

**BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT
COMMITTEE**

Financial Statements

For the years ended June 30, 2019 and 2018

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Financial Statements
For the years ended June 30, 2019 and 2018

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Independent Auditor's Report

To the Transit Board of the
Biddeford-Saco-Old Orchard Beach Transit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the Biddeford-Saco-Old Orchard Beach Transit Committee as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Biddeford-Saco-Old Orchard Beach Transit Committee'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.

Auditor's 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Biddeford-Saco-Old Orchard Beach Transit Committee as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 an opinion on the financial statements that collectively comprise the Biddeford-Saco-Old Orchard Beach Transit Committee's basic financial statements. The statistical section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2019 on our consideration of the Biddeford-Saco-Old Orchard Beach Transit Committee'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 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 Biddeford-Saco-Old Orchard Beach Transit Committee's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remyn Keston Ouellette". The signature is written in a cursive, flowing style.

October 19, 2019
South Portland, Maine

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Management's Discussion and Analysis
June 30, 2019

Background

Please see the accompanying Notes to Basic Financial Statements for a summary of the Organization's creation and its accounting policies.

The Transit Committee consists of nine members, with three appointed by each of the owner municipalities. Of these, one from each municipality is to be either a member of the governing Council or a chief administrative officer. The Committee meets periodically to review financial results, hear the Executive Director's report on significant events and to set general policy, as necessary. The Committee is responsible for the hiring of the Executive Director.

At June 30, 2019, there were four areas of scheduled service provided by the Transit Committee: local (urban) service in and around the three constituent municipalities; intercity service between Old Orchard Beach, where it connects to the local service, and the South Portland/Portland areas, with some service to Scarborough, along the route; Zoom service along the Maine Turnpike, for commuters from the Biddeford and Saco park and ride lots to downtown Portland; and service along the corridor in Biddeford from the University of New England campus to the Saco Amtrak station, where it connects to the other local service, specifically designed to serve the UNE student and faculty populations, but available to all residents along its route. In addition, the Organization provides a summer, tourism-oriented trolley service whose routes encompass the full length of the Camp Ellis, Bay View, Ocean Park, Old Orchard Beach and Scarborough (as far as Pine Point) seasonal centers, branching out to include campgrounds, shopping areas and other tourism-related attractions in the immediate area. The hub of this service is at the Old Orchard Beach train station, where it interfaces with the Amtrak Downeaster, providing passenger rail service to and from Boston and with the Organization's regularly scheduled urban and intercity services. Please see the discussion of changes to this structure that went into effect on August 1, 2019, covered in the next year's budget section at the end of this document.

The four scheduled services and the trolley service receive funding from the Federal Transportation Administration (FTA) and/or the Maine Department of Transportation (MDOT). In addition, the Maine Turnpike Authority provides a subsidy to the Zoom service with the object being to encourage alternative commuting and reduce Turnpike congestion. The University of New England subsidizes its part of the service. The 2017 fiscal year was the first time that the trolley service was eligible for FTA funding, due to the demographic changes to urbanized areas brought about by the 2010 national census.

Historically, buses used by the Organization for the scheduled services had been generally received through MDOT and were acquired through a combination of federal and state funding, with a small local match. More recently, some buses were transferred from other transit systems, with adequate useful lives remaining to supply the necessary service levels for an additional period of years. In the prior fiscal years, the Organization had contracted for the acquisition of used buses from elsewhere in the country, to be rehabilitated by Loring Industries in Limestone, Maine. On occasion, new buses have been received and the Organization has been approved for two coach type buses through MDOT as well as for two electric buses and charging infrastructure through a joint venture with MDOT and Portland Metro bus service. Additionally, the Organization has applied for four new trolleys through FTA and is awaiting the result of that grant. At the end of their useful lives, buses originally purchased with federal and/or state funds must be disposed of under the guidelines of the authorizing agency. Current trolleys are owned by the Organization. All rolling stock, regardless of origin, is carried on the Organization's capital asset listing and depreciated.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Management's Discussion and Analysis, Continued

