

ESTUARY TRANSIT DISTRICT
Financial Statements
June 30, 2022

ESTUARY TRANSIT DISTRICT
June 30, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors

Estuary Transit District

Essex, 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, 2022, 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, 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, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Estuary Transit District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Merger of District

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

Change in Accounting Principle

As described in Note 2 to the financial statements, during the fiscal year ended June 30, 2022, the District adopted Government Accounting Standards Board (GASB) Statement No. 87, Leases. Under this standard, a lessee is required to recognize a right-to-use lease asset and a corresponding lease liability. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023, 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 17, 2023

**ESTUARY TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022.

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 2022, the towns of Durham, Middlefield and Middletown also joined the district. In addition, service is provided on a contracted basis to the towns of East Haddam, Madison and Haddam.

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

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

Deviated fixed route services consist of four routes operating on a published route and schedule. These routes also provide off-route service, up to $\frac{3}{4}$ mile on either side of the route, with advance notice. Fixed route service operates on one route with complementary paratransit services. These routes serve twelve different towns and offer connections to SEAT, MAT, and CT Transit bus services, Shoreline East commuter rail and AmTrak passenger rail and Greyhound inter-city bus service.

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

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

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

In partnership with the Connecticut Department of Transportation (CTDOT), Connecticut Department of Energy and Environmental Protection and the Clinton Chamber of Commerce, the District operates seasonal ParkConneCT service. This provides seasonal weekend and holiday service to Hammonasset State Park, including a replica trolley and fixed bus routes.

During the fiscal years ending June 30, 2022, 2021, and 2020 the District had the following operating characteristics:

	FY 2022	FY 2021	FY 2020
Revenue Hours	39,800	37,061	34,798
Unlinked Passenger Trips	85,482	57,301	69,415
Revenue Miles	830,614	700,400	644,393
Days of Service	326	308	308

Major Initiatives

The fiscal year ending June 30, 2022 saw the following major initiatives:

- ParkConnect weekend and holiday service to connect to Hammonasset Park.
- Continued integration with Middletown Transit District with the addition of several new positions as the districts prepare to combine on July 1, 2022.
- Suspension of fares from April 1, 2022 through March 31, 2023.
- Addition of three member towns to the district.

Funding and Financing

The District's public transit operation receives:

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

Financial Statements

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

Financial Position Summary

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Assets:			
Current	\$ 1,245,484	\$ 1,228,141	\$ 17,343
Other assets	<u>2,315,930</u>	<u>2,583,840</u>	(267,910)
Total Assets	<u>\$ 3,561,414</u>	<u>\$ 3,811,981</u>	(\$ 250,567)
Liabilities:			
Current	\$ 357,223	\$ 386,706	(\$ 29,483)
Other liabilities	<u>61,984</u>	<u>-</u>	61,984
Total Liabilities	<u>\$ 419,207</u>	<u>\$ 386,706</u>	\$ 32,501
Net Position:			
Net Investment in capital assets	\$ 2,200,388	\$ 2,580,750	(\$ 380,362)
Unrestricted	<u>941,819</u>	<u>844,525</u>	97,294
Total Net Position	<u>\$ 3,142,207</u>	<u>\$ 3,425,275</u>	(\$ 283,068)

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, 2022 for the 12th consecutive year. Consequently, the unrestricted net position grew from \$844,525 in FY 2021 to a reserve of \$941,819 in FY 2022. This was due to contract revenue from private entities to provide service and the sharing of the Executive Director and Finance Manager with the Middletown Transit District.

Total Net Position - The District's total net position of accounts for the total of unrestricted net position and net investment in capital assets. Capital assets are used to provide services to the passengers of the District. The total net position decreased from \$3,425,275 in FY 2021 to \$3,142,207 in FY 2022.

