



**ESTUARY TRANSIT DISTRICT
FINANCE COMMITTEE MEETING**
ETD Offices, 91 N. Main St, Middletown, CT
with Remote Option
February 11, 2026 at 9:00 AM

Agenda

1. Call to Order - C. Norz, Chair
2. Roll Call - C. Norz, Chair
3. Discussion of Budget vs. Actual and Cash Flow
4. Presentation of FY24-25 Completed Audit -- Tom Partalas, Seward & Monde
5. New Business
 - a. Recommendation to Board to Accept the FY24-25 Completed Audit
6. Next Meeting - April 8, 2026 @ 9:00 AM with Remote Option
7. Adjournment

Join Zoom Meeting

<https://us02web.zoom.us/j/84323778632?pwd=bTN2WTITaUUwSVZaa0RtK2xJOG1BZz09>

Meeting ID: 843 2377 8632

Passcode: 043741

One tap mobile

+16469313860,,84323778632#,,,,*043741# US

+19294362866,,84323778632#,,,,*043741# US (New York)

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.

RIVER VALLEY TRANSIT	
STATEMENT OF CASH FLOWS	
Monday, February 9, 2026	
Operating Checking	\$ -
Payroll Checking	\$ -
Capital Checking	\$ -
Money Market	\$ 4,397,550
Essex Savings Bank	\$ 98,938
BALANCE TOTAL	\$ 4,496,488

Account Payable	Feb-26	Mar-26	Apr-26
Payroll	\$ 222,500	\$ 445,000	\$ 445,000
Benefits	\$ 85,000	\$ 150,000	\$ 150,000
Professional Services	\$ 37,185	\$ 45,000	\$ 45,000
CIRMA	\$ 10,000	\$ 15,000	\$ 15,000
Rent & Utilities	\$ 18,000	\$ 25,000	\$ 25,000
Insurance	\$ 7,500	\$ 15,000	\$ 15,000
Fuel	\$ 42,000	\$ 65,000	\$ 65,000
Vehicle Maintenance and Repairs	\$ 24,370	\$ 50,000	\$ 50,000
Other Monthly Expenses	\$ 6,000	\$ 15,500	\$ 15,500
TOTAL EXPENSES	\$ 452,555	\$ 825,500	\$ 825,500

Account Receivable			
CT DOT Capital	\$ 823	\$ -	\$ -
FIXED 5307 FY 26	\$ -	\$ -	\$ 608,405
ADA FY 26	\$ 52,435	\$ -	\$ 85,570
DAR FY 26	\$ -	\$ -	\$ 28,083
MGP Grant FY 26	\$ 163,500	\$ -	\$ -
RURAL 5311 FY 26	\$ 33,988	\$ 31,859	\$ 31,859
New Freedom 5310 FY 26	\$ 37,826	\$ 32,167	\$ 32,167
Mobility Manager FY 26	\$ 7,053	\$ 10,000	\$ 10,000
Madison/Middletown (RT.81) FY 26		\$ 15,000	\$ 15,000
X-Mile FY 26		\$ 16,650	\$ 16,650
MICROTRANSIT FY 26	\$ 130,406	\$ 120,375	\$ 120,375
Fare Box and Pre-paid Fare Revenue	\$ 18,500	\$ 23,500	\$ 23,500
Middlesex Hospital, Wesleyan, AAA	\$ 5,468	\$ 5,500	\$ 5,500
OTHERS	\$ 2,527	\$ 5,000	\$ 5,000
Town Dues	\$ 19,930	\$ -	\$ 92,471
TOTAL REVENUE	\$ 472,457	\$ 260,051	\$ 1,074,580

Cash at the beginning of the period	\$ 4,496,488	\$ 4,516,390	\$ 3,950,941
Cash at the end of the period	\$ 4,516,390	\$ 3,950,941	\$ 4,200,021

GRANTS TOTAL	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 252,095	\$ 364,500	69%
URBAN CARES ACT	\$ 140,138	\$ 1,037,344	14%
RURAL CARE ACT	\$ -	\$ -	
OTHER	\$ 35,719	\$ 3,599	992%
TOTAL REVENUE	\$ 427,952	\$ 1,405,443	30%
EXPENSES			
SALARY AND BENEFITS	\$ 3,269,071	\$ 7,297,450	45%
PROFESSIONAL SERVICES	\$ 399,222	\$ 544,525	73%
RENT&UTILITIES	\$ 119,214	\$ 282,500	42%
INSURANCE	\$ 93,120	\$ 187,950	50%
MAINTENANCE	\$ 259,799	\$ 628,425	41%
FUEL	\$ 361,296	\$ 740,150	49%
MISCELLANEOUS EXPENSE	\$ 42,810	\$ 166,425	26%
TRANSPORTATION	\$ 22,257	\$ 115,000	19%
TOTAL EXPENSES	\$ 4,566,789	\$ 9,962,425	46%
	\$ 4,566,789		