Financial Highlights

- Assets of the Transit Committee exceeded its liabilities at the close of fiscal 2019 by \$1,955,469, compared to the prior year's amount of \$2,393,187. This amount is *net position* and is comprised, in part, of a *restricted* amount of \$284,416 (last year \$7,794), the *investment in capital assets* of \$1,752,154 (last year \$2,132,235), and an *unrestricted* amount of (\$81,101) (last year \$253,158)
- The Transit Committee's Net Position decreased by \$437,718 from the prior year, an 18% negative change attributable chiefly to current depreciation far exceeding current capital asset additions as well as reduced operating grant funds originally expected in the fiscal year.
- Operating revenues decreased by \$131,180, a 4.3% from the prior year, mostly from reduced federal operating grants.
- Operating expenses, excluding depreciation, increased from the year before by \$90,805 or 3%. Major components of this increase were in the areas of employee costs and vehicle fuel.
- The Transit Committee has completed its multi-year project for improvements/upgrades to facilities, which were 90% subsidized by FTA and MDOT. However, not all of these costs qualified as capital outlay.
- Federal and State Grant funding decreased from the year before by \$638,642 or 30%, due to significantly lower funding of capital outlays.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Transit Committee's basic financial statements. The Transit Committee's financial statements are comprised of three components:

- Basic financial statements
- Notes to the basic financial statements
- Other information

Entity-wide financial statements

The entity-wide financial statements are designed to provide readers with an overview of the Transit Committee's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on the Transit Committee's assets and liabilities, with the difference between the two reported as *net position*, for the two most recent fiscal years. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Transit Committee is improving or deteriorating.

The *statements of revenues, expenses, and changes in net position* present information shows how the Transit Committee's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., grant drawdowns not received, and earned but unpaid salaries). This statement separates items received or spent during the normal course of business, identified as operating revenues or expenses, from other items, such as grant revenues, contributed capital items and interest, which are not affected by ordinary operations and are identified as *nonoperating*.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Management's Discussion and Analysis, Continued

The *statements of cash flows* presents information showing how the various financial activities contributed to the change in the amount of cash and cash equivalents during the two most recent fiscal years. It may be useful to readers to compare the year-to-year changes in the specific items that contribute to the change. In general, a positive amount is a receipt of cash, an increase in an inflow or a decrease in an outflow of cash from the prior year and a negative amount is a use of cash, an increase in an outflow or a decrease in an inflow of cash. The reconciliation at the bottom of the statement provides a further breakdown of the annual changes that determine the amount of cash used in operating activities.

Notes to basic financial statements

The notes to the basic financial statements are an integral part of the basic financial statements and provide additional information that is essential to creating a full understanding of the data provided in the entity financial statements.

Other information

The other information provided is not considered part of the basic financial statements. It consists of a nine-year (to be expanded to ten years a year from now) comparison of the information contained in both the statement of net position and the statement of revenues, expenses and changes in net position. This is presented to provide the reader with a longer-term view of the Organization's financial results.

Financial Analysis of the Entity

For several years, the operations of the Transit Committee had been conducted in a worsening annual deficit condition. Approximately eight years ago, a new Executive Director with extensive experience in the management of similar transit systems was hired. At the same time, the City of Biddeford's finance office took over the fiscal management and reporting obligations for the Transit Committee, as a contracted service. Since that time, greater oversight and controls have been instituted and, outstanding operating loans were paid off and consolidated into a \$500,000 line of credit extended by the City of Biddeford. In March of 2016, Curt Koehler, the Finance Director for the City of Biddeford, had retired from that position and was hired by the Transit Committee, on a part-time basis, to become the first Finance Manager for the Transit Committee, with direct responsibility for financial recordkeeping, oversight and reporting. Management felt that it was time to take fiscal management back into Transit Committee's hands. A relationship with the City of Biddeford's finance office is being maintained and Transit Committee continues its use of the City's financial software to keep its records, remotely accessible to Transit Committee personnel and the City of Biddeford's computer network resources are used, through a dedicated fiber optic cable connection.

The Transit Committee's financial records were migrated to become an Agency Fund on the City of Biddeford's municipal software system. Simultaneously, the Transit Committee has taken a more active role in budgeting, setting of policies and analysis of results.

Over the last five fiscal years, extensive studies have been conducted on staffing levels and types, operation of the repair and maintenance facility and honing of the budgeting into a more responsible plan that will accurately reflect the realities of the Transit Committee's needs. The statistical section, as listed in table of contents, should be read in order to give a better impression of the trending that the Transit Committee has shown. The results for fiscal year 2010, the year immediately before drastic changes were begun, are skewed by a parts inventory never having been performed and by incomplete and outdated listings of capital assets. Both of these faults were remedied in fiscal 2011, with the parts inventory being further tightened in fiscal 2015 and 2019. See the separate comments on this year's inventory issues later in this document.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Management's Discussion and Analysis, Continued

Condensed Statement of Net Position

	2019	2018
ASSETS		
Current assets	\$ 398,077	490,332
Capital assets	1,752,154	2,132,235
Total assets	2,150,231	2,622,567
LIABILITIES		
Current liabilities	194,762	229,380
Total liabilities	194,762	229,380
NET POSITION		
Net investment in capital assets	1,752,154	2,132,235
Restricted	284,416	7,794
Unrestricted	(81,101)	253,158
Total net position	\$ 1,955,469	2,393,187

