



**ESTUARY TRANSIT DISTRICT
SPECIAL BOARD MEETING**
ETD Offices, 91 N. Main St, Middletown, CT
with Remote Options
February 27, 2024 at 9:00 AM

AGENDA

- I. Call to Order — L. Strauss, Chair
- II. Roll Call — T. Griswold, Secretary
- III. Visitors' Comments as They Pertain to Agenda Items
- IV. Presentation of FY 22-23 Completed Audit -- Tom Partalas, Seward and Monde
 - 1. Draft Report
 - 2. Draft Management Letter
 - 3. Draft SAS-114 Letter
- V. Next Regular Meeting — April 12, 2024 at 9:00AM with Remote Options
- VI. Adjournment

Join Zoom Meeting

<https://us02web.zoom.us/j/89374193140?pwd=UGVPUzVUVUhFUVPsN0k3SIBBCQjNEQT09>

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Language Assistance is available. If you need assistance, please call Chris at 860-510-0429 ext. 104 at least 48 hours prior to the meeting.

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ESTUARY TRANSIT DISTRICT
Financial Statements
June 30, 2023

ESTUARY TRANSIT DISTRICT
June 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Estuary Transit District
Middletown, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Estuary Transit District (the District) which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Estuary Transit District as of June 30, 2023, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Estuary Transit District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of A Matter

Merger of District

As discussed in Note 3 of the financial statements, the Estuary Transit District merged with the Middletown Transit District effective July 1, 2022. Our opinion is not modified with respect to these matters.

Responsibilities of Management 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 and government auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements. The 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 accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 schedule of expenditures of federal awards and state financial assistance 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 February 13, 2024, on our consideration of Estuary 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Estuary Transit District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Estuary Transit District’s internal control over financial reporting and compliance.

North Haven, Connecticut
February 13, 2024

**ESTUARY TRANSIT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The following Management’s Discussion and Analysis (MD&A) of the Estuary Transit District’s (District) activities and financial performance provides an introduction to the financial statements of District for the fiscal year ending June 30, 2023.

Following this MD&A are the basic financial statements of the District together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

On July 1, 2022, the Middletown Transit District (MTD) was merged into the Estuary Transit District. As a result, the assets, liabilities and net position of the Middletown Transit District were transferred to Estuary Transit District on that date. Prior years’ financial comparative information is reported based on the combined activity of both districts in order to achieve a more reasonable comparison with current year financial information. Certain comparative amounts have been reclassified to conform to current year presentation.

District Activities Highlights

The Estuary Transit District was formed in 1981 by the nine towns of the Connecticut River Estuary Region, which includes Clinton, Chester, Deep River, Essex, Killingworth, Lyme, Old Lyme, Old Saybrook, and Westbrook. In FY 2022, the towns of Durham, Middlefield and Middletown also joined the district, and the district assumed the assets and operations of the Middletown Transit District. In addition, certain service is provided on a contracted basis to the towns of Cromwell, East Haddam, East Hampton, Madison, Portland and Haddam.

The District is governed by a Board of Directors made up of representatives from each of the member towns, each having a weighted vote based on the population of the town they represent. The Directors serve in a voluntary capacity to adopt bylaws, set policy and direct the activities of the Executive Director. The Executive Director, in turn, directs the daily activities of District and is responsible for the overall management of the District and its employees. The District contracts with First Transit to provide the Executive Director.

The District’s mission is to provide local, coordinated public transportation for the residents of the Estuary region. The District’s public transportation service provides fixed route, deviated fixed route, demand response, on-demand and taxi transportation services.

Fixed route service operates on one route with complementary paratransit services. These routes serve twelve different towns and offer connections to SEAT, MAT, and CT Transit bus services, Shoreline East commuter rail and AmTrak passenger rail and Greyhound inter-city bus service. Deviated fixed route services consist of four routes operating on a published route and schedule, however, these routes also provide off-route service up to ¾ mile on either side of the route.

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The District’s demand response service provides door-to-door transportation within the Estuary region with two services. Dial-A-Ride services are open to the general public, while the ADA complementary paratransit service is restricted to people with a disability preventing them from using fixed route service.

The District also provides on-demand service in two zones, one in a three town area on the shoreline and one in Middletown. The service allows the general public to book trips when they want them either by a smartphone app or by phone.

Taxi vouchers are another offering of the District for people with disabilities and seniors. The vouchers cover half of the cost of a taxi trip from within the district to anywhere in Connecticut 24/7.

Beginning in 2020, the district began a partnership with the Connecticut Department of Transportation (CTDOT), Connecticut Department of Energy and Environmental Protection and the Clinton Chamber of Commerce to operate a seasonal ParkConneCT service. This provides seasonal weekend and holiday service to Hammonasset State Park, including a replica trolley and fixed bus route service.