DEFICIT	\$ (4,138,837)	\$ (8,556,982)
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DOT	\$ 3,861,538	\$ 7,713,994
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LOCAL	\$ 287,034	\$ 768,650
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Surplus/(Deficit)	\$ 9,734
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FIXED 5307	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 176,425	\$ 273,350	65%
URBAN CARES ACT		\$ 500,000	0%
RURAL CARE ACT			
OTHER			
TOTAL REVENUE	\$ 176,425	\$ 773,350	23%
EXPENSES			
SALARY AND BENEFITS	\$ 1,856,667	\$ 4,300,000	43%
PROFESSIONAL SERVICES	\$ 228,440	\$ 290,000	79%
RENT&UTILITIES	\$ 96,062	\$ 195,000	49%
INSURANCE	\$ 70,093	\$ 132,000	53%
MAINTENANCE	\$ 135,002	\$ 350,500	39%
FUEL	\$ 204,675	\$ 410,000	50%
MISCELLANEOUS EXPENSE	\$ 28,957	\$ 77,500	37%
TRANSPORTATION			
TOTAL EXPENSES	\$ 2,619,896	\$ 5,755,000	46%

DEFICIT	\$ (2,443,471)	\$ (4,981,650)
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DOT	\$ 2,198,872	\$ 4,397,744
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LOCAL	\$ 244,600	\$ 565,906
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Surplus/(Deficit)	\$ -
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RURAL 5311	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 7,605	\$ 8,000	95%
URBAN CARES ACT			
RURAL CARE ACT			
OTHER			
TOTAL REVENUE	\$ 7,605	\$ 8,000	95%
EXPENSES			
SALARY AND BENEFITS	\$ 194,688	\$ 399,000	49%
PROFESSIONAL SERVICES	\$ 11,320	\$ 27,000	42%
RENT&UTILITIES	\$ 7,340	\$ 18,000	41%
INSURANCE	\$ 6,105	\$ 11,000	56%
MAINTENANCE	\$ 11,816	\$ 32,500	36%
FUEL	\$ 25,362	\$ 39,000	65%
MISCELLANEOUS EXPENSE	\$ 590	\$ 11,500	5%
PURCHASE TRANSPORTATION			
TOTAL EXPENSES	\$ 257,221	\$ 538,000	48%

DEFICIT	\$ (249,616)	\$ (530,000)
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DOT	\$ 207,182	\$ 382,303
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LOCAL	\$ 42,434	\$ 147,697
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Surplus/(Deficit)	\$ -
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Midshore(OldSaybrook/Middletown) & Riverside EXT.	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 2,652	\$ 7,500	35%
URBAN CARES ACT			
RURAL CARE ACT			
OTHER		\$ 1,453	0%
TOTAL REVENUE	\$ 2,652	\$ 8,953	30%
EXPENSES			
SALARY AND BENEFITS	\$ 152,625	\$ 335,000	46%
PROFESSIONAL SERVICES	\$ 5,493	\$ 22,500	24%
RENT&UTILITIES	\$ 1,367	\$ 16,500	8%
INSURANCE	\$ 845	\$ 5,500	15%
MAINTENANCE	\$ 11,106	\$ 26,500	42%
FUEL	\$ 16,192	\$ 33,500	48%
MISCELLANEOUS EXPENSE		\$ 10,500	0%
PURCHASE TRANSPORTATION			
TOTAL EXPENSES	\$ 187,628	\$ 450,000	42%

DEFICIT	\$ (184,976)	\$ (441,047)
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DOT	\$ 187,186	\$ 386,000
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LOCAL	\$ -	\$ 55,047
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Surplus/(Deficit)	\$ 2,210
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RT.81(Madison/Middletown)	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 4,815	\$ 5,500	88%
URBAN CARES ACT	\$ 63,498	\$ 230,000	28%
RURAL CARE ACT			
OTHER			
TOTAL REVENUE	\$ 68,313	\$ 235,500	29%
EXPENSES			
SALARY AND BENEFITS	\$ 52,358	\$ 174,500	30%
PROFESSIONAL SERVICES	\$ 2,289	\$ 12,250	19%
RENT&UTILITIES	\$ 352	\$ 8,500	4%
INSURANCE	\$ 570	\$ 5,250	11%
MAINTENANCE	\$ 4,628	\$ 13,500	34%
FUEL	\$ 8,056	\$ 16,750	48%
MISCELLANEOUS EXPENSE	\$ 60	\$ 4,750	1%
PURCHASE TRANSPORTATION			
TOTAL EXPENSES	\$ 68,313	\$ 235,500	29%

DEFICIT	\$ -	\$ -
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DOT	\$ -	\$ -
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LOCAL	\$ -
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Surplus/(Deficit)	\$ -
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MGP&DAR&ADA	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 15,595	\$ 35,050	44%
URBAN CARES ACT		\$ 7,344	0%
RURAL CARE ACT			
OTHER	\$ 34,494		
TOTAL REVENUE	\$ 50,089	\$ 42,394	118%
EXPENSES			
SALARY AND BENEFITS	\$ 398,144	\$ 669,250	59%
PROFESSIONAL SERVICES	\$ 30,653	\$ 51,000	60%
RENT&UTILITIES	\$ 13,107	\$ 33,500	39%
INSURANCE	\$ 9,312	\$ 18,750	50%
MAINTENANCE	\$ 27,130	\$ 54,450	50%
FUEL	\$ 38,436	\$ 64,500	60%
MISCELLANEOUS EXPENSE	\$ 6,874	\$ 19,025	36%
PURCHASE TRANSPORTATION	\$ 2,973	\$ 85,000	3%
TOTAL EXPENSES	\$ 526,629	\$ 995,475	53%