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018
REVENUES		
Operating revenues	\$ 2,912,742	3,043,922
Nonoperating revenues	80,379	627,114
Total revenues	2,993,121	3,671,036
EXPENSES		
Personnel costs	1,897,244	1,792,262
Building costs	46,812	46,144
Office costs	43,742	45,201
Services costs	809,466	857,706
Insurances	125,204	104,509
Advertising	13,837	14,192
Training and miscellaneous	77,810	63,296
Depreciation	385,831	355,118
Nonoperating expenses	30,893	12,142
Total expenses	3,430,839	3,290,570
Change in net position	(437,718)	380,466
Net position, beginning	2,393,187	2,012,721
Net position, ending	\$ 1,955,469	2,393,187

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Management's Discussion and Analysis, Continued

Trends in operating revenues and expenses over recent years show some significant items.

- Fare revenues, while flat from last year, have been trending higher, up 42% over 9 years;
- Contract revenues for specific bus or trolley stops decreased from the prior year due to UNE's discontinuing its summer program series and the services that supported it;
- Revenues from repairs performed for other transportation entities decreased significantly, due to the prime user of these services, York County Community Action, having some newer fleet vehicles requiring less unexpected maintenance;
- Contributions from the constituent municipalities have risen by 85% over the nine-year period, done in order to keep the operation viable into the future. Fiscal year 2020 will see an increase to \$165,000 each from the three partners. Additionally, the Town of Scarborough is continuing its voluntary annual contribution of \$25,000 toward the costs incurred in serving that town on the Intercity service;
- Advertising revenues increased slightly from the prior year, mainly due to adding some new clientele;
- Salaries, wages, and benefits have increased over the last 8 years, reflecting increased employment in the office and maintenance areas, in order to implement better controls and efficiencies. In addition, wage increases have been granted, beginning in fiscal 2013, after having none for several years. Employee morale has increased for this and other reasons, since the arrival of the former Executive Director, who retired at the end of 2018. The Transit Committee has been striving to be more competitive with other agencies in its compensation package;
- Fuel costs increased with higher route miles and increased diesel cost. The next contract will be at a fractionally lower cost, as the market is, at least temporarily, favorable.
- Costs to keep the aging bus fleet on the road are rising at astronomical rates, stressing fiscal resources and making accurate budgeting difficult.

The Transit Committee's net position at the end of fiscal 2019 has increased by 40% over that of fiscal 2011. The later numbers reflect a much more accurate picture of the Transit Committee's assets. In Table 1, note the positive trend in unrestricted net position from fiscal 2011 to 2018. Restricted net position was increased to segregate and hold funds included in the fiscal 2019 budget as local share for the purchase of new buses that were not finalized as of June 30, 2019.

Inventory Issues – Physical vs. Book

The inventory issues highlighted two years ago had continued into fiscal 2019. Management implemented a plan to bring this area under better control and a dependable inventory system has been implemented, resulting in a demonstrably more accurate count and valuation at June 30, 2019. Ongoing measures are in place with sample counts being taken on an ongoing basis.

Highlights of this plan included:

- Utilization of the added position of Administrative Assistant, whose duties include support for the Deputy Director/Fleet Manager and Inventory/Service Writer, to record parts received into the inventory software and to do random sample counts of items, verifying to software numbers;
- Improved recorded pricing of parts to include all associated costs, including freight and shop supplies billed to us;
- Tightened the tracking of shop supplies (small parts and supply items not worth individual tracking) recorded within the inventory software and charging out sufficient units of shop supplies on work orders to more closely mirror their actual annual value;
- The Parts Rooms were again labeled with bar codes for ease of tracking and assigning parts used to work orders. The inventory software is capable of bar code incorporation, a feature not used before this point.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Management's Discussion and Analysis, Continued

This task was performed with internal staff plus one temporary intern, spending several weeks labeling, reorganizing, counting and recording all items and entering their location on the shelves;

- Items identified as not being of use for the current fleet of owned or serviced vehicles were removed from the inventory;
- Periodic checks of values shown in the inventory software and in the financial software are being made by internal personnel, with significant discrepancies researched for procedural issues or other causes.

Changes to Capital Assets

During the fiscal year, the only purchased item that qualified as a capital addition was the completion of building renovations/upgrades that consisted of smaller items such as new ceilings, boiler room renovation into custodial and storage space, new bathroom fixtures and replacement of office carpeting with tile floors.

