

Southeast Area Transit District

**Independent Auditors' Reports and
Management's Financial Statements**

June 30, 2020

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

SOUTHEAST AREA TRANSIT DISTRICT

JUNE 30, 2020

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3.1 - 3.11
MANAGEMENT'S FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	4
STATEMENT B - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	5
STATEMENT C - STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 13
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	14
MANAGEMENT'S SUPPLEMENTARY INFORMATION	
SCHEDULE A - COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY DIVISION	15
SCHEDULE B - SCHEDULE OF REVENUES, FUNCTIONAL EXPENSES, AND CHANGES IN NET POSITION - GENERAL DIVISION	16 - 17
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 <i>GOVERNMENT AUDITING STANDARDS</i>	18 - 19

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

www.rlbco.com
accting@rlbco.com

41 Bates Street
Portland, Maine 04103

Tel: (207) 775-1717
Fax: (207) 775-7103

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southeast Area Transit District
Preston, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Southeast Area Transit District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Management has not recorded in-kind revenues and expenses associated with donated bus and equipment leases from the State of Connecticut. Accounting principles generally accepted in the United States of America require that in-kind donations be represented as revenue and either as an expense or asset. Without these transactions, capital assets-net is understated, and net position is understated. The amount by which this departure would affect the assets, net position, and revenues has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Area Transit District, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3.1 through 3.11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of Southeast Area 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 Southeast Area 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 Southeast Area Transit District’s internal control over financial reporting and compliance.

Ron L. Beaulieu & Co.

Portland, Maine
January 28, 2021

Management's Discussion and Analysis

Introduction

Annual reports provide information about the proprietary fund of the Southeast Area Transit District. This fund shows restrictions on the planned use of resources or measured, in the short term, the revenues and expenditures arising from certain activities. GASB Statement 34 requires that the managers of the Southeast Area Transit District focus on this fund.

The proprietary fund financial statements will continue to measure and report the “operating results” by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability.

We hope to provide an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable one to assess whether the Southeast Area Transit District's financial position has improved or deteriorated as a result of the year's operations. The annual report includes proprietary fund financial statements prepared on the accrual basis for all Southeast Area Transit District's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In sum, the proprietary fund financial statements help to:

- ❑ Assess the finances of the Southeast Area Transit District in its entirety, including the year's operating results;
- ❑ Determine whether our overall financial position improved or deteriorated;
- ❑ Evaluate whether our current-year revenues were enough to pay for current-year services;
- ❑ Show the costs of providing the services requested of us;
- ❑ See how we finance the programs requested – through user fees, state and federal grants, community assessments, and other program revenues;
- ❑ Make better comparisons between governments. The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34.

✱ ***Management's Discussion and Analysis (MD & A)*** – An introduction to the basic financial statements and an analytical overview of the District's financial activities. The MD & A provides an objective and easily readable analysis of the Southeast Area Transit District's financial activities based on currently known facts, decisions, or conditions. The MD & A

- Includes comparisons of the current year to the prior year based on government-wide information;
- Provides an analysis of our overall financial position and the results of operations to assist in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- Analyzes significant changes in fund and major budget variances;
- Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

* ***Proprietary Fund Financial Statements*** are designed to provide a broad overview of the Southeast Area Transit District's finances, in a manner similar to private-sector business.

- They include a *statement of net position* which presents information on the District's assets and liabilities, with the difference between the two reported as *net position*. Unlike Operations reports, GAAP requires all capital revenues, capital expenses and depreciation, as well as operations expense and revenues, be included in Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *statement of revenues, expenses and changes in net position* presents information showing how the government's *net position* changed during the most recent fiscal year. All changes in *net position* are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The statement of revenues, expenses and changes in net position is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the District. These statements also include the Statement of Cash Flows.. The proprietary fund financial statements reflect that Southeast Area Transit District recovers a significant portion of its costs through user fees and charges. The proprietary activities of the District consist primarily of providing public transportation to the citizens of its member towns.
- Program expense includes all direct expenses. General revenues such as fares, grants, special and extraordinary items are reported separately, ultimately arriving at the change in *net position* for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

✱ Notes to the Financial Statements

- Provide information essential to understanding of the data in the proprietary fund financial statements.
- Supplementary Information
 - Combining Schedule of Revenues, Expenses and Changes in Net Position and Schedule of Revenues, Functional Expenses and Changes in Net Position.

