

State Compliance Audit

Casco Bay Island Transit District

September 30, 2018



Proven Expertise and Integrity

CASCO BAY ISLAND TRANSIT DISTRICT

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SEPTEMBER 30, 2018

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Casco Bay Island Transit District
Portland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Casco Bay Island Transit District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Casco Bay Island Transit District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Casco Bay Island Transit District as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019 on our consideration of Casco Bay Island Transit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Casco Bay Island Transit District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 22, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018**

(UNAUDITED)

The Management of Casco Bay Island Transit District (herein referred as “the District”) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the fiscal year ended September 30, 2018.

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

PROLOGUE

The District performed strongly in FY2018 with improvements in key operational metrics as well as financial performance. The District experienced some expected financial employee turnover during the year but all vacancies have been filled and the District continues to utilize Tyler Munis accounting software, which has created efficiencies and allowed for additional financial controls. The District and Islands of Casco Bay continued the tradition of a vibrant summer season with increasing tourism and strong resident ridership that helped to contribute to strong financial performance. The District continues to be well positioned for growth by way of grant awards that are pivotal to serving the increasing demand placed upon the District. The District’s financial position is supported by strong liquidity and a debt balance of zero. The District is well positioned to make necessary strategic investments to meet the needs of the Casco Bay Islands into the future, including new vessel construction and facility expansion.

FINANCIAL HIGHLIGHTS*

Synopsis:

On a year to date basis, **surplus/loss stands at \$747K which was hugely favorable to expectations** but 39.6% unfavorable to the same period last year. On September Financial Statements, the District estimates for Depreciation and the annual Fund Balance Reserve Deposit. For FY2018, the depreciation estimate is \$993K and the estimate for Fund Balance Deposit to the Capital Planning Fund is \$460K.

Revenue Assessment: Excellent

Revenues for FY2018 were \$6.088M, 16.9% ahead of budget and 5.1% higher than the same period last year.

- Scheduled passenger revenues were 13.7% ahead of budget and 2.5% above last year.
- Vehicle revenues were 11.3% ahead of budget YTD and 11.0% ahead of last year. The Machigonne was in drydock last fiscal year, during the months of March and April, 2017.
- Freight revenues were also excellent at 21.0% above budgeted numbers and were 12.2% ahead of last fiscal year.
- Group sales closed 23.0% ahead of budget and .04% above the same period last year.
 - There is a clear decrease in Bailey Island Run Revenue on an annual basis that we attribute to not taking part in a Groupon promotion in FY2018.
 - Lobster Bake Revenue was a standout in FY2018 with \$142K in sales.

- Other Income included a MEMIC worker's compensation insurance rebate and late fees for freight charge accounts, as well as interest income from recently negotiated higher yield on sweep accounts with Gorham Savings Bank.
- Other Income also includes MaineDOT reimbursement of \$36K for spring barge subcontracting expense due to pier work at Peaks Island and interest income from higher yield on sweep accounts with Gorham Savings Bank.
- **FY2018 marks the 5th year in a row that July and August revenues each exceeded \$1M, and it was the 1st year that July and August revenues both exceeded \$1.2M!**

Expense Assessment: Excellent

Expenses were 2.8% below budget and were 4.7% favorable as compared to last year.