This year was particularly light in capital acquisitions. Although the acquisition of two electric buses, two Zoom coach buses and up to four new trolley buses was anticipated and the local shares budgeted, none of these were realized, but are still pending.

New Executive Director

Al Schutz, Executive Director since 2010, retired as of December 31, 2018. Al had overseen the rebirth of the Organization as a viable entity, through fiscal planning and reorganization of services. The Committee conducted an extensive search and settled on Tony Scavuzzo as the new ED. Tony joined the Organization in mid-April and has taken the time to get to know personnel, procedures and future plans, while providing the benefit of his prior project and team management experience to implementing improvements that are already making a difference to the Organization.

Next Year's Budget

The budget adopted by the Transit Committee for fiscal 2020 is an increase of 73% from that of fiscal 2019. The majority of this increase comes from a \$3.3 million capital vehicle program, while operations costs show an increase of \$563,000 or 17%. The implementation of the revamped Urban service, with one completely new route, accounts for more than half of this amount. A comprehensive study of actual hours worked by all classes of employee is updated annually, in an effort to arrive at a payroll and benefits budget that closely matches actual results. All grant-eligible expenses are analyzed to set reasonable amounts of grant funding that should be expected, within the constraints placed on us by FTA and MDOT funding availability.

We have been awarded funding through the MDOT to cover the cost of two new replacement over-the-road coach buses for the Zoom service. In addition, we are a partner with MDOT and Greater Portland Metro in a grant awarded by FTA for our acquisition of two fully electric buses for use on the urban services, with supporting charging infrastructure. We have also submitted a separate FTA grant application for up to four new diesel trolley buses for the seasonal service. However, none of these vehicles would be delivered in fiscal 2020, due to the lead times of bus manufacturers. The required local match funding for all of these vehicles was included in the fiscal 2019 budget and not spent. The Committee approved placing that funding into a restricted account, to carry it forward until needed.

With nine full years of historical data since the comprehensive overhaul of management and operations behind us, management is confident that upward trends will continue and that the strides made in better budgeting and controls will be rewarded with a more sustainable organization going forward.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Management's Discussion and Analysis, Continued

The contract with Greyhound Lines to be an affiliated carrier to their nationwide system continues to be a positive. This affiliation permits the Organization to sell Greyhound tickets that will permit a rider to access our bus to Greyhound's Portland terminal and continue on to anywhere Greyhound can take them. From a financial perspective, Greyhound has pledged the ability for us to access federal funds allocated for this purpose, and our local share of the Intercity service (50% of costs) is being covered by this allocation, bringing in additional grant revenue.

With the August 1, 2019 rollout of the revamped and expanded Urban service, all Urban buses meet at the Saco Transportation Center as the start and end of their routes. There, passengers transfer as necessary to another route. The Intercity service to Scarborough, South Portland, and Portland arrives at the Saco Transportation Center to meet the Urban buses every second run.

Looking to the Future

The members of the Transit Committee and current management all recognize the importance of public transportation to a mobile society in general and to those whose livelihoods depend on their ability to go where jobs are. All are committed to working toward financial stability through prudent decisions that will permit the Organization to move toward a secure future.

Questions and Comments

Questions or comments on this financial report or on any aspect of the Transit Committee's operations may be directed to:

Tony Scavuzzo, Executive Director
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Biddeford, ME 04005
(207) 282-5408
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Curt Koehler, Finance Manager
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Biddeford-Saco-Old Orchard Beach Transit Committee Members
As of June 30, 2019

Biddeford:

Greg Tansley, City Planner, Committee Chair
Amy Clearwater, City Council
Bob Mills, Citizen

Saco:

Alan Minthorn, City Council, Committee Vice Chair
Denise Clavette, Dir. Of Planning & Development
Betty Brunswick, Citizen

Old Orchard Beach:

Kenneth Blow, Town Council
Kim Verreault, Director, Old Orchard Beach Chamber of Commerce
Louise Reid, Assistant Town Manager

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 400	400
Accounts receivable	13,608	36,742
Grants receivable	166,455	166,138
Due from City of Biddeford	-	73,332
Inventory	217,614	213,720
Total current assets	398,077	490,332
Capital assets:		
Land	45,000	45,000
Buildings and improvements	1,158,731	1,140,201
Vehicles and equipment	3,386,176	3,524,246
Infrastructure	119,066	119,066
	4,708,973	4,828,513
Less accumulated depreciation	2,956,819	2,696,278
Capital assets, net	1,752,154	2,132,235
Total assets	2,150,231	2,622,567
LIABILITIES		
Current liabilities:		
Accounts payable	41,351	94,784
Unearned revenue	18,000	30,000
Accrued wages and related benefits	48,964	42,948
Accrued compensated absences	73,121	61,648
Due to City of Biddeford	13,326	-
Total current liabilities	194,762	229,380
Total liabilities	194,762	229,380
NET POSITION		
Net investment in capital assets	1,752,154	2,132,235
Restricted	284,416	7,794
Unrestricted	(81,101)	253,158
Total net position	\$ 1,955,469	2,393,187