DEFICIT	\$ (476,541)	\$ (953,081)
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DOT	\$ 476,541	\$ 953,081
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LOCAL		
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Surplus/(Deficit)	\$ -
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X_MILE	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 18,312	\$ 10,000	183%
URBAN CARES ACT	\$ 76,640	\$ 300,000	26%
RURAL CARE ACT			
OTHER			
TOTAL REVENUE	\$ 94,952	\$ 310,000	31%
EXPENSES			
SALARY AND BENEFITS	\$ 65,925	\$ 229,250	29%
PROFESSIONAL SERVICES	\$ 6,844	\$ 17,750	39%
RENT&UTILITIES	\$ 986	\$ 11,000	9%
INSURANCE	\$ 1,595	\$ 6,250	26%
MAINTENANCE	\$ 9,072	\$ 18,750	48%
FUEL	\$ 10,380	\$ 21,250	49%
MISCELLANEOUS EXPENSE	\$ 150	\$ 5,750	3%
PURCHASE TRANSPORTATION			
TOTAL EXPENSES	\$ 94,952	\$ 310,000	31%

DEFICIT	\$ -	\$ -
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DOT	\$ -	\$ -
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LOCAL	
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Surplus/(Deficit)	\$ -
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MicroTransit Pilot	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 16,329	\$ 10,100	0%
URBAN CARES ACT			
RURAL CARE ACT			
OTHER	\$ 1,226		
TOTAL REVENUE	\$ 17,555	\$ 10,100	0%
EXPENSES			
SALARY AND BENEFITS	\$ 505,491	\$ 1,100,450	46%
PROFESSIONAL SERVICES	\$ 110,277	\$ 93,025	119%
RENT&UTILITIES			
INSURANCE	\$ 4,600	\$ 9,200	50%
MAINTENANCE	\$ 61,045	\$ 132,225	46%
FUEL	\$ 58,195	\$ 155,150	38%
MISCELLANEOUS EXPENSE	\$ 4,600	\$ 20,900	22%
PURCHASE TRANSPORTATION			
TOTAL EXPENSES	\$ 744,208	\$ 1,510,950	49%

DEFICIT	\$ (726,653)	\$ (1,500,850)
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DOT	\$ 734,177	\$ 1,444,512
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LOCAL	\$ -
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Surplus/(Deficit)	\$ 7,524
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Mobility Manager	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE			
URBAN CARES ACT			
RURAL CARE ACT			
OTHER		\$ 2,146	0%
TOTAL REVENUE	\$ -	\$ 2,146	0%
EXPENSES			
SALARY AND BENEFITS	\$ 43,173	\$ 90,000	48%
PROFESSIONAL SERVICES	\$ 3,186	\$ 26,500	12%
RENT&UTILITIES			
INSURANCE			
MAINTENANCE			
FUEL			
MISCELLANEOUS EXPENSE	\$ 1,579	\$ 13,500	12%
PURCHASE TRANSPORTATION			
TOTAL EXPENSES	\$ 47,938	\$ 130,000	37%

DEFICIT	\$ (47,938)	\$ (127,854)
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DOT	\$ 47,938	\$ 127,854
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LOCAL	\$ -
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Surplus/(Deficit)	\$ -
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TAXI Voucher	ESTUARY TRANSIT DISTRICT		
	For the Period July 1, 2025 to December 31, 2025		
	YTD ACTUAL	BUDGET AMOUNT	YTD % of BUDGET
REVENUE			
FAREBOX REVENUE	\$ 10,362	\$ 15,000	69%
URBAN CARES ACT			
RURAL CARE ACT			
Prepaid Fare			
TOTAL REVENUE	\$ 10,362	\$ 15,000	69%
EXPENSES			
SALARY AND BENEFITS			
PROFESSIONAL SERVICES	\$ 720	\$ 4,500	16%
RENT&UTILITIES			
INSURANCE			
MAINTENANCE			
FUEL			
MISCELLANEOUS EXPENSE	\$ -	\$ 3,000	0%
PURCHASE TRANSPORTATION	\$ 19,284	\$ 30,000	64%
TOTAL EXPENSES	\$ 20,004	\$ 37,500	53%

DEFICIT	\$ (9,642)	\$ (22,500)
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DOT	\$ 9,642	\$ 22,500
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LOCAL	\$ -
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Surplus/(Deficit)	\$ -
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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 1, 2026

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, 2025, and have issued our report thereon dated February 1, 2026. 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 required supplementary information, 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 will not express an opinion or provide any assurance on the RSI.

We have been 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.

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. 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, and Significant Risks

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 due to fraud.

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 2 to the financial statements. As described in Note 2, the District changed accounting policies related to compensated absences by adopting Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, in fiscal 2025. As a result, the District reported a cumulative effect of change in accounting principle to the July 1, 2024 net position of (\$52,917). 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.

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 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, a disagreement with management is 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 1, 2026.

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 the 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 Management's Discussion and Analysis, 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,

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 1, 2026

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, 2025, 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. Obsolete parts have been sold at auction. However, additional time and effort is required to further analyze, reconcile and properly value the parts inventory.

