



**ESTUARY TRANSIT DISTRICT
SPECIAL BOARD MEETING**
ETD Offices, 91 N. Main St, Middletown, CT
with Remote Options
January 28, 2025 at 9:00 AM

AGENDA

- I. Call to Order — L. Strauss, Chair
- II. Roll Call — T. Griswold, Secretary
- III. Visitors' Comments as They Pertain to Agenda Items
- IV. Presentation of FY23-24 Completed Audit -- Tom Partalas, Seward & Monde
 1. Draft Report
 2. Draft Management Letter
 3. Draft SAS-114 Letter
- V. Next Regular Meeting — February 14, 2025 at 9:00 AM with Remote Options
- VI. Adjournment

JOIN ZOOM MEETING

<https://us02web.zoom.us/j/89015438499?pwd=TIgsL6ISXBlehS7wa9ka5nIbN12EsQ.1>

Meeting ID: 890 1543 8499

Passcode: 677293

One tap mobile

+13126266799,,89015438499#,,,,*677293# US (Chicago)

+16469313860,,89015438499#,,,,*677293# US

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

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ESTUARY TRANSIT DISTRICT
Financial Statements
June 30, 2024

ESTUARY TRANSIT DISTRICT
June 30, 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Estuary Transit District
Middletown, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Estuary Transit District (the District) which comprise the statement of net position as of June 30, 2024, 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, 2024, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 opinions.

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

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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 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 4 through 11 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

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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 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 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 January 7, 2025, 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
January 7, 2025

**ESTUARY TRANSIT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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, 2024.

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 as well. In addition, certain services are provided on a contracted basis to the towns of Cromwell, East Haddam, Madison, Portland and Haddam.

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

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

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

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.

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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.

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

Beginning in 2020, the district began a partnership with the Connecticut Department of Transportation (CTDOT), 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.

During the fiscal years ending June 30, 2024, 2023, and 2022 the District had the following operating characteristics:

	FY 2024	FY 2023	FY 2022
Revenue Hours	72,653	75,683	71,757
Unlinked Passenger Trips	290,008	414,649	261,657
Revenue Miles	1,383,909	1,444,818	1,372,963
Days of Service	330	326	326

Major Initiatives

The fiscal year ending June 30, 2024 saw the following major initiatives:

- Launch of two new XtraMile zones and expansion of hours in the Middletown zone late May.
- Expansion of night services on weeknights, new night service on Saturday nights and new Sunday service beginning in May.
- Purchase of three new heavy duty transit buses and four paratransit buses.
- Continued rebranding of the District to River Valley Transit, including bus wrapping, marketing materials, building signage and new website.
- Implementation of human resources management software.
- Worked with CTDOT on a pilot project for accepting credit cards on-board buses for fare payment, which will launch in FY 2025.

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.

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- 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>2024</u>	<u>2023</u>	<u>Change</u>
Assets:			
Current	\$ 4,245,690	\$ 3,564,531	\$ 681,159
Noncurrent assets	18,013,024	15,983,404	2,029,620
Total Assets	<u>\$ 22,258,714</u>	<u>\$ 19,547,935</u>	<u>\$ 2,710,779</u>
Liabilities:			
Current	\$ 540,596	\$ 676,051	(\$ 135,455)
Noncurrent liabilities	188,827	9,066	179,761
Total Liabilities	<u>\$ 729,423</u>	<u>\$ 685,117</u>	<u>\$ 44,306</u>
Net Position:			
Net Investment in capital assets	\$ 17,787,138	\$ 15,918,330	\$ 1,868,808
Unrestricted	3,742,153	2,944,488	797,665
Total Net Position	<u>\$ 21,529,291</u>	<u>\$ 18,862,818</u>	<u>\$ 2,666,473</u>

Unrestricted Net Position - Changes in the District’s unrestricted net position are a way to measure the District’s “health” or financial position. The District increased its unrestricted net position during the fiscal year ending June 30, 2024 for the 14th consecutive year. The

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unrestricted net at the end of FY 2024 grew to \$3,742,153, an increase of \$797,665 from FY 2023. 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 \$18,862,818 in FY 2023 to \$21,529,291 in FY 24. This was due to the increase in unrestricted net position and the purchase of capital assets in FY 24, including seven buses.