During the fiscal years ending June 30, 2023, 2022, and 2021 the District had the following operating characteristics:

	FY 2023	FY 2022	FY 2021
Revenue Hours	75,683	71,757	66,227
Unlinked Passenger Trips	414,649	261,657	241,727
Revenue Miles	1,444,818	1,372,963	1,197,153
Days of Service	326	326	308

Major Initiatives

The fiscal year ending June 30, 2023 saw the following major initiatives:

- Completion of combining the Middletown Transit District assets, staff and operations into the Estuary Transit District.
- Restoration of fares after a suspension from April 1, 2022 through March 31, 2023.
- A rebranding to reflect the new larger district. Following with a new logo and doing business as the name of River Valley Transit.
- A pilot of on-demand service in the Middletown area in partnership with Wesleyan University.
- Fare, human resources and marketing studies were conducted with capital funds to ensure a smooth combining of MTD and ETD.

Funding and Financing

The District's public transit operation receives:

- The bulk of its funding through the Connecticut Department of Transportation and the Federal Transit Administration 5311 Rural Transportation Program, 5307 Urban Transportation Program and 5310 Enhanced Mobility for Senior and Individuals with Disabilities Program.
- Funding from the Connecticut Municipal Grants program-State Matching Grant program for Elderly and Disabled Demand Responsive Transportation Funding from Senior Resources, Area Agency on Aging.
- Local funding from the member towns. This includes the local subsidy requirements for the CTDOT, FTA, and Senior Resources grants. It also includes additional funding to ensure a stable amount of unrestricted net assets for operating capital and contingencies.
- Contract revenue from towns that receive service on a contract basis.
- Contract revenue from private entities that contract for service.
- Additional revenue from fares and donations.
- Borrowings from a bank line of credit used from time to time for working capital needs.

Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting all the current year's revenues and expenses are taken into account when earned and incurred regardless of when the cash is received or paid. These statements report the District's total net position, changes in them resulting from operations and other activities, and present the cash flows of such operations and activities for the year. Two key balances are highlighted on the Statement of Net Position: Unrestricted Net Position and Total Net Position.

Financial Position Summary

A summary of the District’s net position at June 30 is shown below:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets:			
Current	\$ 3,564,531	\$ 2,685,315	\$ 879,216
Other assets	15,983,404	15,641,989	341,415
Total Assets	<u>\$ 19,547,935</u>	<u>\$ 18,327,304</u>	<u>\$ 1,220,631</u>
Liabilities:			
Current	\$ 676,051	\$ 483,208	\$ 192,843
Other liabilities	9,066	61,984	(52,918)
Total Liabilities	<u>\$ 685,117</u>	<u>\$ 545,192</u>	<u>\$ 139,925</u>
Net Position:			
Net Investment in capital assets	\$ 15,918,330	\$ 15,526,447	\$ 391,883
Unrestricted	2,944,488	2,255,665	688,823
Total Net Position	<u>\$ 18,862,818</u>	<u>\$ 17,782,112</u>	<u>\$ 1,080,706</u>

Unrestricted Net Position - Changes in the District’s unrestricted net position are a way to measure the District’s “health” or financial position. The District increased its unrestricted net position during the fiscal year ending June 30, 2023 for the 13th consecutive year. The unrestricted net at the end of FY 2022 for ETD was \$941,819. When combined with the Middletown Transit District’s FY 2022 year end fund balance, the total was \$2,255,665. This grew to \$2,944,488 in FY 2023. This was due to contract revenue from private entities to provide service, the combination of the districts and careful fiscal management.

Total Net Position - The District’s total net position of accounts for the total of unrestricted net position and net investment in capital assets. Capital assets are used to provide services to the passengers of the District. The total net position increased from \$3,142,207 for ETD alone and \$17,782,112 combined with MTD in FY 2022 to \$18,862,818 in FY 2023.

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Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Operating revenues	\$ 328,638	\$ 436,593	(\$ 107,955)
Operating expenses	<u>8,262,091</u>	<u>7,765,329</u>	<u>496,762</u>
Operating loss	(7,933,453)	(7,328,736)	(604,717)
Net nonoperating revenues	<u>7,345,866</u>	<u>7,610,596</u>	<u>(264,730)</u>
Income (loss) before capital grants	(587,587)	281,860	(869,447)
Capital grants used for capital purchases	<u>1,668,293</u>	<u>192,650</u>	<u>1,475,643</u>
Change in Net Position	1,080,706	474,510	606,196
Net position, July 1	<u>17,782,112</u>	<u>17,307,602</u>	<u>474,510</u>
Net position, June 30	<u>\$ 18,862,818</u>	<u>\$ 17,782,112</u>	<u>\$ 1,080,706</u>

Revenues

A summary of revenues for the years ended June 30, 2023 and 2022 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating:				
Passenger fees	\$ 110,286	\$ 257,277	(\$ 146,991)	-57.13%
Other transit services	108,133	69,852	38,281	54.80%
Other	110,219	109,464	755	0.69%
Total Operating	<u>328,638</u>	<u>436,593</u>	<u>(107,955)</u>	<u>-24.73%</u>
Non-Operating:				
Federal, State, & local assistance grants	7,350,118	6,684,141	665,977	9.96%
Gain on sale of assets	-	10,720	(10,720)	-100.00%
Other income	-	20,954	(20,954)	-100.00%
Forgiveness of debt-CT-DOT	-	904,405	(904,405)	-100.00%
Total Non-Operating	<u>7,350,118</u>	<u>7,620,220</u>	<u>(270,102)</u>	<u>-3.54%</u>
Capital grants used for capital purchases	<u>1,668,293</u>	<u>192,650</u>	<u>1,475,643</u>	<u>765.97%</u>
Total Revenues	<u>\$ 9,347,049</u>	<u>\$ 8,249,463</u>	<u>\$ 1,097,586</u>	<u>13.30%</u>

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Operating revenue decreased from the prior year due to the statewide suspension of fares for much of the year. The fare revenue loss was partially offset by an increase in state and federal assistance. Revenue from contracts with private institutions to transport their clients and advertising on the transit vehicles continue to return from pandemic driven lows.