- Personnel expenses were 1.1% favorable to budget and 3.5% above last year.
 - Employee related expense included the Accountant Position search costs as well as a retirement party, Wilson Group survey, and payroll fees.
 - Beginning March 2018, the newly negotiated Collective Bargaining Agreement became effective and expires in March 2021.
 - Beginning in FY2018h, personnel expense included CBA wage increases and City of Portland Minimum Wage increase for seasonal employees.
 - Employee related expense category contained Accountant search costs and slightly increased fees for new CBA Flexible Spending Accounts.
 - Because of a change in how expenses are posted, when analyzing Ticket/Freight and Ops Agent Payroll expense for FY2018, the categories must be totaled together to accurately compare. Breaking Ticket/Freight out of Ops Agents is new in FY2017B/2018.
- Vessel maintenance was 16.2% below budget and 18.7% below last fiscal year.
 - Maquoit drydock total cost of \$550K including engines, boiler and oversight.
 - Wabanaki drydock total cost of \$141K including engines and oversight.
- Operations expense was 14.5% over budget and 2.1% favorable to last year.
 - Office Expense included Employee Recognition expense of \$10,200 for employee holiday gift card bonuses as well as Ticket Forms expense resulting from a replacement order of freight slips.
 - Professional included a Legal reimbursement from the State of Maine, which resulted in a credit balance for this expense account in December and impacted the category sharply.
 - Legal included legal fees for CBA negotiation.
 - Data Processing includes quarterly payment to Gateway for support of Galaxy ticketing solution. This expense was reimbursable by FTA PM Grant.
 - Dues and PUC included \$10K payable to State of Maine for PUC fees charged as a result of PUC administrative time spent on CBL related issues during the year.
 - In June, Barge Subcontracting of \$16.6K included replacement service for as Maine DOT pier work continued into June on Peak's Island that made the berth inaccessible. CBL negotiated with MaineDOT to recover up to \$36K of the expense. Total Barge Subcontracting Expense in relation to pier work is approximately \$55K.
 - Employee recognition included end of summer bonus for employees, which was not budgeted.
- Terminal expense was 0.3% unfavorable to budget and 8.6% lower than last year.

- Sales expense was 28.1% over budget and 9.2% above last year. Over budget performance in this category correlates to revenues also performing above budget and is considered as being favorable overall.
 - Current year includes marketing expenses for a marketing consultant, which last does not.

Operating Surplus/Loss: Excellent

YTD operating result of -\$498K was 67.5% better than budget and 51.4% favorable to last year where the result was -\$1.026M.

Grant Revenues: Fair

Grant revenue of \$1.245M is 20.3% behind budget, and 47.8% behind last year, which had significantly more drydock expense. Grant revenues fluctuate with expenses and prove difficult to predict.

Surplus/Loss: Excellent

The current result is \$747K, which is hugely favorable to budget but 39.6% unfavorable to last year, where the result was \$1.237M.

As stated above, because the District is not eligible to draw Urban Operating grants and higher fuel costs in FY2018 have contributed to the difference. In FY2017/B, the District was able draw down Urban Operating Grants in the amount of \$343K due to a grandfathered grant, which was unavailable in FY2018. FY2017/B fuel expense YTD was \$510K where FY2018 YTD was \$666K, a \$156K difference. **Together these two items represent a \$499K difference to the Surplus/Loss.**

The District depreciation expense was \$993K for FY2018, which is the sum of depreciation on capital assets from October 1, 2017 through September 30, 2018.

The District plans for a 460K Reserve Expense in the form of a Fund Balance Deposit to the Capital Planning Fund as established by the District’s Fund Balance Policy.

Both of these amounts have an impact on Surplus/Loss, as reported on Annual Audited Financial Statements.

Line of Credit Balance: \$0

The data in this section is from CBITD’s unaudited monthly “Revenue and Expenses” reports.

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

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

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

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

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

Requests for Information

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

Respectfully submitted,

Henry Berg
General Manager

Jonathan Greven
Director of Finance and HR

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF NET POSITION
SEPTEMBER 30,