This letter does not affect our report dated February 1, 2026 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,



CONNECTICUT Policy and Management

PRELIMINARY Item 4.
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

FY 2024-25 MUNICIPAL AUDIT QUESTIONNAIRE

❖ This Questionnaire is required to be submitted to OPM with the audit reports of municipalities and audited agencies (as defined under Section 7-391 of the Connecticut General Statutes).

Name of Auditee Estuary Transit District

Fiscal Period under Audit July 1, 2024 - June 30, 2025

Seward and Monde, CPAs

(Audit Firm Name)

(Signature)

February 1, 2026

(Date)

This Questionnaire was reviewed with and a copy given to:

Joseph Comerford on February 1, 2026
Name of Municipal Official Date

Executive Director (860) 510-0429
Title of Municipal Official Telephone

YES NO NA

11. State Single Audit (SSA) Act as amended by P.A. 24-132;
Regulations to the SSA Act

- | | | | | |
|-----|--|----------|-------|----------|
| (a) | Did you conduct a Single Audit of state financial assistance expended by the entity for FY 2024-25 or a program-specific audit of the entity's sole state program? | <u>X</u> | _____ | _____ |
| (b) | Is a copy of the State Single Audit or program-specific audit included in the reporting package submitted? | <u>X</u> | _____ | _____ |
| (c) | If applicable, did officials prepare a Corrective Action Plan (CAP) in sufficient time for inclusion in the audit report package [C.G.S. Sec.4-233(d)] to be filed with OPM as the cognizant state agency? | _____ | _____ | <u>X</u> |
| (d) | Did you upload the corrective action plan with the audit report package on OPM's Electronic Audit Reporting System? | _____ | _____ | <u>X</u> |

ESTUARY TRANSIT DISTRICT
Financial Statements
June 30, 2025

ESTUARY TRANSIT DISTRICT
June 30, 2025

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Estuary Transit District
Middletown, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Estuary Transit District (the District) which comprise the statement of net position as of June 30, 2025, 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, 2025, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

- 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedules 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 GAAS. 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 1, 2026, 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 1, 2026

**ESTUARY TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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, 2025.

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.

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 2023, 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 FY 2024, East Hampton joined the district followed by Portland and Haddam in FY 2025. In addition, certain services are provided on a contracted basis to the towns of Cromwell, East Haddam and Madison.

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'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 subsidized taxi transportation services.

Fixed route service operates on specified routes with complementary paratransit services. These routes serve twelve different towns and offer connections to SEAT and CT Transit bus services, Shoreline East commuter rail and AmTrak passenger rail.

The District's demand response service provides door-to-door transportation within the 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 various zones. For several years, service has been provided in a three town area on the shoreline and in Middletown. In late FY 2024, ETD began pilot service to two new zones, one in East Hampton and one in Madison and Guilford. The service allows the general public to book trips when they want them either by a smartphone app or by phone.

The District also supplements its services for people with disabilities and seniors with taxi vouchers and the Encompass program. The vouchers cover half of the cost of a taxi trip from within the district to anywhere in Connecticut 24/7, while Encompass provides short low-cost taxi trips within the district.

From 2020 through 2024, the District began a partnership with the Connecticut Department of Transportation (CTDOT), the 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. ParkConnect did not operate in 2025, but the District did continue operating the Clinton Trolley.

During the fiscal years ending June 30, 2025, 2024, and 2023 the District had the following operating characteristics:

	FY 2025	FY 2024	FY 2023
Revenue Hours	80,195	72,653	75,683
Unlinked Passenger Trips	348,960	290,008	414,649
Revenue Miles	1,360,069	1,383,909	1,444,818
Days of Service	361	330	326

Major Initiatives

The fiscal year ending June 30, 2025 saw the following major initiatives:

- First full year of new expanded fixed route services and microtransit pilots, an overall increase in total hours of over 10%.
- Change in taxi vendors to M7, expanding subsidized taxi offerings for seniors and people with disabilities.
- Implementation of first two battery electric buses.
- Implementation of on-board contactless fare payment.

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:

	2025	2024 (as restated)	Change
Assets:			
Current	\$ 5,039,969	\$ 4,245,690	\$ 794,279
Noncurrent assets	18,028,559	18,013,024	15,535
Total Assets	\$ 23,068,528	\$ 22,258,714	\$ 809,814
Liabilities:			
Current	\$ 464,393	\$ 585,923	(\$ 121,530)
Noncurrent liabilities	158,489	196,417	(37,928)
Total Liabilities	\$ 622,882	\$ 782,340	\$ (159,458)
Net Position:			
Net Investment in capital assets	\$ 17,836,642	\$ 17,787,138	\$ 49,504
Unrestricted	4,609,004	3,689,236	919,768
Total Net Position	\$ 22,445,646	\$ 21,476,374	\$ 969,272

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, 2025 for the 15th consecutive year. The unrestricted net at the end of FY 2025 grew to \$4,609,004, an increase of \$919,768 from FY 2024. This was due to contract revenue from private entities to provide service, certain one time revenues and careful fiscal management.

Total Net Position - The District’s total net position 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 \$21,476,374 in FY 2024 to

\$22,445,646 in FY 25. This was due to the increase in unrestricted net position and the purchase of capital assets in FY 25, including nine vans and equipment.