Federal, state and local assistance increased due to several factors. Town contributions were increased to keep pace with the annual increase in state assistance of 3%. The District received additional federal assistance for COVID-19 related expenses and the free fare program. The District also received additional state assistance for the addition of several positions to be shared with Middletown Transit District which occurred in mid-FY 2022. Federal and State capital assistance increased as several capital purchases were made in the period.

Expenses

A summary of expenses for the years ended June 30, 2023 and 2022 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating expenses:				
Salaries and wages	\$ 3,087,343	\$ 2,914,991	\$ 172,352	5.91%
Fringe benefits	1,017,994	927,596	90,398	9.75%
Contract maintenance services	384,342	521,279	(136,937)	-26.27%
Services (professional & technical)	908,871	792,275	116,596	14.72%
Fuel and lubrications	714,244	603,819	110,425	18.29%
Vehicle parts and supplies	142,368	174,296	(31,928)	-18.32%
Tires and tubes	57,694	10,708	46,986	438.79%
Other supplies	222,438	141,296	81,142	57.43%
Amortization of lease	50,468	48,131	2,337	4.86%
Utilities	193,532	160,870	32,662	20.30%
Insurance	107,489	103,773	3,716	3.58%
Purchased transportation	10,938	10,897	41	0.38%
RTAP expense	6,833	8,800	(1,967)	-22.35%
Other expenses	81,127	116,688	(35,561)	-30.48%
Depreciation	<u>1,276,410</u>	<u>1,229,910</u>	<u>46,500</u>	<u>3.78%</u>
 Total operating expenses	 8,262,091	 7,765,329	 496,762	 6.40%
Non-operating expenses:				
Interest expense on lease	<u>4,252</u>	<u>6,589</u>	<u>(2,337)</u>	<u>-35.47%</u>
 Total expenses	 <u>\$ 8,266,343</u>	 <u>\$ 7,771,918</u>	 <u>\$ 494,425</u>	 <u>6.36%</u>

Total expenses increased by \$494,425 overall, led by an increase in wages and fringes. This was caused by the addition of five positions and beginning a shared in-house maintenance program created as part of the combining of the District and Middletown Transit District (MTD), which was done in mid FY 2022 and were fully realized in this fiscal year, and the addition of a pilot on-demand service in Middletown.

Services increased due to increases in attorney fees as the workforce has grown considerably, job advertisements for recruiting new employees and payment to the Lower Connecticut River Valley Council of Governments for planning services to assist with implementation of recommendations from the 2019 regional bus study.

Other supplies increased, largely due to software acquired as part of combining the transit districts. This included automatic vehicle locating software and hardware, planning and run cutting software and on-demand scheduling software.

Fuel and lubrications increased due to a combination of new service with the Middletown XtraMile pilot and increases in fuel prices. Utilities increased due to increases in generation charges and the addition of the 110 and 120 North Main St, Middletown, buildings. These buildings were purchased by the state, who requested the district pay for utilities.

Vehicle maintenance and supplies decreased due to the performance of nearly all Middletown fleet maintenance in-house. Other expenses decreased as COVID supplies such as masks, gloves, hand sanitizer, etc. ended.

For the tenth consecutive year, the District did not have any interest expense as a result of strong unrestricted net assets that are utilized for working capital needs instead of the revolving line of credit.

CURRENTLY KNOWN FACTS AND CONDITIONS

FY 2023 operating funding from CTDOT was increased from FY 2022. Though FY 2024 funding appears stable, funding will continue to be uncertain over the next few fiscal years due to legislation holding FY 2025 and beyond to FY 2024 funding levels, requiring all increases to be competitively awarded.

FY 2023 was the first year of the officially combined ETD and MTD. All MTD staff moved to ETD's payroll on July 1, 2022. All of MTD's assets transferred to ETD, including all operating and capital grants.

Much of the year continued to be impacted by the COVID-19 pandemic. While ridership had returned by mid-fiscal year, it was driven by a statewide free fare program, which ended in March. Many costs continued to remain elevated due to pandemic related supply chain issues, such as parts and new vehicles. Staffing shortages, particularly amongst bus drivers, resulted in increased overtime.

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The District received CARES Act, CRRSAA and ARPA funds from FTA to mitigate the financial impacts of the pandemic. These 100% federal funds have been critical to District’s ability to continue to operate service in spite of the pandemic related fiscal challenges.

The District was successful in obtaining funding on a three year demonstration of new service between Madison and Middletown, which launched in August of 2018. This funding expired early in the fiscal year. Efforts continue to identify new sources of funding to continue this service while the service continues using CARES Act funds.