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Operating revenues	\$ 569,950	\$ 328,638	\$ 241,312
Operating expenses	<u>8,730,388</u>	<u>8,262,091</u>	<u>468,297</u>
Operating loss	(8,160,438)	(7,933,453)	(226,985)
Net nonoperating revenues	<u>7,411,829</u>	<u>7,345,866</u>	<u>65,963</u>
Income (loss) before capital grants	(748,609)	(587,587)	(161,022)
Capital grants used for capital purchases	<u>3,415,082</u>	<u>1,668,293</u>	<u>1,746,789</u>
Change in Net Position	2,666,473	1,080,706	1,585,767
Net position, July 1	<u>18,862,818</u>	<u>17,782,112</u>	<u>1,080,706</u>
Net position, June 30	<u><u>\$ 21,529,291</u></u>	<u><u>\$ 18,862,818</u></u>	<u><u>\$ 2,666,473</u></u>

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Revenues

A summary of revenues for the years ended June 30, 2024 and 2023 and the amount and percentage of change in relation to prior year amounts is as follows:

	2024	2023	Increase (Decrease)	Percentage Increase (Decrease)
Operating:				
Passenger fees	\$ 401,012	\$ 110,286	\$ 290,726	263.61%
Other transit services	118,202	108,133	10,069	9.31%
Other	50,736	110,219	(59,483)	-53.97%
Total Operating	<u>569,950</u>	<u>328,638</u>	<u>241,312</u>	<u>73.43%</u>
Non-Operating:				
Federal, State, & local assistance grants	7,357,184	7,350,118	7,066	0.10%
Gain on sale of assets	22,225	-	22,225	100.00%
Interest income	39,711	-	39,711	100.00%
Total Non-Operating	<u>7,419,120</u>	<u>7,350,118</u>	<u>69,002</u>	<u>0.94%</u>
Capital grants used for capital purchases	<u>3,415,082</u>	<u>1,668,293</u>	<u>1,746,789</u>	<u>104.71%</u>
Total Revenues	<u>\$ 11,404,152</u>	<u>\$ 9,347,049</u>	<u>\$ 2,057,103</u>	<u>22.01%</u>

Operating revenue increased from the prior year due to the end of the statewide suspension of fares in April of 2023. Revenue from contracts with private institutions to transport their clients continued to return from pandemic driven lows. The district terminated its transit advertising agreement during the year to reserve space on the vehicles for advertising the new River Valley Transit brand. This resulted in a decrease in other revenues.

Federal, state and local assistance increased slightly, as town contributions were increased to keep pace with an annual increase in state assistance. This was offset by loss of federal assistance for COVID-19 for the statewide free fare program.

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Expenses

A summary of expenses for the years ended June 30, 2024 and 2023 and the amount and percentage of change in relation to prior year amounts is as follows:

	2024	2023	Increase (Decrease)	Percentage Increase (Decrease)
Operating expenses:				
Salaries and wages	\$ 3,448,418	\$ 3,087,343	\$ 361,075	11.70%
Fringe benefits	1,086,255	1,017,994	68,261	6.71%
Contract maintenance services	494,450	384,342	110,108	28.65%
Services (professional & technical)	682,145	908,871	(226,726)	-24.95%
Fuel and lubrications	606,860	714,244	(107,384)	-15.03%
Vehicle parts and supplies	133,620	142,368	(8,748)	-6.14%
Tires and tubes	37,399	57,694	(20,295)	-35.18%
Other supplies	251,467	222,438	29,029	13.05%
Amortization of lease	47,429	50,468	(3,039)	-6.02%
Utilities	186,566	193,532	(6,966)	-3.60%
Insurance	118,826	107,489	11,337	10.55%
Purchased transportation	10,236	10,938	(702)	-6.42%
RTAP expense	19,399	6,833	12,566	183.90%
Other expenses	61,044	81,127	(20,083)	-24.76%
Depreciation	1,546,274	1,276,410	269,864	21.14%
Total operating expenses	8,730,388	8,262,091	468,297	5.67%
Non-operating expenses:				
Interest expense on lease	7,291	4,252	3,039	71.47%
Total expenses	\$ 8,737,679	\$ 8,266,343	\$ 471,336	5.70%

Total expenses increased by \$471,336 overall, led by an increase in wages and fringes. This was caused in part by the addition of a pilot XtraMile service and the expansion of fixed route service in May of 2024. Also contributing to the increase was the shift of the district from contracting management services to hiring an Executive Director directly.