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating revenues	\$ 193,188	\$ 103,733	\$ 89,455
Operating expenses	<u>4,128,865</u>	<u>2,831,752</u>	<u>1,297,113</u>
Operating loss	(3,935,677)	(2,728,019)	(1,207,658)
Net nonoperating revenues	<u>3,528,139</u>	<u>2,393,209</u>	<u>1,134,930</u>
Loss before capital grants	(407,538)	(334,810)	(72,728)
Capital grants used for capital purchases	<u>124,470</u>	<u>177,345</u>	<u>(52,875)</u>
Change in Net Position	(283,068)	(157,465)	(125,603)
Net position, July 1	<u>3,425,275</u>	<u>3,582,740</u>	<u>(157,465)</u>
Net position, June 30	<u><u>\$ 3,142,207</u></u>	<u><u>\$ 3,425,275</u></u>	<u><u>(\$ 283,068)</u></u>

Revenues

A summary of revenues for the years ended June 30, 2022 and 2021 and the amount and percentage of change in relation to prior year amounts is as follows:

	2022	2021	Increase (Decrease)	Percentage Increase (Decrease)
Operating:				
Passenger fees	\$ 85,634	\$ 51,033	\$ 34,601	67.80%
Other transit services	69,852	40,700	29,152	71.63%
Other	37,702	12,000	25,702	214.18%
Total Operating	<u>193,188</u>	<u>103,733</u>	<u>89,455</u>	<u>86.24%</u>
Non-Operating:				
Federal, State, & local assistance grants	3,513,774	2,378,534	1,135,240	47.73%
Gain on sale of assets	-	9,115	(9,115)	100.00%
Other income	20,954	5,560	15,394	100.00%
Total Non-Operating	<u>3,534,728</u>	<u>2,393,209</u>	<u>1,141,519</u>	<u>47.70%</u>
Capital grants used for capital purchases	<u>124,470</u>	<u>177,345</u>	<u>(52,875)</u>	<u>-29.81%</u>
Total Revenues	<u>\$ 3,852,386</u>	<u>\$ 2,674,287</u>	<u>\$ 1,178,099</u>	<u>44.05%</u>

Operating revenue increased from the prior year low as people began returning to public transit as pandemic impacts lessened. Passenger fares, while higher, were impacted by statewide free fares from April 1, 2022 through March 31, 2023. Revenue from contracts with private institutions to transport their clients and advertising on the transit vehicles also began to return from pandemic driven lows.

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

Expenses

A summary of expenses for the years ended June 30, 2022 and 2021 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating expenses:				
Wages and fringe benefits	\$ 2,291,696	\$ 1,453,252	\$ 838,444	57.69%
Services (professional & technical)	314,977	228,562	86,415	37.81%
Other services	91,479	54,415	37,064	68.11%
Vehicle maintenance and supplies	202,303	182,260	20,043	11.00%
Fuel	326,237	174,904	151,333	86.52%
Telephone and utilities	49,954	33,135	16,819	50.76%
Insurance	25,153	25,540	(387)	-1.52%
Rent/amortization of lease	48,131	30,869	17,262	55.92%
Other expenses	173,828	89,499	84,329	94.22%
Printing	19,522	12,534	6,988	55.75%
Office expense and postage	44,337	44,346	(9)	-0.02%
Advertising	25,366	5,643	19,723	349.51%
RTAP expenses	8,800	8,559	241	2.82%
Travel and conferences	88	102	(14)	-13.73%
Uniforms	2,162	2,989	(827)	-27.67%
Depreciation	<u>504,832</u>	<u>485,143</u>	<u>19,689</u>	<u>4.06%</u>
Total operating expenses	4,128,865	2,831,752	1,297,113	45.81%
Non-operating expenses:				
Interest expense on lease	<u>6,589</u>	<u>-</u>	<u>6,589</u>	<u>100.00%</u>
Total expenses	<u>\$ 4,135,454</u>	<u>\$ 2,831,752</u>	<u>\$ 1,303,702</u>	<u>46.04%</u>

Total expenses increased by \$1,297,113 overall, led by an increase in wages and fringes. This was caused by the addition of five positions and beginning a shared in-house maintenance program created as part of the combining of the District and Middletown Transit District (MTD). Wages and fringes were also impacted by COVID-19, as additional cleaning necessitated changing the part-time Service Worker to full-time, as well as the need to add two full-time extra-board bus operator position to cover sick time and quarantines. The addition of ParkConneCT services and annual salary increases were also impactful.

Other services increased due to legal expenses related to the combining with MTD as well as the addition of overnight security in response to catalytic convertor thefts that impacted the District's fleet in early 2021. Those services were canceled once additional space was rented and modified to accommodate vehicles. FY 22 was the first full year of the additional rental expense, which led to increases in the rent expense and telephone and utilities line items.