The district received notice of two new operating funding awards. The first will increase fixed route service in the last quarter of FY 2024. The second is a two year pilot of XtraMile beginning in late FY 2024. The two expansions will be a sizable increase in operations for the district.

The district began preparing for electrification of its bus fleet. The district will receive its first two heavy duty electric buses in early FY 2025. Planning for the long and short-term infrastructure upgrades for vehicle charging is nearing completion. Significant capital investment will be required for 100% fleet electrification, though electric vehicles will be phased in.

CTDOT has purchased property adjacent to the Middletown Transit District garage in Middletown for the construction of a shared maintenance facility. A master plan is underway for the site. Initial reviews are underway to evaluate the preferred site for a shoreline facility for the shoreline division. Planning work was also ongoing for renovation of the Middletown transportation center.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 91 N Main Street, Middletown, CT 06457.

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ESTUARY TRANSIT DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 679,557
Grant and trade receivables	2,807,445
Inventory - fuel	28,374
Prepaid expenses	49,155
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Total current assets	3,564,531
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Capital assets, net of accumulated depreciation	15,918,330
Right-of-use asset, net	61,984
Deposit	3,090
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Total assets	<u>\$ 19,547,935</u>

LIABILITIES and NET POSITION

Current Liabilities:	
Current portion of lease liability	\$ 52,918
Accounts payable	504,679
Unearned revenue	61,913
Accrued expenses and other current liabilities	56,541
	<hr/>
Total current liabilities	676,051
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Long-term lease liability, less current portion	9,066
	<hr/>
Total liabilities	685,117
	<hr/>
Net Position:	
Net investment in capital assets	15,918,330
Unrestricted	2,944,488
	<hr/>
Total net position	18,862,818
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Total liabilities and net position	<u>\$ 19,547,935</u>

See accompanying notes to financial statements.

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ESTUARY TRANSIT DISTRICT
STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION
Year Ended June 30, 2023

Operating revenues	<u>\$ 328,638</u>
Operating expenses:	
Salaries and Wages	3,087,343
Fringe benefits	1,017,994
Contract maintenance services	384,342
Services (professional & technical)	908,871
Fuel and lubrications	714,244
Vehicle parts and supplies	142,368
Tires and tubes	57,694
Other supplies	222,438
Amortization of right-to-use asset (lease)	50,468
Utilities	193,532
Insurance	107,489
Purchased transportation	10,938
RTAP expense	6,833
Other expenses	81,127
Depreciation	<u>1,276,410</u>
Total operating expenses	<u>8,262,091</u>
Operating loss	<u>(7,933,453)</u>
Nonoperating revenues (expenses):	
Federal, state and local assistance grants used for operations	7,350,118
Interest expense on lease liability	<u>(4,252)</u>
Net nonoperating revenues	<u>7,345,866</u>
Decrease in net position before capital grants	(587,587)
Federal, state and local grants used for capital purchases	<u>1,668,293</u>
Change in net position	1,080,706
Net position, as restated, July 1	<u>17,782,112</u>
Net position, June 30	<u>\$ 18,862,818</u>

See accompanying notes to financial statements.

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ESTUARY TRANSIT DISTRICT
 STATEMENT of CASH FLOWS
 Year Ended June 30, 2023

Cash flows from operating activities:	
Cash received from customers and others	\$ 355,722
Cash paid to employees for services	(4,217,957)
Cash paid to suppliers for goods and services	(2,739,419)
Net cash used in operating activities	(6,601,654)
Cash flows from noncapital financing activities:	
Proceeds from federal, state and local assistance grants, net	6,433,421
Cash paid on lease liability	(50,468)
Interest expense on lease liability	(4,252)
Net cash provided by noncapital financing activities	6,378,701
Cash flows from capital financing activities:	
Proceeds from capital grants	1,431,233
Purchase of capital assets	(1,442,126)
Net cash used by capital financing activities	(10,893)
Net decrease in cash and cash equivalents	(233,846)
Cash and cash equivalents, as restated, July 1	913,403
Cash and cash equivalents, June 30	\$ 679,557
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$ 7,933,453)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,276,410
Amortization of right-of-use asset	50,468
Bad debts	62,956
(Increase) decrease in assets:	
Trade receivables	27,084
Inventory - fuel	3,314
Prepaid expenses	(49,155)
Increase (decrease) in liabilities:	
Accounts payable	24,187
Accrued expenses and other current liabilities	(63,465)
Net cash used in operating activities	(\$ 6,601,654)

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
NOTES to BASIC FINANCIAL STATEMENTS
June 30, 2023

1 - Organization and Business Purpose

General

Estuary Transit District (the "District") is a regional governmental unit formed in 1981 under the provisions of Chapter 103a of the Connecticut General Statutes. On July 1, 2022, the Middletown Transit was merged into the Estuary Transit District. The District does business as River Valley Transit and includes 16 member towns throughout Middlesex and parts of New London counties. A Board of Directors made up of representatives appointed from the member towns governs the District.