See accompanying notes to basic financial statements.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Fare revenues	\$ 529,000	529,896
Contract revenues	185,683	206,407
Federal and state operating grants	1,385,100	1,545,033
Other operating grants	130,000	130,000
Contract repair and fuel revenues	155,372	159,720
Municipal contributions	445,000	400,000
Advertising revenues, net of commissions	79,806	70,544
Miscellaneous operating revenues	2,781	2,322
Total operating revenues	2,912,742	3,043,922
Operating expenses before depreciation:		
Salaries and wages	1,433,490	1,357,329
Payroll taxes and benefits	463,754	434,933
Fuel	216,738	171,804
Travel and tolls	17,535	22,963
Repairs and parts	534,061	578,164
Insurance	125,204	104,509
Advertising	13,837	14,192
Office expense and equipment rental	26,207	22,238
Professional services	58,667	107,738
Utilities and telephone	31,478	34,160
Building maintenance and supplies	15,334	11,984
Training and miscellaneous	77,810	63,296
Total operating expenses before depreciation	3,014,115	2,923,310
Operating gain (loss) before depreciation	(101,373)	120,612
Depreciation expense	385,831	355,118
Operating loss after depreciation	(487,204)	(234,506)
Nonoperating revenues (expenses):		
Federal and state capital grants	70,081	548,790
Capital contributions	-	78,000
Loss on disposal of capital assets	(30,893)	(12,142)
Other revenue	9,132	54
Interest revenue	1,166	270
Total nonoperating revenues	49,486	614,972
Change in net position	(437,718)	380,466
Net position, beginning of year	2,393,187	2,012,721
Net position, end of year	\$ 1,955,469	2,393,187

See accompanying notes to basic financial statements.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$ 1,408,776	1,388,607
Receipts from operating grants	1,515,100	1,675,033
Payments to suppliers	(1,174,198)	(1,130,952)
Payments to employees	(1,879,755)	(1,782,713)
Net cash provided by (used in) operating activities	(130,077)	149,975
Cash flows from noncapital financing activities:		
Change in due from City of Biddeford	86,658	(56,607)
Interest revenue	1,166	270
Other revenue	9,132	54
Net cash provided by (used in) noncapital financing activities	96,956	(56,283)
Cash flows from capital and related financing activities:		
Federal, State and other grants	69,764	530,931
Purchase of capital assets	(36,643)	(624,523)
Net cash provided by (used in) capital and related financing activities	33,121	(93,592)
Net increase (decrease) in cash and cash equivalents	-	100
Cash and cash equivalents, beginning of year	400	300
Cash and cash equivalents, end of year	\$ 400	400
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating loss	\$ (487,204)	(234,506)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	385,831	355,118
Change in operating assets and liabilities:		
Accounts receivable	23,134	(1,782)
Inventory	(3,894)	(40,951)
Accounts payable	(53,433)	41,047
Unearned receipts	(12,000)	21,500
Accrued compensated absences	11,473	400
Accrued wages and related benefits	6,016	9,149
Net cash provided by (used in) operating activities	\$ (130,077)	149,975
Schedule of non-cash capital and related financing activities:		
Contributions of capital assets	-	78,000

See accompanying notes to basic financial statements.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Biddeford-Saco-Old Orchard Beach Transit Committee (Transit Committee) was organized as a quasi-municipal corporation under the laws of the State of Maine for the purpose of operating a public mass transit passenger bus service. Under a voluntary inter-local agreement, services are provided within and between the City of Biddeford, the City of Saco, Town of Scarborough, and the Town of Old Orchard Beach. Revenues are chiefly derived from passenger fares, municipal and private contributions, and federal and state grants.

Economic Dependency - The Transit Committee is economically dependent upon grants and contracts with the State of Maine Department of Transportation, federal funds directly and indirectly received from the U.S. Department of Transportation, Federal Transit Administration, and subsidies from the City of Biddeford, the City of Saco and the Town of Old Orchard Beach and, for the intercity service only, from the Town of Scarborough.

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit Committee are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents - The Transit Committee considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable and Grants Receivable - The Transit Committee grants credit to local governments and small businesses. In addition, grants are received for operations and various capital acquisitions. The portion of grants earned but not received at year-end is included in the balance sheet as grants receivable. The amounts of these receivables are subject to acceptance of qualified expenditures by responsible grantor agencies. Grants received prior to obligation or expenditure of funds are recorded as unearned grants.