	Operating	Garage Funds	Maintenance and Capital Reserve	2018	2017
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 2,799,401	\$ 1,374,791	\$ 1,120,000	\$ 5,294,192	4,067,985.00
Accounts receivable (net of allowance for uncollectible accounts)	168,114	-	-	168,114	65,314.00
Grants receivable	267,530	-	-	267,530	464,189.00
Inventory	95,129	-	-	95,129	88,490.00
Prepaid items	22,607	-	-	22,607	19,341.00
Due from other funds	-	-	460,000	460,000	0.00
TOTAL CURRENT ASSETS	3,352,781	1,374,791	1,580,000	6,307,572	4,705,319
NONCURRENT ASSETS					
Capital assets:					
Buildings and equipment, net of accumulated depreciation	12,093,567	-	-	12,093,567	11,778,233.00
TOTAL NONCURRENT ASSETS	12,093,567	-	-	12,093,567	11,778,233
TOTAL ASSETS	\$ 15,446,348	\$ 1,374,791	\$ 1,580,000	\$ 18,401,139	\$ 16,483,552
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	\$ 323,407	\$ -	\$ -	\$ 323,407	313,301.00
Accrued payroll and payroll taxes	72,868	-	-	72,868	65,257.00
Accrued compensated absences	122,544	-	-	122,544	163,574.00
Accrued pension	348,099	-	-	348,099	327,928.00
Other accrued liabilities	79,527	-	-	79,527	58,289.00
Charter deposits	5,908	-	-	5,908	6,900.00
Unearned revenue	60,171	-	-	60,171	57,417.00
Deferred reserve fund	-	1,374,791	-	1,374,791	1,106,159.00
Due to other funds	460,000	-	-	460,000	0.00
TOTAL CURRENT LIABILITIES	1,472,524	1,374,791	-	2,847,315	2,098,825
TOTAL LIABILITIES	1,472,524	1,374,791	-	2,847,315	2,098,825
NET POSITION					
Net investment in capital assets	12,093,567	-	-	12,093,567	11,778,233
Restricted	-	-	1,580,000	1,580,000	1,120,000
Unrestricted	1,880,257	-	-	1,880,257	1,486,494
TOTAL NET POSITION	13,973,824	-	1,580,000	15,553,824	14,384,727
TOTAL LIABILITIES AND NET POSITION	\$ 15,446,348	\$ 1,374,791	\$ 1,580,000	\$ 18,401,139	\$ 16,483,552

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

STATEMENT B

CASCO BAY ISLAND TRANSIT DISTRICT

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

	Operating	Garage Funds	Maintenance and Capital Reserve	2018
OPERATING REVENUES				
Passenger fares	\$ 2,746,385	\$ -	\$ -	\$ 2,746,385
Vehicles	1,158,155	-	-	1,158,155
Freight	933,397	-	-	933,397
Mail contract	311,085	-	-	311,085
Tours and cruises	304,984	-	-	304,984
Charters	495,400	-	-	495,400
Miscellaneous	87,816	-	-	87,816
TOTAL OPERATING REVENUES	<u>6,037,222</u>	<u>-</u>	<u>-</u>	<u>6,037,222</u>
EXPENSES	<u>7,633,653</u>	<u>-</u>	<u>-</u>	<u>7,633,653</u>
OPERATING INCOME (LOSS)	<u>(1,596,431)</u>	<u>-</u>	<u>-</u>	<u>(1,596,431)</u>
NONOPERATING REVENUES (EXPENSES):				
U.S. Department of Transportation, Federal Transit Administration grant	1,175,533	-	-	1,175,533
State of Maine grants	125,914	-	-	125,914
Interest income	29,247	-	-	29,247
TOTAL NONOPERATING REVENUES	<u>1,330,694</u>	<u>-</u>	<u>-</u>	<u>1,330,694</u>
INCOME (LOSS) BEFORE CAPITAL GRANT REVENUES	<u>(265,737)</u>	<u>-</u>	<u>-</u>	<u>(265,737)</u>
CAPITAL GRANT REVENUES:				
U.S. Department of Transportation, Federal Transit Administration grant	1,056,870	-	-	1,056,870
State of Maine grants	111,596	-	-	111,596
Other capital revenue	266,368	-	-	266,368
TOTAL CAPITAL GRANT REVENUES	<u>1,434,834</u>	<u>-</u>	<u>-</u>	<u>1,434,834</u>
CHANGE IN NET POSITION	1,169,097	-	-	1,169,097
TRANSFER OF NET POSITION	(460,000)		460,000	-
NET POSITION - OCTOBER 1	<u>13,264,727</u>	<u>-</u>	<u>1,120,000</u>	<u>14,384,727</u>
NET POSITION - SEPTEMBER 30	<u>\$ 13,973,824</u>	<u>\$ -</u>	<u>\$ 1,580,000</u>	<u>\$ 15,553,824</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30,