Under a renewed contract dated December 1, 2018, the day to day affairs of the District are managed by a professional management company and District staff. The management company provides the services of an Executive Director and is responsible for the administration and operation of the District, including but not limited to the route schedule, labor relations, employee selection, supervision and training. This is a three year base contract with two additional annual renewal options each December 1st through 2023. Subsequently, the Executive Director formerly contracted with the management company was hired as a full time employee of the District.

The District operates and maintains a mass transportation system with a broad range of programs, including fixed route service, deviated-fixed route service, ADA paratransit service, dial-a-ride service, micro transit and other various transit services. Substantial deficits result from providing these services and the District expects that such deficits will continue. In order to provide these services, the District is subsidized primarily by the State of Connecticut Department of Transportation, the Federal Transit Administration (the "FTA") and the member towns.

The State of Connecticut Department of Transportation currently provides matching funds for the reimbursement of capital expenditures incurred by the District for the purchase of property and equipment authorized and partially funded under capital grants provided by the Federal Transit Administration, a federally administered agency.

Any loss or significant reduction of these grants could have a significant impact on the District's financial position and operations. The continuance of the District's operations has been, and will continue to be dependent upon the receipt of adequate governmental funding assistance.

2 - Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District have been prepared in conformity with generally accepted accounting principles. The Government Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below.

The District is comprised of an individual enterprise fund. The District is responsible for its debt and is entitled to surpluses. No separate agency receives a financial benefit or imposes a financial burden on the District.

The District and its enterprise fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchanges and exchange-like transactions are recognized when the exchange takes place.

Operating and Non-operating Revenues and Expenses

Revenues received as fares or for direct compensation for transportation services are reported as operating revenues as they are earned. Capital and operating subsidy grants as well as interest income are considered to be non-operating revenues in the accounting period in which they are earned. Expenses which pertain to providing transportation services are classified as operating expenses. All other expenses as well as any other charges are classified as non-operating.

Capital and Operating Grants

Grants, entitlements or shared revenue received for operating purposes, or which may be used for either operations or capital expenditures at the discretion of the District and are used for operations, are recognized as revenues in the accounting period in which they are earned. Resources that are restricted and used for the acquisition of capital assets are recognized as revenue when the capital expenditures are accrued.

Cash and Cash Equivalents

For the purpose of the statement of net position and the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from date of acquisition.

Grant and Trade Receivables

Grant and trade receivables are stated at the amount management expects to collect from outstanding balances. When deemed necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No valuation allowance was deemed necessary for fiscal year 2023. As of June 30, 2023 management determined that \$62,956 of grant and trade receivables were uncollectable and written off as bad debts. This is included in other expenses on the Statement of Revenue, Expenses, and Changes in Net Position. Grant and trade receivables includes \$36,763 in amounts due from the State of Connecticut Department of Transportation that are greater than one-year-old.

Capital Assets

Generally, acquisitions greater than or equal to one thousand dollars and that have an estimated useful life of greater than one year are capitalized. Capital assets are stated at cost less accumulated depreciation and depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building and Leasehold improvements	7 to 40 years
Transit vehicles	4 to 12 years
Equipment, furniture and fixtures	3 to 10 years

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in the statement of revenues, expenses and changes in net position.

Capital assets acquired with grant proceeds are restricted for use in rural and urban transit services. The District refunds proceeds from sales of certain capital assets to grantor agencies, as directed by them, in accordance with minimum thresholds and grant requirements.

Leases

The right-of-use asset represents the District’s right to use an underlying asset for the lease term and the lease liability represents the District’s obligation to make lease payments both of which are recognized based on the present value of the lease payments over the lease term at the commencement date. The District uses its estimated incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement, plus certain initial direct costs. Subsequently, the right-to-use assets is amortized on a straight-line basis over the life of the related lease.

Unearned State Grant Revenue

Unearned state grant revenue generally represents state grants received in advance of program services that as of the statement of net position date have not as yet been provided.

Net Position

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets and unrestricted. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by any outstanding debt that is attributable to the acquisition, construction and improvement of those assets (there was no outstanding debt related to capital assets as of June 30, 2023). Unrestricted consists of net position not included in the net investment in capital assets category.

Compensated Absences

The District accrues for the payroll and related fringe benefit liability associated with compensated absences of employees in accordance with the District's policy.

Cost Allocation Plan

Costs are allocated to bus service programs directly and indirectly in accordance with grantor agreements. Direct costs consist primarily of wages, fuel and vehicle maintenance. Direct costs for wages are charged to programs based on the underlying activities generating such costs and associated with the service routes and buses assigned to each program. Direct costs for fuel and maintenance are charged to programs based on a percentage derived from a calculation of total hours and miles for each line. Indirect costs are allocated based on the service hours scheduled for each program. All administrative costs are allocated to core programs in accordance with a State directive.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Risk Management

The District purchases commercial insurance to cover the general risk of loss arising from its business activities.

Subsequent Events

The District has evaluated subsequent events for the period after June 30, 2023 through February 13, 2024, the date the financial statements were available to be issued.