Management believes that all accounts receivable and grants receivable at June 30, 2019 and 2018 are fully collectable. Therefore, no allowance for doubtful accounts is recorded.

Restricted Net Position - Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Transit Committee's intent to use restricted resources first, then unrestricted resources as they are needed.

Comparative Data - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory - Inventories are valued at cost using a cost averaging method and consists of diesel fuel, tires, lights and other repair parts and supplies.

Capital Assets - Capital assets owned by the Transit Committee are stated at the cost to acquire or construct the asset and are comprised of land, building, vehicles, and other capital assets. Donated capital assets are recorded at acquisition value. Routine maintenance and repairs are charged against income. Expenses which materially increase values, change capacities, or extend useful lives are capitalized. The threshold for capitalization of an asset is \$5,000. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over their estimated useful lives, ranging from 5-25 years.

Accrued Compensated Absences - Under terms of the personnel policies of the Transit Committee, vacation leave is granted in varying amounts according to length of service. In addition, certain administrative employees may elect to earn comp time for extra hours worked, as permitted under federal guidelines. Use of earned comp time within a reasonable period is encouraged, but some comp time may be accrued as of June 30. At June 30, 2019 and 2018, unused vacation time and/or comp time amounted to \$73,121 and \$61,648, respectively. Employees may carry over all unused vacation time at the end of the calendar year. At retirement, all unused vacation time or unpaid comp time accrued for a specific employee is paid in full to that employee using the highest daily rate attained by that employee during his/her time of employment. Sick time can be carried over from year-to-year, but is lost at retirement and therefore is not a recognized liability to the Transit Committee.

Use of Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance <u>6/30/18</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/19</u>
Capital assets not being depreciated:				
Land	\$ 45,000	-	-	45,000
Total capital assets not being depreciated	45,000	-	-	45,000
Capital assets being depreciated:				
Buildings and improvements	1,140,201	36,643	(18,113)	1,158,731
Vehicles and equipment	3,524,246	-	(138,070)	3,386,176
Infrastructure	119,066	-	-	119,066
Total capital assets being depreciated	4,783,513	36,643	(156,183)	4,663,973

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

	Balance <u>6/30/18</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/19</u>
Less accumulated depreciation	\$ (2,696,278)	(385,831)	125,290	(2,956,819)
Total capital assets being depreciated, net	2,087,235	(349,188)	(30,893)	1,707,154
Capital assets, net	\$ 2,132,235	(349,188)	(30,893)	1,752,154

REVOLVING LINE OF CREDIT

On February 16, 2011, the Biddeford City Council authorized the Transit Committee to utilize the City's central checking account to provide the Transit Committee with needed operating funds when gaps in funding occur. The Transit Committee is authorized to draw from the City account up to \$500,000 at an annual interest rate of 3%. As of June 30, 2018, the Transit Committee was cash positive within the City's central checking account, in the amount of \$73,332. As of June 30, 2019, the Transit Committee owed the City of Biddeford \$13,326.

457 RETIREMENT PLAN

The Biddeford-Saco-Old Orchard Beach Transit Committee contributes to the ICMA-RC 457 Governmental Deferred Compensation Plan and Trust (ICMA-RC), a defined contribution pension plan, for its full-time employees. ICMA-RC also administers the plan.

Benefit terms for ICMA, including contribution requirements, are established and may be amended by the Transit Board. For each employee in the pension plan, the Transit Committee is required to contribute \$200 or match contributions up to 1% of an employee's compensation for the year. Employees are permitted to make contributions to the pension plan up to applicable Internal Revenue Code limits. For the year ended June 30, 2019, employee contributions totaled \$67,148 and the Transit Committee recognized pension expense of \$13,326. For the year ended June 30, 2018, employee contributions totaled \$69,706, and the Transit Committee recognized pension expense of \$14,446.

Employees are immediately vested in their own as well Transit Committee contributions and earnings on those contributions. There is therefore no forfeiture provision.

GRANTOR REVIEW

Federal and State grants are subject to grantor review and final approval. Although it is not anticipated that any claims would be made against the Transit Committee by the grantor agencies, grants remain subject to ultimate closeout.

RISK MANAGEMENT

The Biddeford-Saco-Old Orchard Beach Transit Committee is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Biddeford-Saco-Old Orchard Beach Transit Committee carries commercial insurance.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Notes to Basic Financial Statements, Continued

NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding bonds and capital leases and adding back any unspent bond or lease proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Transit Committee or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is any remainder of total net position less net investment in capital assets and restricted net position.