Summary of Changes in Net Position

	2025	2024 (as restated)	Change
Operating revenues	\$ 616,313	\$ 569,950	\$ 46,363
Operating expenses	10,628,092	8,783,305	1,844,787
Operating loss	(10,011,779)	(8,213,355)	(1,798,424)
Net nonoperating revenues	9,152,886	7,411,829	1,741,057
Income (loss) before capital grants	(858,893)	(801,526)	(57,367)
Capital grants used for capital purchases	1,828,165	3,415,082	(1,586,917)
Change in Net Position	969,272	2,613,556	(1,644,284)
Net position, July 1 as restated	21,476,374	18,862,818	2,613,556
Net position, June 30	\$ 22,445,646	\$ 21,476,374	\$ 969,272

Revenues

A summary of revenues for the years ended June 30, 2025 and 2024 and the amount and percentage of change in relation to prior year amounts is as follows:

	2025	2024	Increase (Decrease)	Percentage Increase (Decrease)
Operating:				
Passenger fees	\$ 479,040	\$ 401,012	\$ 78,028	19.46%
Other transit services	61,136	118,202	(57,066)	-48.28%
Other	76,137	50,736	25,401	50.07%
Total Operating	616,313	569,950	46,363	8.13%
Non-Operating:				
Federal, State, & local assistance grants	8,998,178	7,357,184	1,640,994	22.30%
Gain on sale of assets	40,998	22,225	18,773	84.47%
Interest income	134,461	39,711	94,750	238.60%
Total Non-Operating	9,173,637	7,419,120	1,754,517	23.65%
Capital grants used for capital purchases	1,828,165	3,415,082	(1,586,917)	-46.47%
Total Revenues	\$ 11,618,115	\$ 11,404,152	\$ 213,963	1.88%

Operating revenue increased from the prior year due to a 20% increase in passenger trips. Revenue from contracts decreased due to less trips for Middlesex Hospital and reduced funding from Wesleyan University as a result of our microtransit pilot.

Federal, state and local assistance increased significantly as a result of service expansion and microtransit pilot grants. Gain on sale of assets increased as the district had more vehicles replaced and used vehicle prices have climbed. Interest income increased as a result of the implementation of sweep accounts and elevated interest rates.

Expenses

A summary of expenses for the years ended June 30, 2025 and 2024 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2025</u>	<u>2024</u> <u>(as restated)</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Increase</u> <u>(Decrease)</u>
Operating expenses:				
Salaries and wages	\$ 4,634,193	\$ 3,448,418	\$ 1,185,775	34.39%
Fringe benefits	1,390,387	1,139,172	251,215	22.05%
Contract maintenance services	513,934	494,450	19,484	3.94%
Services (professional & technical)	503,467	682,145	(178,678)	-26.19%
Fuel and lubrications	637,317	606,860	30,457	5.02%
Vehicle parts and supplies	259,249	133,620	125,629	94.02%
Tires and tubes	51,906	37,399	14,507	38.79%
Other supplies	459,852	251,467	208,385	82.87%
Amortization of lease	33,969	47,429	(13,460)	-28.38%
Utilities	209,611	186,566	23,045	12.35%
Insurance	128,958	118,826	10,132	8.53%
Purchased transportation	22,939	10,236	12,703	124.10%
RTAP expense	11,074	19,399	(8,325)	-42.91%
Other expenses	3,822	61,044	(57,222)	-93.74%
Depreciation	<u>1,767,414</u>	<u>1,546,274</u>	<u>221,140</u>	<u>14.30%</u>
Total operating expenses	10,628,092	8,783,305	1,844,787	21.00%
Non-operating expenses:				
Interest expense on lease	<u>20,751</u>	<u>7,291</u>	<u>13,460</u>	<u>184.61%</u>
Total expenses	<u>\$ 10,648,843</u>	<u>\$ 8,790,596</u>	<u>\$ 1,858,247</u>	<u>21.14%</u>

Total expenses increased by \$1,858,247 overall, led by an increase in wages and fringes. This was caused largely by the addition of a pilot XtraMile service and the expansion of fixed route service in May of 2024.

Depreciation expense was the second largest cost increase, driven by the purchase of new vans and equipment.

Contract maintenance services increased by \$19,484 due to expanded fixed route and microtransit services leading to more repairs by our fleet maintenance contractor.

Services decreased largely due to the end of the management services contract, which was discontinued in December of 2023. The completion of the marketing services contract also contributed to the decrease.

Other supplies increased as a result of software purchases. These included software for the CTDOT contactless fare payment pilot as well as several software packages to improve management of the district and provide better customer information. The microtransit pilot also resulted in an increase in scheduling software expenses.

Other expenses decreased, as 2024 saw a write-off for bad debt that did not occur in 2025.

Vehicle parts and supplies and tires and tubes increased due to service increases. Fuel and lubrications increased slightly due to the increase in service but was largely offset by the reduction in diesel and gasoline prices.

Insurance expenses increased due to the increase in payroll driving up workers compensation insurance. Utilities increased due to rate increases and the addition of battery electric buses. These were partially offset by slight decreases in RTAP and amortization of lease payments.

For the twelfth 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets as of June 30, 2025 amounted to \$18,025,469 (net of accumulated depreciation). This investment includes buildings and improvements, transit vehicles, equipment, furniture and fixtures. Some noteworthy capital expenditures during the current year include nine vans, electric charging stations and various equipment.