3 - Merger of District

The result of the Lower Connecticut River Valley Transit Study recommended the combination of the Estuary Transit District and the Middletown Transit District. As a result of this study, along with the Connecticut Department of Transportation approval, the two transit districts signed a memorandum of agreement on April 28, 2022. This agreement stated that the member municipalities of the Middletown Transit District would withdraw from the Middletown Transit District resulting in its cessation and merge with Estuary Transit District. The merger would leverage each district’s staff, resources and capabilities to enhance and improve transit services and take advantage of cost efficiencies. The merger took effect on July 1, 2022. As a result, the assets, liabilities and net position of the Middletown Transit District were transferred to Estuary Transit District on that date.

The initial opening balances of Estuary Transit District’s assets, liabilities and net position as of the beginning of the period were adjusted to include the carrying values reported in separate financial statements of the Middletown Transit District as of June 30, 2022 as follows:

	<u>Estuary Transit District</u>	<u>Middletown Transit District</u>	<u>Combined</u>
ASSETS			
Current assets	\$ 1,245,484	\$ 1,439,831	\$ 2,685,315
Capital assets	2,200,388	13,326,059	15,526,447
Other assets	115,542	-	115,542
Total assets	<u>\$ 3,561,414</u>	<u>\$ 14,765,890</u>	<u>\$ 18,327,304</u>
LIABILITIES			
Current liabilities	\$ 357,223	\$ 125,985	\$ 483,208
Noncurrent liabilities	61,984	-	61,984
Total liabilities	<u>419,207</u>	<u>125,985</u>	<u>545,192</u>
NET POSITION			
Net Investment in capital assets	2,200,388	13,326,059	15,526,447
Unrestricted	941,819	1,313,846	2,255,665
Total net position	<u>3,142,207</u>	<u>14,639,905</u>	<u>17,782,112</u>
Total liabilities and net position	<u>\$ 3,561,414</u>	<u>\$ 14,765,890</u>	<u>\$ 18,327,304</u>

PRELIMINARY
 (For Discussion Purposes Only)
 NOT TO BE DISTRIBUTED

4 - Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk is that it will use depositories that receive or hold public deposits that are secured pursuant to Connecticut General Statutes. At June 30, 2023, \$622,660 of the District’s bank balance of \$880,676 was exposed to custodial credit risk.

5 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022, As Restated	Additions	Disposals and Construction in Progress Placed in Service	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 287,342	\$ -	\$ -	\$ 287,342
Construction in progress	256,090	-	73,896	182,194
Total capital assets not being depreciated	543,432	-	73,896	469,536
Capital assets being depreciated:				
Buildings	13,629,298	-	68,241	13,697,539
Building and leasehold improvements	1,154,085	52,874	-	1,206,959
Transit vehicles	7,738,407	714,681	5,655	8,458,743
Equipment, furniture and fixtures	1,745,489	900,738	-	2,646,227
Total capital assets being depreciated	24,267,279	1,668,293	73,896	26,009,468
Less accumulated depreciation for:				
Buildings	2,719,127	342,440	-	3,061,567
Building and leasehold improvements	679,186	38,961	-	718,147
Transit vehicles	4,539,794	681,370	-	5,221,164
Equipment, furniture and fixtures	1,346,157	213,639	-	1,559,796
Total accumulated depreciation	9,284,264	1,276,410	-	10,560,674
Total capital assets being depreciated, net	14,983,015	391,883	73,896	15,448,794
Total capital assets, net	\$ 15,526,447	\$ 391,883	\$ -	\$ 15,918,330

Depreciation expense amounted to \$1,276,410 for the year ended June 30, 2023.

6 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at June 30, 2023:

Accrued payroll	\$ 39,881
Accrued compensated absences	16,660
	\$ 56,541

7 - Unearned Revenue

Unearned revenue is comprised of unexpended state grant proceeds of \$58,719 and deferred pass fares of \$3,194 received in the year ended June 30, 2023. Such amounts will be recognized as revenue in the year that expenditures are incurred or service is performed and the revenue is earned.

8 - Employee Retirement Plans

The District administers a defined contribution plan in accordance with Internal Revenue Code Section 401(a) for all full time non-union employees. The District contributes 6% of compensation for eligible non-union employees to the 401(a) plan on a quarterly basis. The 401(a) plan includes a five year vesting provision for the employer contributions. Contributions are invested at the direction of the employee in one or more funds. The District made contributions of \$92,694 to the plan during the year ended June 30, 2023. Plan provisions and contribution requirements are established and may be amended by the District.

The District also administers a deferred compensation plan under Internal Revenue Code Section 457. The plan is provided to union employees and allows these employees to defer a portion of their salary until future years. There are no minimum age or service requirements to participate in the plan. The District's contribution will be a weekly match of the employees' weekly contribution not to exceed \$30 per week for employees that contribute at least \$10. Starting January 1, 2023 the weekly contribution was increased to \$35 regardless of the employees' contribution. The District may use forfeitures to pay plan expenses or reduce amounts otherwise required to be contributed to the plan. For the year ended June 30, 2023, the District recognized pension expense of \$17,305. Contributions are invested at the direction of the employee in one or more funds. Plan provisions and contribution requirements are established and may be amended by the District. All pension plan assets are held in trust with Alerus.