We hope the financial reporting model will serve as a more comprehensive way to demonstrate our stewardship in the long term in addition to the way we currently demonstrate our management in the short term and through the budgetary process.

As management of the Southeast Area Transit District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Southeast Area Transit District for the fiscal year ended June 30, 2020.

SEAT Structural Change

As a reminder of last year's report, identifying the transfer of capital purchases and depreciation to SEAT, the point needs to be made that this continued in FY 2020 with the delivery of (5) new 35' heavy duty buses and (2) Cutaway buses purchased for the HOPS program and in FY 2021 the final delivery for (2) 40' buses. These 40' buses were supposed to have been delivered in FY 2020 but were delayed due to the impact of the pandemic on factory production. This again has increased our net position. In the years ahead, this will change as the purchases will decline and depreciation will exceed capital purchases. We will in the next year replace the (5) cutaway vans used for the ADA program that have reached their useful life. After this, we will replace two heavy duty buses in 2025/6 which will be the first of SEAT owned buses to be replaced.

Our Fixed Assets have grown from 'zero' investment in Fixed Assets in FY 2012 to \$10,735,171 in FY 2020. Correspondingly, SEAT has gone from reporting 'zero' depreciation in FY 2012 to \$1,038,748 in FY 2020. This has affected our Statements in this audit.

Statement B of our Financial Statements shows a loss (before capital contributions) of \$-1,038,748. This is almost entirely due to reporting \$1,038,748 in depreciation expense. At the same time our capital contributions were \$2,824,491, and our net position was driven up in FY 2020 by \$1,785,743 to \$11,170,665, due to delivery of an additional (5)

Gillig heavy duty buses and (2) Microtransit cutaway buses. Other Fixed Asset purchases included a new tire machine, driver barriers for operator protection, and upgraded fareboxes. Depreciation increased to \$1,038,748 in FY 2020 and is forecast to increase \$1,194,847 in FY 2021. It is also reasonable to forecast that the Net Position will start to decline in FY 2021 and FY 2022, as the depreciation grows and exceeds new purchases. While Net Position is now dominated by the impact of capital assets, you will read, in the analyses below, that SEAT reported no surplus in FY 2020 as we are mandated to do by FTA and State regulation.

Last, perhaps the most significant highlight was the impact of the pandemic and the advent of CARES grant support to Transportation. In FY 2020 SEAT obtained \$190,520 in CARES funding covering the lost fare revenues and the extraordinary costs of bus and building sanitization including fogging, wipes, and disinfectants. Operators, and staff were provided PPE equipment including masks, gloves, goggles, and shields. Buses and the SEAT Offices were fogged every week and wiped down every night. The list of different purchases demanded extensive purchasing outreach as the most wanted masks and sanitizers became unavailable early on. SEAT continues to obtain CARES Grant funding allowing us to maintain a zero surplus/deficit.

Non-Financial Highlights

For overview SEAT provides the following key events occurring in FY 2020, some of which have contributed to the Financial Highlights that follow:

- SEAT negotiated only a one-year contract with ATU for FY 2021 due to impact and unknown duration of the pandemic. This contract was negotiated with a 2.5% increase in wages and a \$2,500 bonus reflected the effect of our operators being in the constant position of possible exposure to the COVID virus. This expense was paid in July FY 2021.
- In FY 2020, the CARES Grant from FTA went into effect to cover losses incurred due to the COVID impact. Since this grant was initiated in June, our first claim was in July covering our significant losses in the months of March through June of FY 2020, totaling \$190,520.
- The Capital *Purchase of Gillig replacement buses* was completed with the buses received in February of FY 2020. These buses were put into service in March and April of FY 2020.
- In addition, (2) new microtransit 30' cutaway buses were successfully received in December and put in use for our newly created HOPS program in February of FY 2020. Unfortunately, this new program was almost immediately impacted by the pandemic, with the performance for all purposes remaining unknown.