For fiscal year 2025, the District had a \$500,000 line of credit with an interest rate of 9.00%. There were no borrowings during the year and outstanding as of June 30, 2025.

CURRENTLY KNOWN FACTS AND CONDITIONS

FY 2025 funding from the Connecticut Department of Transportation (CTDOT) increased slightly. This was due to a repeal of state legislation holding FY 2025 and beyond to FY 2024 funding levels passed in the 2025 legislative session.

Ridership had dropped in FY 2024 following the reinstatement of fares, but rose sharply in FY 2025 due to service expansions throughout the district. The district also continued to deal with staffing shortages, particularly amongst bus drivers and mechanics, resulting in the need to significantly modify compensation.

The District received 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 despite pandemic related fiscal challenges.

These COVID relief funds have also been critical to the continuation of two services that began as pilot before 2020. These include the bus route between Madison and Middletown and the Old Saybrook/Westbrook XtraMile on-demand service. The District continues to work with CTDOT to secure long term funding for these vital services.

Design work began on the new Middletown maintenance facility. The new shoreline operations facility faced a setback with the loss of the preferred site, but an alternate site was identified and a feasibility study on the new site will begin in FY 2026. A conceptual design was developed for safety improvements to the bus parking area of the Middletown transportation center. Design work should begin in FY 2026. Full renovation of the transportation center has been delayed pending development of a long-term plan for the site.

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.

ESTUARY TRANSIT DISTRICT
 STATEMENT OF NET POSITION
 June 30, 2025

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 3,634,372
Grant and trade receivables	1,383,178
Inventory - fuel	13,068
Prepaid expenses	<u>9,351</u>
Total current assets	<u>5,039,969</u>
Noncurrent Assets:	
Capital assets, not being depreciated	469,536
Capital assets, net of accumulated depreciation	17,367,106
Right-of-use asset, net	<u>188,827</u>
Capital assets, net	<u>18,025,469</u>
Deposit	<u>3,090</u>
Total noncurrent assets	<u>18,028,559</u>
Total assets	<u>\$ 23,068,528</u>

LIABILITIES and NET POSITION

Current Liabilities:	
Current portion of lease liability	\$ 37,526
Accounts payable	215,293
Unearned revenue	12,042
Accrued payroll	115,547
Compensated absences - short term	<u>83,985</u>
Total current liabilities	<u>464,393</u>
Noncurrent Liabilities:	
Long-term lease liability, less current portion	151,301
Compensated absences - long term	<u>7,188</u>
Total noncurrent liabilities	<u>158,489</u>
Total liabilities	<u>622,882</u>
Net Position:	
Net investment in capital assets	17,836,642
Unrestricted	<u>4,609,004</u>
Total net position	<u>22,445,646</u>
Total liabilities and net position	<u>\$ 23,068,528</u>

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
 STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION
 Year Ended June 30, 2025

Operating revenues	<u>\$</u>	<u>616,313</u>
Operating expenses:		
Salaries and wages		4,634,193
Fringe benefits		1,390,387
Contract maintenance services		513,934
Services (professional & technical)		503,467
Fuel and lubrications		637,317
Vehicle parts and supplies		259,249
Tires and tubes		51,906
Other supplies		459,852
Amortization of right-to-use asset (lease)		33,969
Utilities		209,611
Insurance		128,958
Purchased transportation		22,939
RTAP expense		11,074
Other expenses		3,822
Depreciation		<u>1,767,414</u>
Total operating expenses		<u>10,628,092</u>
Operating loss	(<u>10,011,779)</u>
Nonoperating revenues (expenses):		
Federal, state and local assistance grants used for operations		8,998,178
Gain on disposal of capital assets		40,998
Interest income		134,461
Interest expense on lease liability	(<u>20,751)</u>
Net nonoperating revenues		<u>9,152,886</u>
Decrease in net position before capital grants	(858,893)
Federal, state and local grants used for capital purchases		<u>1,828,165</u>
Change in net position		969,272
Net position, beginning as previously reported		21,529,291
Adjustment - change in accounting principle for implementation of GASB No. 101 (see note 2)	(<u>52,917)</u>
Net position, beginning as restated		<u>21,476,374</u>
Net position, June 30	<u>\$</u>	<u>22,445,646</u>

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
 STATEMENT of CASH FLOWS
 Year Ended June 30, 2025

Cash flows from operating activities:	
Cash received from customers and others	\$ 646,386
Cash paid to employees for services	(5,974,019)
Cash paid to suppliers for goods and services	<u>(2,913,312)</u>
Net cash used in operating activities	<u>(8,240,945)</u>
Cash flows from noncapital financing activities:	
Proceeds from federal, state and local assistance grants, net	9,071,191
Interest income	134,461
Cash paid on lease liability	(33,969)
Interest expense on lease liability	<u>(20,751)</u>
Net cash provided by noncapital financing activities	<u>9,150,932</u>
Cash flows from capital financing activities:	
Proceeds from capital grants	1,880,904
Purchase of capital assets	(1,841,750)
Proceeds from sale of vehicles	<u>52,245</u>
Net cash provided by capital financing activities	<u>91,399</u>
Net increase in cash and cash equivalents	1,001,386
Cash and cash equivalents, July 1	<u>2,632,986</u>
Cash and cash equivalents, June 30	<u><u>\$ 3,634,372</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$ 10,011,779)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,767,414
Amortization of right-of-use asset	33,969
Decrease in assets:	
Trade receivables	30,073
Inventory - fuel	6,354
Prepaid expenses	25,871
Increase (decrease) in liabilities:	
Accounts payable	(117,537)
Compensated absences	23,762
Accrued payroll	<u>928</u>
Net cash used in operating activities	<u><u>(\$ 8,240,945)</u></u>

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
NOTES to BASIC FINANCIAL STATEMENTS
June 30, 2025

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 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, with the day to day affairs managed by District staff.