9 - Leases

The District leases its facility located in the Village of Centerbrook in the Town of Essex, Connecticut. The original lease term was for five years beginning on September 9, 2009 through September 30, 2014. The lease contains an option to renew for five additional years which was exercised by the District in September 2014. In September 2019, the lease was renewed for an additional five-year term at the same current rate and terms. Under the same lease terms, the District began renting an additional garage unit in April 2021.

PRELIMINARY
 (For Discussion Purposes Only)
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The right-of-use asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
Right-of-use asset:				
Building	\$ 160,583	\$ -	\$ -	\$ 160,583
Less accumulated amortization for:				
Building	48,131	50,468	-	98,599
Total right-of-use asset, net	\$ 112,452	(\$ 50,468)	\$ -	\$ 61,984

Amortization expense amounted to \$50,468 for the year ended June 30, 2023.

The maturity of the lease liability as of June 30, 2022 was as follows:

Years ending June 30,	Principal Payments	Interest Payments	Total
2024	\$ 52,918	\$ 1,802	\$ 54,720
2025	9,066	54	9,120
	\$ 61,984	\$ 1,856	\$ 63,840

At June 30, 2023 the weighted average discount rate was 4.75% and the weighted average remaining lease term was 14 months.

10 - Contingencies

State and federal funded transit programs are subject to special program audits. Such audits could result in claims against the resources of the District. No provision has been made for any liabilities that may arise from such audits since the occurrence, consequences or amounts, if any, cannot be determined at this time. Adjustments (if any) arising from such audits will be recognized in the year of settlements.

11 - Collective Bargaining Arrangement

The District's drivers that operate programs within its Middletown services are covered by a collective bargaining agreement, which expires on December 31, 2025.

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

GOVERNMENT AUDITING STANDARDS

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
Estuary Transit District
Middletown, Connecticut

We have audited, 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, the financial statements of Estuary Transit District (the District), which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 13, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

PRELIMINARY
(For Discussion Purposes Only)
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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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

North Haven, Connecticut
February 13, 2024

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

FEDERAL SINGLE AUDIT

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

Board of Directors
Estuary Transit District
Middletown, Connecticut

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Estuary Transit District's (the District) 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 the District's major federal programs for the year ended June 30, 2023. The District'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, Estuary 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 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, Cost 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 Estuary Transit District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Estuary Transit District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors’ Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Estuary Transit District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Estuary Transit District’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 Estuary Transit District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Estuary Transit District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Estuary Transit District’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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 have not been 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.

North Haven, Connecticut
February 13, 2024

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2023

PRELIMINARY
 (For Discussion Purposes Only)
 NOT TO BE DISTRIBUTED

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation:</u>			
Federal Transit Administration Cluster:			
Formula Grants for Urbanized Areas - Capital	20.507		\$ 1,132,014
COVID - Formula Grants for Urbanized Areas	20.507		1,659,901
			2,791,915
Passed through from Connecticut Department of Transportation:			
Formula Grants for Rural Areas	20.509	DOT04780075OP	116,154
Formula Grants for Rural Areas	20.509	DOT04780068TR	6,833
Formula Grants for Rural Areas	20.509	DOT01705024OP & DOT01705019OP	167,536
Formula Grants for Rural Areas	20.509	DOT0170354OP	9,774
COVID - Formula Grants for Rural Areas	20.509	DOT04780075OP	105,258
			405,555
Total U.S. Department of Transportation			3,197,470
<u>U.S. Department of the Treasury:</u>			
Passed through from Connecticut Department of Transportation via the Connecticut Office of Policy and Management Coronavirus State and Local Fiscal Recovery Funds - ARPA Fare Free			
	21.027		215,008
Total Federal Awards			\$ 3,412,478

See Notes to Schedule of Expenditures of Federal Awards.

ESTUARY TRANSIT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Estuary Transit District (the District) under programs of the federal government for the fiscal 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 District, it is not intended to and does not present the net position, changes in net position or cash flows of the District.

Note 2 - 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.

Note 3 - Indirect Cost Recovery

The District did not recover its indirect costs using the 10 percent de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified? _____yes X none reported

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)? _____yes X no

Major Programs

Federal Assistance Listing Number	Names of Federal Program or Cluster
20.507	Formula Grants for Urbanized Areas

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

Auditee qualified as low-risk auditee? X yes _____no

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs to report.

PRELIMINARY
(For Discussion Purposes Only)
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STATE SINGLE AUDIT

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

Board of Directors
Estuary Transit District
Middletown, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each State Program

We have audited the Estuary Transit District's (the District) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2023. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State 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 State Single Audit Act (C.G.S Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors’ Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Estuary Transit District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit 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 Estuary Transit District’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 State Single Audit Act, 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 Estuary Transit District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Estuary Transit District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit, but not for the purpose of expressing an opinion on the effectiveness of Estuary Transit District’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state 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. 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 have not been 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

North Haven, Connecticut
February 13, 2024

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES of STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2023

Section IV, Item 1.