Vehicle maintenance and supplies increased again from 2020 lows. This was due to the replacement of 85% of the revenue vehicle fleet in 2019, which by the current fiscal year were no longer under warranty and nearing the end of their useful life. Costs were also impacted by substantial increased in parts costs. And while in-house maintenance was added in the fiscal year, the only maintenance facility is in Middletown and only impacted the MTD vehicle maintenance expense.

Other expenses, printing and advertising all increased due to the ParkConneCT program. ETD was contracted by CTDOT to handle advertising, printing and digital media campaign expenses for all six public transit providers participating in the ParkConneCT program.

Professional & Technical services also increased due to increased costs for information technology services to improve resiliency and prepare for the combining with MTD and software as a service fee increases for microtransit scheduling software.

Fuel expenses increased as fuel prices climbed during the year to record highs.

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

CURRENTLY KNOWN FACTS AND CONDITIONS

FY 2022 operating funding from CTDOT was increased from FY 2021. Future year funding will continue to be uncertain over the next few fiscal years due to special transportation fund budget shortfalls.

The year continued to be impacted by the COVID-19 pandemic, which continued to affect all aspects of operations and finance. The District began to see ridership return in the fiscal year. Revenues did not return as quickly due to the statewide suspension of fares from April 1, 2022 through March 31, 2023. Many pandemic related expenses continued as cleaning frequency remained increased, personal protective equipment was purchased, additional staffing was required to address higher absentee rates, fuel prices soared and vehicle parts prices increased as much as 30%.

The District received CARES Act and ARPA funds from FTA to mitigate the financial impacts of the pandemic. A total of \$4.1 million has been awarded in 100% federal funds. These funds have been critical to District's ability to continue to operate service in spite of the pandemic related fiscal challenges.

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

The District participated in the Lower Connecticut River Valley Transit Study, which completed in June of 2020. The study identified additional areas of improvement of services that are expected to attract new customers. Operating assistance has been requested from the state to begin implementation of the suggested improved services, and many of the no cost recommendations are in the process of being implemented.

The study also recommended combining the Middletown Transit District and District. Throughout the fiscal year, The District worked with Middletown Transit District and CTDOT to implement the combination of the Districts to be effective July 1, 2022.

As a result, CTDOT has purchased property adjacent to the Middletown Transit District garage in Middletown for the construction of a shared maintenance facility. Work also continued on purchasing a site for a shoreline facility for the operation of shoreline services.

The combination of the districts will have a significant impact on the District's operating and capital expenses for the next three fiscal years.

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, 2022

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 392,301
Grant and trade receivables	853,183
	<hr/>
Total current assets	1,245,484
	<hr/>
Capital assets, net of accumulated depreciation	2,200,388
Right-of-use asset, net	112,452
Deposit	3,090
	<hr/>
Total assets	<u>\$ 3,561,414</u>

LIABILITIES and NET POSITION

Current Liabilities:	
Current portion of lease liability	\$ 50,468
Accounts payable	163,614
Unearned revenue	58,409
Accrued expenses and other current liabilities	84,732
	<hr/>
Total current liabilities	357,223
	<hr/>
Long-term lease liability, less current portion	61,984
	<hr/>
Total liabilities	419,207
	<hr/>
Net Position:	
Net investment in capital assets	2,200,388
Unrestricted	941,819
	<hr/>
Total net position	3,142,207
	<hr/>
Total liabilities and net position	<u>\$ 3,561,414</u>

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
STATEMENT OF NET POSITION - FINANCE COMMITTEE ANALYSIS
June 30, 2022 and 2021

ASSETS	2022	2021	Variance \$
Current Assets:			
Cash and cash equivalents	\$ 392,301	\$ 281,978	110,323
Grant and trade receivables	853,183	936,618	(83,435)
Prepaid expenses	-	9,545	(9,545)
Total current assets	<u>1,245,484</u>	<u>1,228,141</u>	
Capital Assets, net of accumulated depreciation	2,200,388	2,580,750	(380,362)
Right-of-use asset, net	112,452	-	112,452
Deposit	3,090	3,090	-
Total assets	<u>\$ 3,448,962</u>	<u>\$ 3,811,981</u>	
LIABILITIES and NET POSITION			
Current Liabilities:			
Current portion of lease liability	\$ 50,468	\$ -	50,468
Accounts payable	163,614	202,908	(39,294)
Unearned state grant revenue	58,409	78,124	(19,715)
Accrued expenses and other current liabilities	84,732	105,674	(20,942)
Total current liabilities	<u>306,755</u>	<u>386,706</u>	
Long-term lease liability, less current portion	61,984	-	61,984
Total liabilities	<u>368,739</u>	<u>386,706</u>	
Net Position:			
Net investment in capital assets	2,200,388	2,580,750	(380,362)
Unrestricted	941,819	844,525	97,294
Total net position	<u>3,142,207</u>	<u>3,425,275</u>	(283,068)
Total Liabilities and Net Position	<u>\$ 3,510,946</u>	<u>\$ 3,811,981</u>	