The Transit Committee's net investment in capital assets was calculated as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 4,708,973	4,828,513
Accumulated depreciation	(2,956,819)	(2,696,278)
Total net investment in capital assets	\$ 1,752,154	2,132,235

The Transit Committee's restricted net position at June 30, 2019 and 2018 was calculated as follows:

	<u>2019</u>	<u>2018</u>
ME-90-202-00	\$ -	7,351
ME-2016-021	-	443
Federal share of sale of surplus vehicle with federal interest	5,704	-
Local share for federal electric bus grant	59,225	-
Local share for Zoom coaches and trolley buses	219,487	-
Total restricted net position	\$ 284,416	7,794

Restricted net position represents unspent member contributions to be used for local contributions to federal grants that cross fiscal years.

ADVERTISING COMMISSIONS

The Biddeford-Saco-Old Orchard Beach Transit Committee records advertising revenue net of commissions paid to the agent. The total amount to commissions paid were \$25,752 and \$32,606 as of June 30, 2019 and 2018, respectively.

Table 1

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Statements of Net Position
Last Nine Fiscal Years

	Fiscal Year								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 23,929	3,998	22	17	17	157	300	400	400
Accounts receivable	45,001	61,038	55,663	33,116	23,568	73,304	34,960	36,742	13,608
Grants receivable	-	52,137	230,670	188,759	118,424	167,477	148,279	166,138	166,455
Prepaid expenses	10,750	10,573	11,816	51,322	18,385	14,225	-	-	-
Due from City of Biddeford	-	-	-	-	-	-	16,725	73,332	-
Inventory	101,790	114,586	131,891	159,744	192,977	181,791	172,769	213,720	217,614
Total current assets	181,470	242,332	430,062	432,958	353,371	436,954	373,033	490,332	398,077
Capital assets:									
Land	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Construction in progress	-	-	-	-	-	-	70,192	-	-
Buildings and improvements	729,966	729,966	729,966	729,966	754,203	1,095,769	1,095,769	1,140,201	1,158,731
Vehicles and equipment	2,512,368	2,918,710	2,886,608	3,104,993	3,182,217	2,737,467	2,854,137	3,524,246	3,386,176
Infrastructure	52,717	52,717	52,717	96,459	96,459	96,459	119,066	119,066	119,066
	3,340,051	3,746,393	3,714,291	3,976,418	4,077,879	3,974,695	4,184,164	4,828,513	4,708,973
Less accumulated depreciation	1,571,787	1,838,593	2,083,129	2,261,421	2,466,048	2,194,637	2,387,192	2,696,278	2,956,819
Net capital assets	1,768,264	1,907,800	1,631,162	1,714,997	1,611,831	1,780,058	1,796,972	2,132,235	1,752,154
Total assets	1,949,734	2,150,132	2,061,224	2,147,955	1,965,202	2,217,012	2,170,005	2,622,567	2,150,231
LIABILITIES									
Current liabilities:									
Accounts payable	39,845	55,468	54,127	15,281	60,813	63,611	53,737	94,784	41,351
Unearned receipts	-	-	-	-	42,500	25,500	8,500	30,000	18,000
Unearned insurance payment	-	2,741	10,158	-	-	-	-	-	-
Accrued wages and related benefits	15,332	23,663	31,872	26,753	38,898	24,363	33,799	42,948	48,964
Accrued compensated absences	29,053	32,674	32,281	36,017	38,660	50,029	61,248	61,648	73,121
Due to City of Biddeford	472,051	429,506	488,936	343,184	125,586	120,883	-	-	13,326
Total current liabilities	556,281	544,052	617,374	421,235	306,457	284,386	157,284	229,380	194,762
Total liabilities	556,281	544,052	617,374	421,235	306,457	284,386	157,284	229,380	194,762
NET POSITION									
Net investment in capital assets	1,768,264	1,907,800	1,631,162	1,714,997	1,611,831	1,780,058	1,796,972	2,132,235	1,752,154
Restricted net position	-	-	-	-	-	-	-	7,794	284,416
Unrestricted balance (deficit)	(374,811)	(301,720)	(187,312)	11,723	46,914	152,568	215,749	253,158	(81,101)
Total net position	\$ 1,393,453	1,606,080	1,443,850	1,726,720	1,658,745	1,932,626	2,012,721	2,393,187	1,955,469

Table 2

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Statements of Revenues, Expenses and Changes in Net Position
Last Nine Fiscal Years