PRELIMINARY
 (For Discussion Purposes Only)
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STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
State of Connecticut Department of Transportation:		
Transit District Grants and Loans Transportation Fund:		
Bus Operations:	12001-DOT57000-12175	
Fixed Route		
Agreement No. 3.28-01(22)		
State Project No. 04780095OP		
Budget Addendum No. 2023-OPU-03		\$ 3,058,586
Dial-A-Ride		
Agreement No. 3.28-01(22)		
State Project No. 04780097OP		
Budget Addendum No. 2023-OPU-03		112,330
Rural		
Agreement No. 3.28-01(22)		
State Project No. 04780075OP		
Budget Addendum No. 2023-OPU-03		76,662
ParkConneCT Hammonasset Beach Park Service - Operations		
Agreement No. 3.28-01(22)		
State Project No. 04780093OP		
Budget Addendum No. 2023-OPU-03		53,764
Transit Services - Old Saybrook - Middletown (Mid-Shore Shuttle, Riverside Shuttle Ext., Project Administration, Advertising, & Printing and Admin for vouchers)		
Agreement No. 3.28-01(22)		
State Project No's. 017005024OP, 017005019OP		
Budget Addendum No. 2023-BCD-02		167,536
State Matching Grant Program For Elderly and Disabled Demand Responsive Transportation		
Agreement No. 3.28-01(22)		
State Project No. 01702697OP		
Budget Addendum No. 2023-MPG-01		245,642
Handicapped Access:	12001-DOT57000-12378	
ADA		
Agreement No. 3.28-01(22)		
State Project No. DOT04780096OP		
Budget Addendum No. 2023-OPU-03		<u>278,140</u>
Total Operating Assistance		<u>3,992,660</u>
Capital Acquisition Assistance:	12001-DOT57000-12175	
Agreement No. 3.28-01(22)		
State Budget Addendum No. 2018-CAP-01, 2019-CAP-01, 2020-CAP-04		
Federal Capital Grant No. CT-2017-018, CT-2018-017, CT-2019-008		<u>899,448</u>
Total Capital Acquisition Assistance		<u>899,448</u>
Total Transit District Grants and Loans Transportation Fund		<u>4,892,108</u>
Total Expenditures of State Financial Assistance		<u>\$ 4,892,108</u>

See Note to Schedule of Expenditures of State Financial Assistance.

PRELIMINARY
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ESTUARY TRANSIT DISTRICT
NOTES to SCHEDULE of EXPENDITURES of
STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Estuary Transit District under programs of the State of Connecticut for the fiscal year ended June 30, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund the transportation services of the District.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Estuary Transit District conform to U.S. generally accepted accounting principles as applicable to governmental units.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

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ESTUARY TRANSIT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes X no

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Transit District Grants and Loans Transportation Fund	12001-DOT57000-12175 & 12001-DOT57000-12378	<u>\$ 4,892,108</u>
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 200,000</u>

PRELIMINARY
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ESTUARY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023

II. Financial Statement Findings

There are no financial statement findings to report.

III. State Financial Assistance Findings and Questioned Costs

There are no state financial assistance findings or questioned costs to report.

PRELIMINARY
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S E W A R D A N D M O N D E

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

February 13, 2024

Board of Directors
Estuary Transit District
91 North Main Street
Middletown, CT 06457

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Estuary Transit District, (the District), for the year ended June 30, 2023, we considered the District’s internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized as follows:

Inventory

During our tour of the District’s facilities in previous years, it was noted that bus parts inventory is being kept on hand but not being recorded on the general ledger as inventory. Inventory is not being properly tracked and valued. We recommend that the District use their inventory software to properly track the purchase, values, quantities, and usage of inventory. Physical counts should also be taken at year end to confirm inventory being reported. The use of inventory software has commenced, the parts room has been organized, initial counts and review of the parts inventory was performed. However, additional time and effort is required to further analyze and properly value the parts inventory.

This letter does not affect our report dated February 13, 2024 on the financial statements of the District.

We wish to express our appreciation for the courtesies and assistance extended to us by the officers and employees of Estuary Transit District during the course of our audit. The contents of this letter have been discussed with management and, if you have any questions relative to these matters, we would be pleased to discuss them with you.

This communication is intended solely for the information and use of the Board of Directors and management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PRELIMINARY
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SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

February 13, 2024

Board of Directors
Estuary Transit District
91 North Main Street
Middletown, CT 06457

To the Board of Directors:

We have audited the financial statements of Estuary Transit District (the District) for the year ended June 30, 2023, and have issued our report thereon dated February 13, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, the Uniform Guidance, and the Connecticut State Single Audit Act

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management's Discussion and Analysis, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

PRELIMINARY
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In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Connecticut State Single Audit Act.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Also, in accordance with the Uniform Guidance and the Connecticut State Single Audit Act, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement and Office of Policy and Management's Compliance Supplement to the Connecticut State Single Audit Act* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Planned Scope, Timing of the Audit, Significant Risks, and Other

We performed the audit according to the planned scope and timing previously discussed with management.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Improper revenue recognition

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Estuary Transit District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by Estuary Transit District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

PRELIMINARY
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As discussed in Note 3 of the financial statements, the Middletown Transit District was merged into the Estuary Transit District effective July 1, 2022.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We evaluated the key factors and assumptions used to develop accounting estimates and determined that those estimates were reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 13, 2024.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Estuary Transit District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Estuary Transit District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to RSI, which is required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Estuary Transit District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,