ESTUARY TRANSIT DISTRICT
STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION
Year Ended June 30, 2022

Operating revenues	<u>\$ 193,188</u>
Operating expenses:	
Wages and fringe benefits	2,291,696
Services (professional & technical)	314,977
Other services	91,479
Vehicle maintenance and supplies	202,303
Depreciation	504,832
Fuel	326,237
Telephone and utilities	49,954
Insurance	25,153
Amortization of right-to-use asset (lease)	48,131
Other	173,828
Printing	19,522
Office expense and postage	44,337
Advertising	25,366
RTAP expense	8,800
Travel and conferences	88
Uniforms	<u>2,162</u>
Total operating expenses	<u>4,128,865</u>
Operating loss	<u>(3,935,677)</u>
Nonoperating revenues (expenses):	
Federal, state and local assistance grants used for operations	3,513,774
Interest expense on lease liability	(6,589)
Other income	<u>20,954</u>
Net nonoperating revenues	<u>3,528,139</u>
Decrease in net position before capital grants	(407,538)
Federal, state and local grants used for capital purchases	<u>124,470</u>
Decrease in net position	(283,068)
Net position, July 1	<u>3,425,275</u>
Net position, June 30	<u><u>\$ 3,142,207</u></u>

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION - FINANCE COMMITTEE ANALYSIS
Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating revenues	\$ 193,188	\$ 103,733	89,455	86.24%
Operating expenses:				
Wages and fringe benefits	2,291,696	1,453,252	838,444	57.69%
Services (professional & technical)	314,977	228,562	86,415	37.81%
Other services	91,479	54,415	37,064	68.11%
Vehicle maintenance and supplies	202,303	182,260	20,043	11.00%
Depreciation	504,832	485,143	19,689	4.06%
Fuel	326,237	174,904	151,333	86.52%
Telephone and utilities	49,954	33,135	16,819	50.76%
Insurance	25,153	25,540	(387)	-1.52%
Amortization of right-to-use asset (lease)	48,131	30,869	17,262	55.92%
Other	173,828	89,499	84,329	94.22%
Printing	19,522	12,534	6,988	55.75%
Office expense and postage	44,337	44,346	(9)	-0.02%
Advertising	25,366	5,643	19,723	349.51%
RTAP expense	8,800	8,559	241	2.82%
Travel and conferences	88	102	(14)	-13.73%
Uniforms	2,162	2,989	(827)	-27.67%
Total operating expenses	<u>4,128,865</u>	<u>2,831,752</u>	<u>1,297,113</u>	
Operating loss	(3,935,677)	(2,728,019)	(1,207,658)	
Nonoperating revenues (expenses):				
Federal, state and local assistance grants used for operations	3,513,774	2,378,534	1,135,240	47.73%
Gain (loss) on disposal of capital assets	-	9,115	(9,115)	-100.00%
Other income	20,954	5,560	15,394	276.87%
Interest expense on lease liability	(6,589)	-	(6,589)	100.00%
Federal and state assistance grants used for inter-district purchase	-	217,930	(217,930)	-100.00%
Purchase and transfer of inter-district vehicles	-	(217,930)	217,930	-100.00%
Net nonoperating revenues	<u>3,528,139</u>	<u>2,393,209</u>	<u>1,134,930</u>	
Decrease in net position before capital grants	(407,538)	(334,810)	(72,728)	
Federal, state and local grants used for capital purchases	124,470	177,345	(52,875)	-29.81%
Increase in net position	<u>(\$ 283,068)</u>	<u>(\$ 157,465)</u>	<u>(\$ 125,603)</u>	
				Operating Expenses less Depreciation 2022 2021 3,624,033 2,346,609 1,277,424 54.44%