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,204,816
Payments to employees	(3,884,407)
Payments to suppliers and vendors	<u>(2,672,820)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(352,411)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal maintenance grant	2,429,062
Other	266,368
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,932,940</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	29,247
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>29,247</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of property, plant and equipment	<u>(1,308,669)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,383,569)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,226,207
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>4,067,985</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30,	<u>\$ 5,294,192</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,596,431)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	993,335
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(102,800)
(Increase) decrease in prepaid items	(3,266)
(Increase) decrease in inventory	(6,639)
Increase (decrease) in accounts payable	10,106
Increase (decrease) in accrued payroll and payroll taxes	7,611
Increase (decrease) in accrued compensated absences	(41,030)
Increase (decrease) in accrued pension	20,171
Increase (decrease) in other accrued liabilities	21,238
Increase (decrease) in charter deposits	(992)
Increase (decrease) in unearned revenue	2,754
Increase (decrease) in deferred revenue fund	268,632
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (352,411)</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Reporting Entity

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

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

Implementation of New Accounting Standards

During the year ended September 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

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

Statement No. 85, “Omnibus 2017.” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, “Certain Debt Extinguishment Issues.” The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

1. Proprietary Funds

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

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

Deposits and Investments

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

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

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

Interfund Receivables and Payables

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Capital Assets

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

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

Estimated useful lives are as follows:

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

Prepaid Items

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

Inventories

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 was \$122,544.

Budget

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

Net Position

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

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

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

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 - DEPOSITS

Deposits

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

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

At September 30, 2018, the District's deposits amounting to \$5,294,192 were comprised of bank deposits of \$5,401,554. Of these deposits, \$283,765 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The District also has an overnight repurchase agreement for their checking account in the amount of \$5,117,789 that is also insured by a third party agreement. In addition, the District had a petty cash/change fund balance of \$8,050 as of September 30, 2018.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 283,765
Repurchase agreement	<u>5,117,789</u>
	<u>\$ 5,401,554</u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
Operating Fund	\$ -	\$ 460,000
Maintenance and Capital Reserve Fund	460,000	-
	<u>\$ 460,000</u>	<u>\$ 460,000</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended September 30, 2018:

	Balance, 10/1/17	Additions	Disposals	Balance, 9/30/18
Non-depreciated assets:				
Construction in progress	\$ 218,515	\$ 408,343	\$ -	\$ 626,858
	<u>218,515</u>	<u>408,343</u>	<u>-</u>	<u>626,858</u>
Depreciated assets:				
Leasehold improvements	\$ 4,427,306	\$ 2,766	\$ -	\$ 4,430,072
Equipment	1,652,777	140,589	-	1,793,366
Vessels	16,031,153	756,971	-	16,788,124
	<u>22,111,236</u>	<u>900,326</u>	<u>-</u>	<u>23,011,562</u>
Less: accumulated depreciation	<u>(10,551,518)</u>	<u>(993,335)</u>	<u>-</u>	<u>(11,544,853)</u>
	<u>11,559,718</u>	<u>(93,009)</u>	<u>-</u>	<u>11,466,709</u>
Net capital assets	<u>\$ 11,778,233</u>	<u>\$ 315,334</u>	<u>\$ -</u>	<u>\$ 12,093,567</u>

NOTE 5 - PENSION PLAN

The District has a non-contributory money purchase plan. All employees are eligible to participate in the plan if they are at least 20 years of age and have completed one year of eligible service. The District's contribution rate is 15% of the total compensation of all eligible participants and is funded currently. Effective March 16, 2011 the rate changed to 8% for new participants to the plan. The plan also reflects credits against current year expense for nonvested amounts of employees who are no longer employed by the District. The District's total contributions for the year ended September 30, 2018 was \$349,574.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 6 - OPERATING LEASES

The District has a lease agreement with the City of Portland to lease their facilities in the Casco Bay Ferry Terminal. The lease began March 5th, 1985 and the lease term is for thirty years following the date of the notice of beneficial occupancy of the facility. The amount of future minimum lease payments had been agreed upon through September 30, 2018. The City of Portland and the District are in the process of establishing the new future lease payments. The increase in minimum rental payments will be no less than the annual rate of inflation for the twelve months immediately preceding September 1, 2005.