Depreciation expense was the second largest cost increase, driven by the purchase of new buses.

Contract maintenance services increased by \$110,108 due to facility repairs and improvements. The district replaced security cameras at two facilities, replaced lighting, carpeting and ceiling tiles at the passenger terminal and conducted several major repairs to mechanical components of the operations center. Additionally, three transmissions were replaced in buses to extend their useful life.

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Services decreased largely due to the end of the management services contract. There were also some cost savings in the combining of the Middletown and Estuary Transit Districts for services such as financial audits and board management software.

Other supplies increased, led by the purchase of new signage throughout the three facilities to reflect the new River Valley Transit brand. Other expenses decreased, largely due to a decrease in spending on capital items for the automatic vehicle locating system.

Fuel and lubrications decreased, despite the increase in service in the last month of the year, due to a decrease in fuel prices and the restricting of the lease for 110 and 120 North Main St, Middletown buildings, that shifted the cost of heating oil and utilities to the tenant.

Insurance and RTAP expenses increased due to the addition of a flood insurance policy on the Pease Avenue building and training expenses for new staff, respectively. These were partially offset by slight decreases in vehicle parts and supplies, tires and lease amortization and purchased transportation.

For the eleventh 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 2024 operating funding from CTDOT was increased significantly from FY 2023, though FY 2025 funding is flat. Funding will be uncertain over the next few fiscal years due to legislation holding FY 2025 and beyond to FY 2024 funding levels, requiring all increases to be competitively awarded.

While ridership had returned to pre-pandemic levels by mid-FY 2023, it was driven by a statewide free fare program that ended in March of 2023. Ridership dropped again following the reinstatement of fares, resulting in lower ridership for FY 2024.

The district also continued to deal with supply shortages, particularly in vehicle parts, and staffing shortages, particularly amongst bus drivers and mechanics.

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

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

The district substantially increased fixed route service in final month of FY 2024. The district also launched a two year pilot of XtraMile at the end of FY 24. The two expansions resulted in a 33% increase in service overall, the full impact of which will be realized in FY 2025.

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The district will receive its first two heavy duty electric buses in early FY 2025. The district began construction of a temporary charging location in FY 2024. A study to determine the long term requirement for full fleet electrification was completed during the fiscal year. Significant capital investment will be required to make this transition, including major renovations to the existing Middletown operations facility and a new shoreline operations facility.

A master plan for the Middletown operations facility and new maintenance facility were completed. Design on the maintenance facility is expected to begin in FY 2025. Work also progressed on a new shoreline operations facility, in which a feasibility study was conducted for the preferred site. Planning work was also ongoing for renovation of the Middletown transportation center.

REQUEST FOR INFORMATION

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

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ESTUARY TRANSIT DISTRICT
 STATEMENT OF NET POSITION
 June 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,632,986
Grant and trade receivables	1,558,060
Inventory - fuel	19,422
Prepaid expenses	35,222

Total current assets	<u>4,245,690</u>
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Noncurrent Assets:

Capital assets, not being depreciated	469,536
Capital assets, net of accumulated depreciation	17,317,602
Right-of-use asset, net	222,796
Capital assets, net	<u>18,009,934</u>

Deposit	<u>3,090</u>
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Total noncurrent assets	<u>18,013,024</u>
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Total assets	<u>\$ 22,258,714</u>
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LIABILITIES and NET POSITION

Current Liabilities:

Current portion of lease liability	\$ 33,969
Accounts payable	346,415
Unearned revenue	31,099
Accrued expenses and other current liabilities	129,113

Total current liabilities	<u>540,596</u>
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Long-term lease liability, less current portion	<u>188,827</u>
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Total liabilities	<u>729,423</u>
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Net Position:

Net investment in capital assets	17,787,138
Unrestricted	3,742,153

Total net position	<u>21,529,291</u>
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Total liabilities and net position	<u>\$ 22,258,714</u>
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See accompanying notes to financial statements.