ESTUARY TRANSIT DISTRICT
STATEMENT of CASH FLOWS
Year Ended June 30, 2022

Cash flows from operating activities:	
Cash received from customers and others	\$ 193,188
Cash paid to employees for services	(2,312,638)
Cash paid to suppliers for goods and services	(1,313,955)
Net cash used in operating activities	<u>(3,433,405)</u>
Cash flows from noncapital financing activities:	
Proceeds from federal, state and local assistance grants, net	3,577,494
Cash paid on lease liability	(48,131)
Interest expense on lease liability	(6,589)
Other income	<u>20,954</u>
Net cash provided by noncapital financing activities	<u>3,543,728</u>
Cash flows from capital financing activities:	
Proceeds from capital grants	124,470
Purchase of capital assets	(124,470)
Net cash provided by capital financing activities	<u>-</u>
Net increase in cash and cash equivalents	<u>110,323</u>
Cash and cash equivalents, July 1	<u>281,978</u>
Cash and cash equivalents, June 30	<u><u>\$ 392,301</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$ 3,935,677)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	504,832
Amortization of right-of-use asset	48,131
Increase in assets:	
Prepaid expenses	9,545
Increase in liabilities:	
Accounts payable	(39,294)
Accrued expenses and other current liabilities	(20,942)
Net cash used in operating activities	<u><u>(\$ 3,433,405)</u></u>

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
NOTES to BASIC FINANCIAL STATEMENTS
June 30, 2022

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. The District includes nine member towns in the Connecticut River Estuary region who govern the District by appointing representatives to the Board of Directors.

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

Estuary Transit District was established to administer transportation programs in the Connecticut River Estuary region. The District has a broad range of programs, including fixed route service, shuttle service, fixed-deviated route service, dial-a-ride service, micro transit and job access and reverse commute transit service. 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 nine 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.

Merger of District

The result of the Lower Connecticut River Valley Transit Study recommended the combination of the Estuary Transit District and the Middletown Transit District. As a result of this study, along with the Connecticut Department of Transportation approval, the two transit districts signed a memorandum of agreement on April 28, 2022. This agreement stated that the member municipalities of the Middletown Transit District would withdraw from the Middletown Transit District resulting in its cessation and merge with Estuary Transit District. The merger took effect on July 1, 2022. As a result, the assets and liabilities of Middletown Transit District were transferred to Estuary Transit District on that date.

2 - Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Operating and Non-operating Revenues and Expenses

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

Capital and Operating Grants

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

Cash and Cash Equivalents

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

Grant and Trade Receivables

Grant and trade receivables are stated at the amount management expects to collect from outstanding balances. When deemed necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No valuation allowance was deemed necessary for fiscal year 2022. As of June 30, 2022 management determined that \$43,923 of grant and trade receivables were uncollectable and written off as bad debts. This is included in other expenses on the Statement of Revenue, Expenses, and Changes in Net Position. Grant and trade receivables includes \$26,450 in amounts due from the State of Connecticut Department of Transportation that are greater than one-year-old.

Capital Assets

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

Transit vehicles	5 to 12 years
Equipment	3 to 10 years
Leasehold improvements	5 to 40 years

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

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

Leases

The right-of-use asset represents the District's right to use an underlying asset for the lease term and the lease liability represents the District's obligation to make lease payments both of which are recognized based on the present value of the lease payments over the lease term at the commencement date. The District uses its

estimated incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement, plus certain initial direct costs. Subsequently, the right-to-use assets is amortized on a straight-line basis over the life of the related lease.

Unearned State Grant Revenue

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

Net Position

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets and unrestricted. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by any outstanding debt that is attributable to the acquisition, construction and improvement of those assets (there was no outstanding debt related to capital assets as of June 30, 2022). Unrestricted consists of net position not included in the net investment in capital assets category.

Compensated Absences

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

Cost Allocation Plan

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

Estimates

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

Risk Management

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

Subsequent Events

The District has evaluated subsequent events for the period after June 30, 2022 through February 17, 2023, the date the financial statements were available to be issued.

Adoption of New Accounting Standard

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

The District adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption. Adoption of the lease standard resulted in the recognition of right-of-use asset and a corresponding lease liability of \$160,583 as of July 1, 2021. These amounts were determined based on the present value of remaining minimum lease payments, discounted using the District's incremental borrowing rate as of the date of adoption. There was no material impact to the timing of income or expense recognition in the District's statements of revenue, expenses, and changes in net position. Disclosures about the District's leasing activities are presented in Note 8.