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

The District will pay to the City, no later than November 15 of each year, an amount equal to 5% of gross revenues mentioned above for each fiscal year. This amount will be reduced by the monthly payments already paid to the City during the year. The District is responsible for all costs and expenses related to the Casco Bay Ferry Terminal.

In the lease, the City agreed to establish a maintenance fund to assist the District with major repairs and maintenance of the Terminal facility. The fund will consist of 50% of the annual net revenues (less the City's annual cost of all casualty insurance covering the Terminal) received by the City from the 190 parking spaces in the parking garage adjacent to the Terminal, which were funded by the Federal Transit Administration. As of September 30, 2018, the District and the City have not reached an agreement on the appropriate allocation of revenues and expenses at the parking garage.

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

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

The total rent and minor repairs expense for the year ended September 30, 2018 was \$42,667.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - COMMITMENTS AND CONTINGENCIES

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

NOTE 8 - CONTINGENT LIABILITIES

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

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - RESERVE FUND - GARAGE

The deferred reserve fund is money received from a current operating lease paid to Casco Bay Island Transit District during the fiscal year. This money is to be used for capital expenses or preventive maintenance as stated in the lease. The value of deferred capital reserve is \$1,374,791 with part of this being used for the local match of the current construction project being done during the next fiscal year and for preventive maintenance.

NOTE 11 - 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. For fiscal year 2018, the District reserved \$460,000.

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 12 - RECONCILIATION OF NET POSITION

	Unrestricted net position	Restricted	Net investment in capital assets	Total
Operating revenues	\$ 6,037,222	\$ -	\$ -	\$ 6,037,222
Operating expenses	(7,633,653)	-	-	(7,633,653)
Nonoperating revenues (expenses)	1,330,694	-	-	1,330,694
Capital grant revenues	1,056,870	-	-	1,056,870
State of Maine capital revenues	111,596	-	-	111,596
Other capital revenues	266,368	-	-	266,368
Depreciation expense	993,335	-	(993,335)	-
Change in fixed assets account not in expenses	(1,308,669)	-	1,308,669	-
Increase (Decrease) in net position	853,763	-	315,334	1,169,097
Net Position - October 1, 2017	1,486,494	1,120,000	11,778,233	14,384,727
Transfer of Net Positions	(460,000)	460,000	-	-
Net Position - September 30, 2018	<u>\$ 1,880,257</u>	<u>\$ 1,580,000</u>	<u>\$ 12,093,567</u>	<u>\$ 15,553,824</u>

Other Supplementary Information

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

- Statement of Expenses

CASCO BAY ISLAND TRANSIT DISTRICT

STATEMENT OF EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30,

	<u>2018</u>
OPERATING EXPENSES	
Salaries and wages	\$ 2,926,417
Payroll taxes	223,054
Employee benefits	393,352
Pension plan	349,574
Repairs and maintenance	741,778
Fuel	666,442
Insurance	114,133
Telephone	21,093
Mail agent	10,720
Office expense	117,007
Postage	3,266
Travel	13,928
Injuries and damages	9,776
Professional fees	59,252
Dues and subscriptions	17,551
Uniforms	19,152
Gain/loss sale of fixed assets	25,298
Heat and utilities	57,553
Janitorial	78,423
Rent	42,667
Terminal	136,791
Credit card settlement fees	130,097
Charter expenses	168,490
Depreciation	993,335
Barge subcontracting	74,900
Sales/marketing expense	144,437
Miscellaneous	95,167
	<u>\$ 7,633,653</u>