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ESTUARY TRANSIT DISTRICT
STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION
Year Ended June 30, 2024

Operating revenues	<u>\$ 569,950</u>
Operating expenses:	
Salaries and wages	3,448,418
Fringe benefits	1,086,255
Contract maintenance services	494,450
Services (professional & technical)	682,145
Fuel and lubrications	606,860
Vehicle parts and supplies	133,620
Tires and tubes	37,399
Other supplies	251,467
Amortization of right-to-use asset (lease)	47,429
Utilities	186,566
Insurance	118,826
Purchased transportation	10,236
RTAP expense	19,399
Other expenses	61,044
Depreciation	<u>1,546,274</u>
Total operating expenses	<u>8,730,388</u>
Operating loss	<u>(8,160,438)</u>
Nonoperating revenues (expenses):	
Federal, state and local assistance grants used for operations	7,357,184
Gain on disposal of capital assets	22,225
Interest income	39,711
Interest expense on lease liability	<u>(7,291)</u>
Net nonoperating revenues	<u>7,411,829</u>
Decrease in net position before capital grants	<u>(748,609)</u>
Federal, state and local grants used for capital purchases	<u>3,415,082</u>
Change in net position	2,666,473
Net position, July 1	<u>18,862,818</u>
Net position, June 30	<u>\$ 21,529,291</u>

See accompanying notes to financial statements.

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ESTUARY TRANSIT DISTRICT
STATEMENT of CASH FLOWS
Year Ended June 30, 2024

Cash flows from operating activities:	
Cash received from customers and others	\$ 575,289
Cash paid to employees for services	(4,448,168)
Cash paid to suppliers for goods and services	(2,495,365)
Net cash used in operating activities	<u>(6,368,244)</u>
Cash flows from noncapital financing activities:	
Proceeds from federal, state and local assistance grants, net	8,239,029
Interest income	39,711
Cash paid on lease liability	(47,429)
Interest expense on lease liability	(7,291)
Net cash provided by noncapital financing activities	<u>8,224,020</u>
Cash flows from capital financing activities:	
Proceeds from capital grants	3,694,379
Purchase of capital assets	(3,618,951)
Proceeds from sale of vehicles	22,225
Net cash provided by capital financing activities	<u>97,653</u>
Net increase in cash and cash equivalents	1,953,429
Cash and cash equivalents, July 1	<u>679,557</u>
Cash and cash equivalents, June 30	<u>\$ 2,632,986</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$ 8,160,438)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,546,274
Amortization of right-of-use asset	47,429
Bad debts	52,090
Decrease in assets:	
Trade receivables	5,339
Inventory - fuel	8,952
Prepaid expenses	13,933
Increase in liabilities:	
Accounts payable	45,605
Accrued expenses and other current liabilities	72,572
Net cash used in operating activities	<u>(\$ 6,368,244)</u>

See accompanying notes to financial statements.

ESTUARY TRANSIT DISTRICT
NOTES to BASIC FINANCIAL STATEMENTS
June 30, 2024

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.

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

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

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

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

2 - Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Operating and Non-operating Revenues and Expenses

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

Capital and Operating Grants

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

Cash and Cash Equivalents

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

Grant and Trade Receivables

Grant and trade receivables are stated at the amount management expects to collect from outstanding balances. When deemed necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No valuation allowance was deemed necessary for fiscal year 2024. As of June 30, 2024 management determined that \$52,090 of grant and trade receivables were uncollectable and were written off as bad debts. This is included in other expenses on the Statement of Revenue, Expenses, and Changes in Net Position.

Capital Assets

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

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

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

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

Leases

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

Unearned State Grant Revenue

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

Net Position

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets and unrestricted. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by any outstanding debt that is attributable to the acquisition, construction and improvement of those assets. 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, 2024 through January 7, 2025, 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 maintains a repurchase agreement with a financial institution to mitigate its risk. At June 30, 2024, none of the District’s bank balance of \$2,704,160 was exposed to custodial credit risk.

