

**Cape Ann Transportation Authority**

**Federal Single Audit Reports**

**June 30, 2023**

**Ron L. Beaulieu & Company**

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**CERTIFIED PUBLIC ACCOUNTANTS**

**CAPE ANN TRANSPORTATION AUTHORITY**

**JUNE 30, 2023**

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# Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Advisory Board of  
Cape Ann Transportation Authority  
Gloucester, MA

We have audited the financial statements of Cape Ann Transportation Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements. We issued our report thereon dated May 31, 2024 which contained an unmodified opinion on the financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Ron L. Beaulieu & Co.*

Portland, Maine  
April 04, 2025

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

<b>Federal Grantor Pass-through Grantor Program or Cluster Title</b>	<b>Federal ALN</b>	<b>Pass - through Entity Identifying Number</b>	<b>Passed through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S Department of Transportation</b>				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507	N/A	\$ -	\$ 1,002,337
COVID-19 - Federal Transit Formula Grants	20.507	N/A	-	1,633,965
Subtotal: Federal Transit Formula Grants			-	2,636,302
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 2,636,302

See accompanying independent auditors' report and management's notes to schedule of expenditures of federal awards.

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

**Note 1- Entity**

The Cape Ann Transportation Authority (the Authority) is a component unit of Massachusetts Department of Transportation and political subdivision of the Commonwealth of Massachusetts (the Commonwealth) formed pursuant to Commonwealth law to, among other things, hold and manage mass transportation facilities and equipment, and to enter into agreements for its operation, construction and use.

**Note 2 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) has been prepared using the accrual basis of accounting and includes federal, state, and local expenditures. The schedule includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2023. 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 the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**Note 3 – Summary of Significant Accounting Policies**

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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amount reported as expenditures in prior years.

**Note 4 – Indirect Cost Rates**

The Authority has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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

To the Advisory Board of  
Cape Ann Transportation Authority  
Gloucester, MA

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited Cape Ann Transportation Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cape Ann Transportation Authority's major federal programs for the year ended June 30, 2023. Cape Ann Transportation Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cape Ann Transportation Authority 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 June 30, 2023.

##### ***Basis for Opinion on Each Major Federal Program***

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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

##### ***Responsibilities of Management for Compliance***

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

## ***Auditors' Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cape Ann Transportation Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cape Ann Transportation Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Cape Ann Transportation Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control Over Compliance**

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

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

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

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

*Ron L. Beaulieu & Co.*

Portland, Maine  
April 04, 2025



**CAPE ANN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Significant deficiency disclosed ☐ yes ☒ no

Material weakness disclosed ☒ yes ☐ no

Material noncompliance disclosed ☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

Significant deficiency disclosed ☐ yes ☒ no

Material weakness disclosed ☐ 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 200.516(a)? ☐ yes ☒ no

*Identification of Major Programs*

<u>Name of Federal Program or Cluster</u>	<u>ALN Number</u>
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Federal Transit - Formula Grants	20.507
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Dollar threshold to distinguish between Type A  
and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**CAPE ANN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**SECTION II FINDINGS – FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

**2023-001 Receivables From Cities and Towns Understated**

*Condition:* In management's originally issued financial statements, Receivables from cities and towns of \$1,344,723 were reported; however the amount should have been stated at \$1,674,323.

*Criteria:* Generally Accepted Accounting Principles (GAAP).

*Cause:* Errors in supporting workpapers.

*Effect:* Originally issued management's financial statements were not presented in accordance with GAAP.

*Recommendation:* Management should review its current account reconciliation workpapers. Management should then correct and reissue its financial statement presentation.

*Response:* CATA's presentation was based upon historical accuracy including the amounts due, actual amounts paid, and amounts outstanding.

*Action Planned\Executed:* Adjustments were made in the financial statements so that the FY23 financial statement audit would be released to the Authority.

*Auditors' Evaluation of Management's Response and Action Planned\Executed:* Management's Response is in conflict with above Cause. Cause was errors in supporting Workpapers and not historical accuracy. Management's corrections to financial statements indicated need for corrections and ownership in financial statement. Audit release, with standard or modified report, was imminent, with or without corrections.

**2023-002 Current Liabilities Understated**

*Condition:* Management did not report its outstanding Revenue Anticipation Note (RAN) of \$2,413,000 as a current liability, but instead incorrectly reported it as a long term liability.

*Criteria:* Generally Accepted Accounting Principles (GAAP).

*Cause:* Misguided application of GAAP.

*Effect:* Originally issued management's financial statements were not presented in accordance with GAAP.

*Recommendation:* Management should research current accounting principles specifically in the areas of Revenue anticipation debt. Management should then correct and reissue its financial statement presentation.

*Response:* Management agrees with the recommendations.

*Action Planned\Executed:* Accounting corrections were made and management reissued its financial statements on May 28, 2024.

**CAPE ANN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

2023-003 Maintenance Expense

*Condition:* In management's originally issued financial statements, Maintenance expense of \$0 was reported; however the amount should have been stated at \$413,522.

*Criteria:* Generally Accepted Accounting Principles (GAAP).

*Cause:* Management did not adequately review its prepared financial statement to source documents including grouping schedules.

*Effect:* Originally issued management's financial statements were not presented in accordance with GAAP.

*Recommendation:* Management should review its system to review all aspects of the financial statement presentation. Management should then correct and reissue its financial statement presentation.

*Response:* Management agrees with the recommendations.

*Action Planned\Executed:* Accounting corrections were made and management reissued its financial statements on May 28, 2024.

2023-004 Disclosure – Line of Credit

*Condition:* Management disclosed it had an available line of credit in the amount of \$750,000 on its originally issued financial statements. However, that availability did not exist as management was unable to provide evidence of availability with a legally executed and unexpired note agreement.

*Criteria:* Generally Accepted Accounting Principles (GAAP).

*Cause:* Management did not reconcile that disclosure to supporting documentation.

*Effect:* Originally issued management's financial statements were not presented in accordance with GAAP.

*Recommendation:* Management should review its system to support all financial statement disclosures. Management should then correct and reissue its financial statement presentation.

*Response:* Management agrees with the recommendations.

*Action Planned\Executed:* Disclosure corrections were made and management reissued its financial statements on May 28, 2024.

**CAPE ANN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**SECTION III FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

No Findings