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

CASCO BAY ISLAND TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster				
State of Good Repair Grants	20.525	ME-208-014	\$ -	\$ 382,217
State of Good Repair Grants	20.525	ME-2018-003	-	635,289
				<u>1,017,506</u>
Federal Transit Formula Grants	20.507	ME-95-0016	-	12,422
Federal Transit Formula Grants	20.507	ME-2016-022	-	78,270
Federal Transit Formula Grants	20.507	ME-2018-004	-	24,040
Federal Transit Formula Grants	20.507	ME-2016-18	-	99,598
Federal Transit Formula Grants	20.507	ME-2018-003	-	234,958
Federal Transit Formula Grants	20.507	ME-2016-014	-	4,087
Federal Transit Formula Grants	20.507	ME-90-0217	-	10,466
Federal Transit Formula Grants	20.507	ME-90-0194	-	39,923
Federal Transit Formula Grants	20.507	ME-2016-013	-	216,775
Federal Transit Formula Grants	20.507	ME-90-208	-	335,410
			-	<u>1,055,949</u>
Total Federal Transit Cluster			-	<u>2,073,455</u>
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205		-	114,207
Total Highway Planning and Construction Cluster:			-	<u>114,207</u>
Pass-through State of Maine Department of Transportation				
Formula Grants for Rural Areas	20.509	CSN 38994	-	2,781
Formula Grants for Rural Areas	20.509	CSN 38057	-	272,400
Formula Grants for Rural Areas	20.509	CSN 9505	-	6,627
Formula Grants for Rural Areas	20.509	CSN39611	-	543
			-	<u>282,351</u>
TOTAL FEDERAL AWARDS			\$ -	<u>\$ 2,470,013</u>

CASCO BAY ISLAND TRANSIT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Casco Bay Island Transit District, under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Casco Bay Island Transit District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Casco Bay Island Transit District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



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

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the business-type activities of Casco Bay Island Transit District as of and for the year ended September 30, 2018, 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 March 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
March 22, 2019



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

Board of Directors
Casco Bay Island Transit District
Portland, Maine

Report on Compliance for Each Major Federal Program

We have audited Casco Bay Island Transit District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Casco Bay Island Transit District's major federal programs for the year ended September 30, 2018. Casco Bay Island Transit District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Casco Bay Island Transit District, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
March 22, 2019

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued : Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

20.507/20.525	Federal Transit Cluster
---------------	-------------------------

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

NONE

Section III – Federal Awards Findings and Questioned Costs

NONE



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ACCOUNTANTS' REVIEW REPORT ON SCHEDULE OF EXPENDITURES OF
DEPARTMENT AGREEMENTS

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have reviewed the accompanying schedule of expenditures of department agreements for the Casco Bay Island Transit District as of and for the year ended September 30, 2018 in accordance with standards for accounting and review services established by the American Institute of Certified Public Accountants and the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP).

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

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

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

RHR Smith & Company

Buxton, Maine
March 22, 2019

CASCO BAY TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 38994	\$ 2,781	8/1/17-2/28/18	RTAP	Final	\$ 2,781	\$ -	\$ 2,781	\$ -	\$ 2,781
OPT	CSN 39611	543	8/1/18-9/25/18	RTAP	Final	543	-	543	-	543
OPT	CSN 38057	278,000	7/1/17-6/30/18	Admin/Operating	Final	272,400	-	272,400	200,801	473,201
OPT	CSN 37897	68,444	7/1/17-6/30/18	Admin/Operating	Final	-	68,444	68,444	-	68,444
OPT	CSN 39505	\$ 285,000	7/1/18-6/30/19	Admin/Operating	Interim	6,627	-	6,627	3,488	10,115
TOTAL						<u>\$ 282,351</u>	<u>\$ 68,444</u>	<u>\$ 350,795</u>	<u>\$ 204,289</u>	<u>\$ 555,084</u>

NOTES:

Disclosures:

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



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ACCOUNTANTS' COMPILATION REPORT
ON AGREEMENT SETTLEMENT FORMS

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have compiled the accompanying Agreement Settlement Forms of Casco Bay Island Transit District as of September 30, 2018 and for the year then ended, in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