4 - Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Disposals and Construction in Progress Placed in Service	Balance June 30, 2024
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	1,206,959	88,716	-	1,295,675
Transit vehicles	8,458,743	3,164,959	1,321,179	10,302,523
Equipment, furniture and fixtures	2,646,227	161,407	-	2,807,634
Right-of-use asset - leased building	160,583	208,241	138,051	230,773
Total capital assets being depreciated	26,170,051	3,623,323	1,459,230	28,334,144
Less accumulated depreciation for:				
Buildings	3,061,567	342,440	-	3,404,007
Building and leasehold improvements	718,147	41,771	-	759,918
Transit vehicles	5,221,164	922,327	1,321,179	4,822,312
Equipment, furniture and fixtures	1,559,796	239,736	-	1,799,532
Right-of-use asset - leased building	98,599	47,429	138,051	7,977
Total accumulated depreciation	10,659,273	1,593,703	1,459,230	10,793,746
Total capital assets being depreciated, net	15,510,778	2,029,620	-	17,540,398
Total capital assets, net	\$ 15,980,314	\$ 2,029,620	\$ -	\$ 18,009,934

Depreciation expense amounted to \$1,546,274 for the year ended June 30, 2024.

5 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at June 30, 2024:

Accrued payroll	\$ 114,619
Accrued compensated absences	<u>14,494</u>
	<u>\$ 129,113</u>

6 - Unearned Revenue

Unearned revenue is comprised of unexpended state grant proceeds of \$28,455 and deferred pass fares of \$2,644 received in the year ended June 30, 2024. 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 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 \$108,185 to the plan during the year ended June 30, 2024. 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 \$35 per week. Starting January 1, 2024 the weekly contribution was increased to \$40. 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, 2024, the District recognized pension expense of \$24,415. 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.

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. In March 2024, the District exercised the option to renew for five additional years to September 2029.

PRELIMINARY
 (For Discussion Purposes Only)
 NOT TO BE DISTRIBUTED

The right-of-use asset activity for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Disposals	Balance June 30, 2024
Right-of-use asset:				
Building	\$ 160,583	\$ 208,241	\$ 138,051	\$ 230,773
Less accumulated amortization for:				
Building	98,599	47,429	138,051	7,977
Total right-of-use asset, net	<u>\$ 61,984</u>	<u>\$ 160,812</u>	<u>\$ -</u>	<u>\$ 222,796</u>

Amortization expense amounted to \$47,429 for the year ended June 30, 2024.

The maturity of the lease liability as of June 30, 2024 was as follows:

Years ending June 30,	Principal Payments	Interest Payments	Total
2025	\$ 33,969	\$ 20,751	\$ 54,720
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
Thereafter	<u>13,456</u>	<u>225</u>	<u>\$ 13,681</u>
	<u>\$ 222,796</u>	<u>\$ 64,485</u>	<u>\$ 287,281</u>

At June 30, 2024 the weighted average discount rate was 10.00% and the weighted average remaining lease term was 62 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 - Collective Bargaining Arrangement

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

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Estuary Transit District
Middletown, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Estuary Transit District (the District), which comprise the statement of net position as of June 30, 2024, 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 January 7, 2025.

Report on Internal Control over Financial Reporting

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

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

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

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
January 7, 2025

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

FEDERAL SINGLE AUDIT

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

Board of Directors
Estuary Transit District
Middletown, Connecticut

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Estuary Transit District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. 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, 2024.

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
January 7, 2025

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2024

PRELIMINARY
 (For Discussion Purposes Only)
 NOT TO BE DISTRIBUTED

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation:</u>			
Federal Transit Administration Cluster:			
Formula Grants for Urbanized Areas - Capital	20.507		\$ 2,343,593
COVID - Formula Grants for Urbanized Areas	20.507		962,125
			<u>3,305,718</u>
Passed through from Connecticut Department of Transportation:			
Formula Grants for Rural Areas	20.509	DOT04780068TR	19,399
Formula Grants for Rural Areas	20.509	DOT01705024OP	188,360
Formula Grants for Rural Areas	20.509	DOT01703540OP & DOT01705023OP	10,634
COVID - Formula Grants for Rural Areas	20.509	DOT04780075OP	426,766
			<u>645,159</u>
Total Federal Awards			<u>\$ 3,950,877</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, 2024

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, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Recovery

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

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

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 . . .