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 U.S. 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 financial statements 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 2025.

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 Revenue

Unearned revenue generally represents state grants or passenger fares 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. Unrestricted consists of net position not included in the net investment in capital assets category.

Compensated Absences

Compensated absences of the District consist of vacation and sick leave, which have been earned for services previously rendered by employees in accordance with the District's policies, accumulates, is allowed to be carried over to subsequent years and is deemed by management more likely than not to be used for time off or otherwise paid or settled in the future. The liability is calculated based on each employees pay rate in effect at the statement of net position date, the number of used leave days accumulated as of year-end, and management's assumption that the likelihood of future use is probable by either use during employment or otherwise paid in cash or settled through other noncash means. The District utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences.

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.

Change in Accounting Principle

The District implemented the provisions of GASB Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. In addition to the value of unused leave time owed to employees upon separation of employment, the District also recognizes as part of the compensated absences liability, an estimated amount of unused leave earned at year-end that will be used by employees as time off in future years. As a result, the District has reported a cumulative effect of change in accounting principle to the July 1, 2024 net position of (\$52,917).

Subsequent Events

The District has evaluated subsequent events for the period after June 30, 2025 through February 1, 2026, the date the financial statements were available to be issued.

3 - 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. The District has deposits in a financial institution that maintains Federal Deposit Insurance Corporation (FDIC) deposit insurance up to \$250,000 per depositor. At times, balances held at the financial institution may exceed federally insured limits. The District maintains a repurchase agreement with a financial institution to mitigate its risk. At June 30, 2025, none of the District's bank balance of \$3,765,793 was exposed to custodial credit risk.

4 - Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Disposals and Construction in Progress Placed in Service	Balance June 30, 2025
Capital assets not being depreciated:				
Land	\$ 287,342	\$ -	\$ -	\$ 287,342
Construction in progress	182,194	-	-	182,194
Total capital assets not being depreciated	469,536	-	-	469,536
Capital assets being depreciated:				
Buildings	13,697,539	-	-	13,697,539
Building and leasehold improvements	1,295,675	200,704	-	1,496,379
Transit vehicles	10,302,523	1,413,188	410,198	11,305,513
Equipment, furniture and fixtures	2,807,634	214,273	-	3,021,907
Right-of-use asset - leased building	230,773	-	-	230,773
Total capital assets being depreciated	28,334,144	1,828,165	410,198	29,752,111
Less accumulated depreciation for:				
Buildings	3,404,007	334,027	-	3,738,034
Building and leasehold improvements	759,918	48,869	-	808,787
Transit vehicles	4,822,312	1,161,808	398,951	5,585,169
Equipment, furniture and fixtures	1,799,532	222,710	-	2,022,242
Right-of-use asset - leased building	7,977	33,969	-	41,946
Total accumulated depreciation	10,793,746	1,801,383	398,951	12,196,178
Total capital assets being depreciated, net	17,540,398	26,782	11,247	17,555,933
Total capital assets, net	\$ 18,009,934	\$ 26,782	(\$ 11,247)	\$ 18,025,469

Depreciation expense amounted to \$1,767,414 for the year ended June 30, 2025.

5 - Compensated Absences

The following is a summary of the changes in compensated absences for the year ended June 30, 2025:

	Balance July 1, 2024 (as Restated)	Net additions/ Reductions	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 67,411	\$ 23,762	\$ 91,173	\$ 83,985

6 - Unearned Revenue

Unearned revenue is comprised of unexpended state grant proceeds of \$9,321 and deferred pass fares of \$2,721 received in the year ended June 30, 2025. Such amounts will be recognized as revenue in the year that expenditures are incurred or service is performed and the revenue is earned.

7 - Line of Credit Agreement

The District has a line of credit agreement in the amount of \$500,000. Advances accrue interest at 1.50% above the Wall Street Journal Prime Rate, which was 9.00% on June 30, 2025. The line is secured by personal property and business assets of the District. There were no borrowings outstanding at June 30, 2025. There was no interest expense for the year ended June 30, 2025.

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 \$96,950 to the plan during the year ended June 30, 2025. 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 \$40 per week. 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, 2025, the District recognized pension expense of \$64,330. 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. In March 2024, the District exercised the option to renew for five additional years to September 2029.

The right-of-use asset activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Disposals	Balance June 30, 2025
Right-of-use asset:				
Building	\$ 230,773	\$ -	\$ -	\$ 230,773
Less accumulated amortization for:				
Building	7,977	33,969	-	41,946
Total right-of-use asset, net	\$ 222,796	\$ 33,969	\$ -	\$ 188,827

Amortization expense amounted to \$33,969 for the year ended June 30, 2025.