RHR Smith & Company

Buxton, Maine
March 22, 2019

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

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AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: September 30, 2018
CFDA#: 20.509
Project Name/No: Admin/Operating
CSN#: CSN 38057
PIN#: 20787.42/20789.08
Agreement Period: 7/1/17-6/30/18

	Operating	Admin	Capital	Total
Gross Expenditures	\$ 462,943	\$ 121,625	\$ -	\$ 584,568.00
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ 91,207	\$ -	\$ -	\$ 91,207
Excess Unrestricted Fed	\$ 10,336		\$ -	\$ 10,336
Total Deductions	\$ 101,543	\$ -	\$ -	\$ 101,543
Net Expenditures/Deficit	\$ 361,400	\$ 121,625	\$ -	\$ 483,025
Federal Share				
Maximum %	50%	80%	\$ -	
Amount Paid	\$ 180,700	\$ 97,300	\$ -	\$ 278,000
Maximum Amount	\$ 180,700	\$ 97,300	\$ -	\$ 278,000
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
State Share				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
Local Share				
Minimum %	50.0%	20.0%	0%	
Amount Paid	\$ 180,700	\$ 24,325	\$ -	\$ 205,025
Minimum Amount	\$ 180,700	\$ 24,325	\$ -	\$ 205,025
Over (Under) Minimum	\$ -	\$ -	\$ -	\$ -
Summary:				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: September 30, 2018
CFDA#: 20.509
Project Name/No: Admin
CSN#: 39611
PIN#: 20768
Agreement Period: 8/1/18-9/25/18

	Operating	Admin	Capital	Total
Gross Expenditures	\$ -	\$ 543	\$ -	\$ 543
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ -	\$ -	\$ -	\$ -
Net Expenditures/Deficit	\$ -	\$ 543	\$ -	\$ 543
Federal Share				
Maximum %	0.0%	100.0%	0%	
Amount Paid	\$ -	\$ 543	\$ -	\$ 543
Maximum Amount	\$ -	\$ 543	\$ -	\$ 543
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
State Share				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
Local Share				
Minimum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Minimum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Minimum	\$ -	\$ -	\$ -	\$ -
Summary:				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: September 30, 2018
CFDA#: 20.509
Project Name/No: Admin
CSN#: 38994
PIN#: 20769
Agreement Period: 8/1/17-2/28/18

	Operating	Admin	Capital	Total
Gross Expenditures	\$ -	\$ 2,781	\$ -	\$ 2,781
Less:				
Contra-Expenditures	\$ -	\$ -	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -
Excess Unrestricted Fed	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ -	\$ -	\$ -	\$ -
Net Expenditures/Deficit	\$ -	\$ 2,781	\$ -	\$ 2,781
<u>Federal Share</u>				
Maximum %	0.0%	100.0%	0%	
Amount Paid	\$ -	\$ 2,781	\$ -	\$ 2,781
Maximum Amount	\$ -	\$ 2,781	\$ -	\$ 2,781
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>State Share</u>				
Maximum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Maximum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Maximum	\$ -	\$ -	\$ -	\$ -
<u>Local Share</u>				
Minimum %	0.0%	0.0%	0%	
Amount Paid	\$ -	\$ -	\$ -	\$ -
Minimum Amount	\$ -	\$ -	\$ -	\$ -
Over (Under) Minimum	\$ -	\$ -	\$ -	\$ -
<u>Summary:</u>				
Federal Over Paid	\$ -	\$ -	\$ -	\$ -
State Over Paid	\$ -	\$ -	\$ -	\$ -
Total Over Paid	\$ -	\$ -	\$ -	\$ -

AGREEMENT SETTLEMENT FORM (ASF)

Community Agency: Casco Bay Island Transit District
Fiscal Year End: September 30, 2018
Project Name/Grant No: Operating
CSN#: 37897
PIN#: 22760
Agreement Period: 7/1/17-6/30/18

State Participating Share

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

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