA) includes the Department agreement activity of Casco Bay Island Transit District (the District) under programs of the Department for the year ended September 30, 2023. The information in the schedule is presented in accordance with requirements of *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP). Because the SEDA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

Basis of Settlement

Grants which are cost settled include an estimated settlement of state funds based upon the available grant revenue and other revenue based upon allowable costs.

2. Summary of Significant Accounting Policies for State Agreement Expenditures

Expenditures reported on the SEDA consist of direct and indirect costs which are recognized as incurred using the accrual method of accounting. Such expenditures are recognized following the cost principles contained in MAAP. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. Other Disclosures

Is the District required to have a federal Uniform Guidance audit? ___X___ yes _____ no

Percentage of major agreements tested in relation to total Department Expenses: 94%

CASCO BAY ISLAND TRANSIT DISTRICT

Schedule of Findings and Questioned Costs
Related to Department Agreements

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	☑	Yes	☐	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	☐	Yes	☑	None reported
Noncompliance material to financial statements noted?	☐	Yes	☑	No

Department Agreements

Internal control over major Department agreements:				
Material weakness(es) identified?	☐	Yes	☑	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	☐	Yes	☑	None reported
Type of auditor's report issued on compliance for major Department agreements:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with MAAP regulations?	☐	Yes	☑	No

Identification of major Department agreements:

CSN 44067	ARPA Operating
CSN 43021	CARES Operating
CSN 43500	Peaks Replacement
CSN 42329	VW Environmental Mitigation Trust

Section II - Financial Statement Findings

See findings 2023-001 through 2023-004 in the schedule of findings and questioned costs related to federal awards.

Section III - Department Agreement Findings and Questioned Costs

None Noted

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

Finding 2023-001 Corrective Action Plan

The District will develop and implement use of a month-end checklist documenting procedures followed as part of month-end close. The District will perform monthly reconciliations of key accounts; each reconciliation will be initialed and dated by the preparer and the member of management reviewing the reconciliation. The District will also add the Statement of Net Position to the monthly financial statement reports that will be reviewed by management.

Responsible Party: Laurie Bowie,
Director of Finance and HR
207-774-7874
Anticipated Completion Date: 9/30/24

Finding 2023-002 Corrective Action Plan

The District will maintain records of all journal entries, with supporting documentation included. The District will have a member of management review the entries and initial and date to indicate their review.

Responsible Party: Laurie Bowie,
Director of Finance and HR
207-774-7874
Anticipated Completion Date: 7/31/24

Finding 2023-003 Corrective Action Plan

The District will run weekly payroll change reports. The Director of Finance and HR's access to payroll will be adjusted read-only access to the payroll system and will no longer function as backup for the payroll process. He/She will review weekly payroll change reports as well as post submission payroll registers, signing and dating that review has been completed.

Responsible Party: Laurie Bowie,
Director of Finance and HR
207-774-7874
Anticipated Completion Date: 6/30/24

Finding 2023-004 Corrective Action Plan

The District will record retainage on each relevant construction invoice. This will be evidenced through the monthly capital assets and accounts payable reconciliations that will be independently reviewed by management.

Responsible Party: Laurie Bowie,
Director of Finance and HR
207-774-7874
Anticipated Completion Date: 6/15/24

Finding 2023-005 Corrective Action Plan

The District will implement a routine verification process for vendors paid with Federal funds against the SAM. This will be performed during the initial vendor set up for new vendors with the likelihood they will be paid $25,000 from federal funds and annually for existing vendors. Documentation will be reviewed to support the checks being performed. The District will ensure all individuals involved with accounts payable and procurement will receive training on the process and rationale for SAM reviews periodically.

Responsible Party: Laurie Bowie,
Director of Finance and HR
207-774-7874
Anticipated Completion Date: 7/15/24