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. At June 30, 2022, \$174,860 of the District's bank balance of \$472,828 was exposed to custodial credit risk.

4 - Capital Assets and Change in Net Position (Net Investment in Capital Assets and Unrestricted)

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Disposals and Construction in Progress Placed in Service	Balance June 30, 2022
Capital assets not being depreciated:				
Construction in progress	\$ 182,194	\$ -	\$ -	\$ 182,194
Total capital assets not being depreciated	182,194	-	-	182,194
Capital assets being depreciated:				
Transit vehicles	3,151,920	52,961	-	3,204,881
Equipment	785,275	71,509	-	856,784
Total capital assets being depreciated	3,937,195	124,470	-	4,061,665
Less accumulated depreciation for:				
Transit vehicles	973,917	396,412	-	1,370,329
Equipment	564,722	108,420	-	673,142
Total accumulated depreciation	1,538,639	504,832	-	2,043,471
Total capital assets being depreciated, net	2,398,556	(380,362)	-	2,018,194
Total capital assets, net	\$ 2,580,750	(\$ 380,362)	\$ -	\$ 2,200,388

Depreciation expense amounted to \$504,832 for the year ended June 30, 2022.

The change in net position (net investment in capital assets and unrestricted) corresponds to the change in asset activity for the year ended June 30, 2022 as follows:

	Net Position		
	Net Investment in Capital Assets	Unrestricted	Total
Net position at June 30, 2021	\$ 2,580,750	\$ 844,525	\$ 3,425,275
Decrease in net position before capital grants	-	(407,538)	(407,538)
Capital asset additions	124,470	-	124,470
Depreciation	(504,832)	504,832	-
Net position at June 30, 2022	\$ 2,200,388	\$ 941,819	\$ 3,142,207

5 - Accounts Payable, Accrued Expenses and Other Current Liabilities

Accounts payable are comprised of amounts due to vendors. Accrued expenses and other current liabilities are comprised of accrued compensation and related taxes and benefits.

6 - Unearned Revenue

Unearned revenue is comprised of unexpended state grant proceeds of \$58,035 and deferred pass fares of \$374 received in the year ended June 30, 2022. Such amounts will be recognized as revenue in the year that expenditures are incurred or service is performed and the revenue is earned.

7 - Employee Retirement Plan

The District administers a defined contribution plan in accordance with Internal Revenue Code Section 401(a) for all full time employees. The District contributes 6% of compensation for eligible 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 \$75,397 to the plan during the year ended June 30, 2022. Plan provisions and contribution requirements are established and may be amended by the District.

The District is also responsible for administering a defined contribution plan in accordance with Internal Revenue Code Section 457. The District no longer contributes to the plan, however, any employee contributions are invested at the direction of the employee in one or more of the plan funds.

8 - 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.

The right-of-use asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Right-of-use asset:				
Building	\$ -	\$ 160,583	\$ -	\$ 160,583
Less accumulated amortization for:				
Building	-	48,131	-	48,131
Total right-of-use asset, net	<u>\$ -</u>	<u>\$ 112,452</u>	<u>\$ -</u>	<u>\$ 112,452</u>

Amortization expense amounted to \$48,131 for the year ended June 30, 2022.

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

Years ending June 30,	Principal Payments	Interest Payments	Total
2023	\$ 50,468	\$ 4,252	\$ 54,720
2024	52,918	1,802	54,720
2025	9,066	54	9,120
	<u>\$ 112,452</u>	<u>\$ 6,108</u>	<u>\$ 118,560</u>

At June 30, 2022 the weighted average discount rate was 4.75% and the weighted average remaining lease term was 28 months.

9 - 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.

10 - Risk and Uncertainties

In December 2020, World Health Organization declared the spread of COVID-19 virus as a pandemic. Since then actions have been taken by governments and individuals to contain it on a global basis. The spread of the coronavirus has affected the health of millions of people and had a significant impact on the economies of jurisdictions worldwide. Significant uncertainty remains regarding the duration and possible effect of the coronavirus on the lives of people, the performance of businesses and the economies of the United States and other countries. Accordingly, the impact of the coronavirus on the future operations and financial results of the District cannot be determined at this time.

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

Essex, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Estuary Transit District (the District), which comprise the statement of net position as of June 30, 2022, 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 17, 2023.