The maturity of the lease liability as of June 30, 2025 was as follows:

	Principal Payments	Interest Payments	Total
2026	\$ 37,526	\$ 17,194	\$ 54,720
2027	41,456	13,264	54,720
2028	45,797	8,923	54,720
2029	50,592	4,128	54,720
2030	13,456	225	13,681
	\$ 188,827	\$ 43,734	\$ 232,561

At June 30, 2025 the weighted average discount rate was 10.00% and the weighted average remaining lease term was 50 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, 2027.

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 (*Government Auditing Standards*), the financial statements of Estuary Transit District (the District), which comprise the statement of net position as of June 30, 2025, 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 1, 2026.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 1, 2026

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, 2025. 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, 2025.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 GAAS, *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 GAAS, *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 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.

North Haven, Connecticut
February 1, 2026

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2025

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		\$ 1,487,231
COVID - Formula Grants for Urbanized Areas	20.507		800,411
			2,287,642
Passed through from Connecticut Department of Transportation:			
Formula Grants for Rural Areas	20.509	DOT04780068TR	11,074
Formula Grants for Rural Areas	20.509	DOT01705024OP	177,898
		DOT01703540OP DOT01705023OP DOT01705024OP	11,640
Formula Grants for Rural Areas	20.509	DOT04780075OP	213,500
Formula Grants for Rural Areas	20.509	DOT04990016OP	13,466
COVID - Formula Grants for Rural Areas	20.509	DOT04990005OP	20,598
			448,176
Total Federal Awards			\$ 2,735,818

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, 2025

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, 2025. 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.

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2025

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

. . . Continued . . .

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2025
. . . Continued . . .

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.

STATE SINGLE AUDIT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY 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, 2025. 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, 2025.

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 (GAAS); 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 GAAS, *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 state program as a whole.

In performing an audit in accordance with GAAS, *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 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

North Haven, Connecticut
February 1, 2026

ESTUARY TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2025

PRELIMINARY Item 4.
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

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. 4.26-01(23) State Project No. 04780095OP Budget Addendum No. 2025-OPU-01		\$ 3,476,597
Dial-A-Ride Agreement No. 4.26-01(23) State Project No. 04780097OP Budget Addendum No. 2025-OPU-01		112,332
Rural Agreement No. 4.26-01(23) State Project No. 04780075OP Budget Addendum No. 2025-OPU-01		140,910
ParkConneCT Hammonasset Beach Park Service - Operations Agreement No. 4.26-01(23) State Project No. 04780093OP Budget Addendum No. 2025-OPU-01		25,598
Transit Services - Old Saybrook - Middletown, Mid-Shore Shuttle, Riverside Shuttle Ext., Project Administration, Advertising, & Printing and Admin for vouchers Agreement No. 4.26-01(23) State Project No's. 017005024OP Budget Addendum No. 2025-NTR-02		177,898
State Matching Grant Program For Elderly and Disabled Demand Responsive Transportation Agreement No. 4.26-01(23) State Project No. 01702697OP Budget Addendum No. 2025-MGP-01		346,472
Fixed Route - GSI Agreement No. 4.26-01(23) State Project No. 04780101OP Budget Addendum No. 2025-OPU-01		711,730
Microtransit Agreement No. 11.17-01(23) State Project No. 24DOT173AA Budget Addendum No. 25-MIC-01		1,165,631
Transit Services Regional Mobility Manager Agreement No. 4.26-01(23) State Project No. 04990016OP Budget Addendum No. 2025-NTR-02		3,367
Handicapped Access:	12001-DOT57000-12378	
ADA Agreement No. 4.26-01(23) State Project No. DOT04780096OP Budget Addendum No. 2025-OPU-01		294,828
ADA - GSI Agreement No. 4.26-01(23) State Project No. DOT04780096OP Budget Addendum No. 2025-OPU-01		<u>199,750</u>
Total Operating Assistance		<u>6,655,113</u>
Capital Acquisition Assistance:	12001-DOT57000-12175	
Agreement No. 4.26-01(23) State Budget Addendum No. 2022-CAP-01, 2024-CAP-03, 2024-CAP-04 2024-CAP-06 Federal Capital Grant No. CT-2017-018, CT-2018-017, CT-2019-008 CT-2021-012, CT-2023-003, CT-2023-004		<u>655,761</u>
Total Capital Acquisition Assistance		<u>655,761</u>
Total Transit District Grants and Loans Transportation Fund		<u>7,310,874</u>
Total Expenditures of State Financial Assistance		<u>\$ 7,310,874</u>

See Note to Schedule of Expenditures of State Financial Assistance.

ESTUARY TRANSIT DISTRICT
NOTES to SCHEDULE of EXPENDITURES of
STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2025

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, 2025. 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.

Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the net position, changes in net position, or cash flows 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.

Basis of Accounting

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.

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2025

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

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

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:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation:		
Transit District Grants and Loans Transportation Fund	12001-DOT57000-12175 & 12001-DOT57000-12378	<u>\$ 7,310,874</u>
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 300,000</u>

. . . Continued . . .

ESTUARY TRANSIT DISTRICT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2025
. . . Continued . . .

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.