	Fiscal Year								
	2011*	2012	2013	2014	2015	2016	2017	2018**	2019
Operating revenues:									
Fare revenues	\$ 372,652	424,606	396,613	394,736	411,277	431,374	436,767	529,896	529,000
Federal and state operating grants	-	-	-	-	-	-	-	1,545,033	1,385,100
Other operating grants	-	-	-	-	-	-	-	130,000	130,000
Contract revenues	121,341	150,036	183,939	195,952	187,156	211,995	172,240	206,407	185,683
Contract repair and fuel revenues	228,712	293,428	324,099	246,529	200,359	214,371	208,765	159,720	155,372
Municipal contributions	240,000	345,000	370,000	370,000	370,000	370,000	400,000	400,000	445,000
Advertising revenues, net of commissions	95,340	115,725	48,561	54,329	74,883	125,035	93,031	70,544	79,806
Miscellaneous operating revenues	-	-	-	-	18,249	1,922	4,022	2,322	2,781
Total operating revenues	1,058,045	1,328,795	1,323,212	1,261,546	1,261,924	1,354,697	1,314,825	3,043,922	2,912,742
Operating expenses before depreciation:									
Salaries and wages	711,636	622,102	656,926	699,905	719,516	862,928	1,064,294	1,357,329	1,433,490
Payroll taxes and benefits	228,815	235,702	255,054	304,599	344,102	292,096	353,594	434,933	463,754
Fuel	248,278	303,537	288,105	264,430	236,289	231,101	210,804	171,804	216,738
Travel and tolls	-	18,706	19,834	20,973	4,612	8,381	8,523	22,963	17,535
Repairs and parts	209,507	331,303	352,527	435,721	501,606	561,329	570,560	578,164	534,061
Insurance	119,472	115,885	105,655	71,024	86,871	66,151	86,401	104,509	125,204
Advertising	51,427	23,371	12,141	22,183	34,488	38,251	10,482	14,192	13,837
Office expense and equipment rental	3,042	11,713	6,606	24,220	19,858	14,167	18,739	22,238	26,207
Professional services	43,371	48,814	55,317	44,800	74,697	97,592	66,862	107,738	58,667
Utilities and telephone	31,712	33,309	32,732	38,786	34,128	29,130	30,968	34,160	31,478
Building maintenance and supplies	11,398	48,913	58,919	32,832	139,217	13,209	75,483	11,984	15,334
Training and miscellaneous	25,616	5,159	8,179	7,205	29,275	43,711	65,080	63,296	77,810
Total operating expenses before depreciation	1,684,274	1,798,514	1,851,995	1,966,678	2,224,659	2,258,046	2,561,790	2,923,310	3,014,115
Operating gain (loss) before depreciation	(626,229)	(469,719)	(528,783)	(705,132)	(962,735)	(903,349)	(1,246,965)	120,612	(101,373)
Less depreciation	221,558	266,806	277,126	234,522	223,270	235,276	251,042	355,118	385,831
Operating loss after depreciation	(847,787)	(736,525)	(805,909)	(939,654)	(1,186,005)	(1,138,625)	(1,498,007)	(234,506)	(487,204)
Nonoperating revenues (expenses):									
Federal and state grants	274,004	471,182	561,088	945,447	996,614	1,318,242	1,338,844	548,790	70,081
Capital contributions (returns)	1,205,128	371,654	-	230,000	11,000	(8,000)	110,000	78,000	-
Capital contributions - vans	50,904	-	41,697	-	-	-	-	-	-
Loss on disposal of capital assets	-	-	(67,260)	(96,545)	(14,967)	(16,742)	(2,905)	(12,142)	(30,893)
Other grants	120,671	115,790	117,446	115,000	126,600	118,600	130,000	-	-
Other revenue (expenses)	(6,025)	1,436	-	37,100	800	1,428	1,414	54	9,132
Interest expense	(12,119)	(10,910)	(9,292)	(8,478)	(2,017)	(1,022)	749	270	1,166
Total nonoperating revenues	1,632,563	949,152	643,679	1,222,524	1,118,030	1,412,506	1,578,102	614,972	49,486
Change in net position	784,776	212,627	(162,230)	282,870	(67,975)	273,881	80,095	380,466	(437,718)
Net position, beginning of year	608,677	1,393,453	1,606,080	1,443,850	1,726,720	1,658,745	1,932,626	2,012,721	2,393,187
Net position, end of year	\$ 1,393,453	1,606,080	1,443,850	1,726,720	1,658,745	1,932,626	2,012,721	2,393,187	1,955,469

* Some amounts for fiscal 2011 have been reclassified to conform with the categories used from fiscal 2012 onward.

**Starting in fiscal year 2018, the District began classifying grant revenue as operating and nonoperating.