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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

North Haven, Connecticut
February 17, 2023

FEDERAL SINGLE AUDIT

ESTUARY TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

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		\$ 139,355
Operations	20.507		19,905
COVID - Formula Grants	20.507		1,064,610
			<u>1,223,870</u>
Passed through from Connecticut Department of Transportation:			
Formula Grants for Rural Areas	20.509	DOT047800750P	39,469
Formula Grants for Rural Areas	20.509	DOT04780068TR	2,882
Formula Grants for Rural Areas	20.509	DOT0170511OP & DOT0170TBDO P	157,228
Formula Grants for Rural Areas	20.509	DOT01703473OP & DOT01703540OP	5,364
COVID - Formula Grants for Rural Areas	20.509	DOT047800750P	27,085
Formula Grants for Rural Areas	20.509	CT-2019-008	29,070
			<u>261,098</u>
Total U.S. Department of Transportation			<u>1,484,968</u>
<u>U.S. Department of the Treasury:</u>			
Passed through from Connecticut Department of Transportation via the Connecticut Office of Policy and Management			
Coronavirus State and Local Fiscal Recovery Funds - ARPA Fare Free	21.027		18,000
Total Federal Awards			<u>\$ 1,502,968</u>

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, 2022

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, 2022. 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 FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

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

<u>Federal Assistance Listing Number</u>	<u>Names of Federal Program or Cluster</u>
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? Xyes _____no

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

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.

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

Essex, 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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

North Haven, Connecticut
February 17, 2023

STATE SINGLE AUDIT

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES of STATE FINANCIAL ASSISTANCE
 For the year ended June 30, 2022

PRELIMINARY
 (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	
Regional Shuttles		
Agreement No. 5.19-01(21)		
State Project No. 04780065OP		
Budget Addendum No. 2022-OPR-03		\$ 1,208,684
Rural Transit Service (Transit - On-Call)		
Agreement No. 5.19-01(21)		
State Project No. 04780075OP		
Budget Addendum No. 2022-OPR-03		26,050
Madison - Middletown Transit Service		
Agreement No. 5.19-01(21)		
State Project No. 04780077OP		
Budget Addendum No. 2022-OPR-03		4,725
ParkConneCT Summer Hammonasset Beach Service - Operations/Marketing		
Agreement No. 5.19-01(21)		
State Project No. 04780093OP		
Budget Addendum No. 2022-OPR-03		203,105
Transit Services - Old Saybrook - Middletown (Mid-Shore Shuttle, Riverside Shuttle Ext., Project Administration,		
Agreement No. 5.19-01(21)		
State Project No's. 01705011OP, 0170TBDOP		
Budget Addendum No. 2022-BCD-01		157,228
State Matching Grant Program For Elderly and Disabled Demand Responsive Transportation		
Agreement No. 5.19-01(21)		
State Project No. 01702697OP		
Budget Addendum No. 2022-MPG-01		210,712
Handicapped Access:	12001-DOT57000-12378	
Transit Services - Old Saybrook - Middletown (Mid-Shore Agreement No. 5.19-01(21)		
State Project No's. 01703410OPP, 01703510OP		
Budget Addendum No. 2022-OPR-03		<u>36,687</u>
Total Operating Assistance		<u>1,847,191</u>
Capital Acquisition Assistance:	12001-DOT57000-12175	
Agreement No. 5.19-01(21)		
State Budget Addendum No. 2018-CAP-01, 2019-CAP-01, 2020-CAP-04		
Federal Capital Grant No. CT-2017-018, CT-2018-017, CT-2019-008		<u>42,107</u>
Total Capital Acquisition Assistance		<u>42,107</u>
Total Transit District Grants and Loans Transportation Fund		<u>1,889,298</u>
Total Expenditures of State Financial Assistance		<u>\$ 1,889,298</u>

The accompanying notes are an integral part of this schedule.

ESTUARY TRANSIT DISTRICT
NOTES to SCHEDULE of EXPENDITURES of
STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2022

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, 2022. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund the transportation services of the District.

Note 2 - Summary of Significant Accounting Policies

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

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

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

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

State Financial Assistance

Internal control over major programs:

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

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

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

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

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>\$ 1,889,298</u>
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 200,000</u>

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

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.

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

Board of Directors

Estuary Transit District

Essex, 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, 2022. 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, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

North Haven, Connecticut
February 17, 2023