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

ESTUARY TRANSIT DISTRICT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024
. . . 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.

PRELIMINARY
(For Discussion Purposes Only)
NOT TO BE DISTRIBUTED

STATE SINGLE AUDIT

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

Board of Directors
Estuary Transit District
Middletown, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each State Program

We have audited the Estuary Transit District's (the District) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2024. 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, 2024.

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 (*Government Auditing Standards*); 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 federal 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
January 7, 2025

ESTUARY TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2024

Section IV, Item 1.

PRELIMINARY
 (For Discussion Purposes Only)
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STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
State of Connecticut Department of Transportation:		
Transit District Grants and Loans Transportation Fund:		
Bus Operations:	12001-DOT57000-12175	
Fixed Route		
Agreement No. 4.26-01(23)		
State Project No. 04780095OP		
Budget Addendum No. 2024-OPU-03		\$ 3,476,597
Dial-A-Ride		
Agreement No. 4.26-01(23)		
State Project No. 04780097OP		
Budget Addendum No. 2024-OPU-03		112,332
ParkConneCT Hammonasset Beach Park Service - Operations		
Agreement No. 4.26-01(23)		
State Project No. 04780093OP		
Budget Addendum No. 2024-OPU-03		59,130
Transit Services - Old Saybrook - Middletown (Mid-Shore Shuttle, Riverside Shuttle Ext., Project Administration, Advertising, & Printing and Admin for vouchers)		
Agreement No. 5.19-01(21)		
State Project No's. 017005024OP		
Budget Addendum No. 2024-BCD-01		188,360
State Matching Grant Program For Elderly and Disabled Demand Responsive Transportation		
Agreement No. 3.28-01(22)		
State Project No. 01702697OP		
Budget Addendum No. 2024-MPG-01		357,602
Fixed Route - GSI		
Agreement No. 4.26-01(23)		
State Project No. 04780101OP		
Budget Addendum No. 2024-OPU-03		115,167
Microtransit		
Agreement No. 11.17-01(23)		
State Project No. 24DOT173AA		
Budget Addendum No. 24-MIC-01		128,587
Handicapped Access:	12001-DOT57000-12378	
ADA		
Agreement No. 3.28-01(22)		
State Project No. DOT04780096OP		
Budget Addendum No. 2024-OPU-03		294,828
ADA - GSI		
Agreement No. 4.26-01(23)		
State Project No. DOT04780096OP		
Budget Addendum No. 2024-OPU-03		33,216
Total Operating Assistance		<u>4,765,819</u>
Capital Acquisition Assistance:	12001-DOT57000-12175	
Agreement No. 3.28-01(22)		
State Budget Addendum No. 2022-CAP-01, 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		1,311,837
Total Capital Acquisition Assistance		<u>1,311,837</u>
Total Transit District Grants and Loans Transportation Fund		<u>6,077,656</u>
Total Expenditures of State Financial Assistance		<u>\$ 6,077,656</u>

See Note to Schedule of Expenditures of State Financial Assistance.

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ESTUARY TRANSIT DISTRICT
NOTES to SCHEDULE of EXPENDITURES of
STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2024

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, 2024. 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.

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

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ESTUARY TRANSIT DISTRICT
 SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2024

I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Internal control over major programs:

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

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

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

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Transit District Grants and Loans Transportation Fund	12001-DOT57000-12175 & 12001-DOT57000-12378	<u>\$ 6,077,656</u>
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 200,000</u>

. . . Continued . . .

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ESTUARY TRANSIT DISTRICT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024
. . . 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.

SEWARD AND MONDE

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

January 7, 2025

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, 2024, 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 and properly value the parts inventory.

This letter does not affect our report dated January 7, 2025 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.

Board of Directors

- 2 -

January 7, 2025

Section IV, Item 2.

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

Very truly yours,

PRELIMINARY
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SEWARD AND MONDE

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

January 7, 2025

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, 2024, and have issued our report thereon dated January 7, 2025. 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.

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

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

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

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

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

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

- Management override of controls.
- Improper revenue recognition 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 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2024. 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.

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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 January 7, 2025.

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.

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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,