- Ridership and Passenger Fare Revenues will be reviewed in detail in the Proprietary Fund Analysis section. SEAT ridership remains at a depressed rate due to the pandemic effect on employment as well as the riders, noting that we do have relatively strong ridership in some areas of service.

Financial Highlights

As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$11,170,665 in FY 2020. This fund balance represents \$10,735,171 investment in capital assets, with the balance of \$435,494 considered an *unrestricted fund* balance (see Table 1). This included depreciation decreasing capital assets by \$2,907,102. The depreciable Fixed Asset purchases in FY 2020 included (5) 35' Gillig heavy duty buses, and (2) Cutaway Vans to be used in a new Micro-Transit mode.

As stated above, SEAT looks primarily at operations expense, as those from which the deficit or surplus is determined. For reference readers should understand that operations expense is defined for our purpose as labor, fringe benefits, materials, building and vehicle maintenance, and administrative expense, and *does not include capital grant funded purchases, depreciation, or in-kind revenue and expense.*

- *SEAT FY 2020 is reporting a year-end Bus operations deficit (excluding capital, In-Kind, and depreciation) of -\$33,127.24. In FY 2019, Bus operations showed a surplus of \$7,468. This deficit covers only management-controlled costs and revenues that can contribute directly to an operations surplus or deficit. The operations net income reflects a surplus of \$24,428.75 for Fixed Route with a deficit in ADA Service of -\$57,555.99. These numbers include operating revenue from the CARES Grant of \$190,520.*
- *SEAT FY 2020 Operations Performance to Plan: The FY2020 Operations Plan for Fixed Route and ADA expense and revenue for FY 2020 was \$6,450,367. SEAT underran the Plan budget for both operations revenue and operations expense. Revenue underran plan by \$145,938. Expense underran plan by \$112,811 leaving an operations deficit of \$-33,127. Note the revenue underrun includes CARES grant funds.*
- *SEAT Capital highlights for FY 2020 were again significant. The major projects mentioned under non-financial highlights resulted in increasing our Fixed Assets an additional \$1,778,894 (net of depreciation effect). Capital expenditures were strong again in FY 2020 with the delivery of (2) mini-buses in December to be used in a micro-transit service, and five additional 35' Gillig replacement buses delivered in February, 2020.*

- The Southeast Area Transit District did renew the Peoples Bank \$1,000,000 Commercial Line of Credit loan for future borrowing requirements. This was completed in June of FY 2020. The District's short-term debt was \$440,000 as of June 30, 2020, compared to \$110,000 in FY 2019. The significant increase reflected the borrowing needs before the first CARES grant funds were received.

Proprietary Fund Analysis:

As noted earlier, *net position* may serve over time as a useful indicator of a government's financial position. In FY 2020 Southeast Area Transit District's *net position* exceeded liabilities by \$11,170,665 at the close of the year. Of these assets \$435,494 is defined as *unrestricted* and is available to meet short-term liabilities such as payments for vehicle operations and maintenance, non-vehicle maintenance, and general administration expenses.

Also noted is that the land & buildings, some equipment, and as of the end of FY 2020, just 7 of SEAT's 28 bus fleet remained as State of CT assets. The Capital Assets shown below reflect only those assets procured under Grants in the name of Southeast Area Transit District. SEAT procurement of these capital assets began in FY 2010, and now includes most rolling stock and equipment. As a result, and as discussed earlier, SEAT had been and will continue to show steady increases in capital assets that will also be accompanied by a steadily increasing depreciation expense.

Table 1: *Net Position*

	Proprietary Activities 2020	Proprietary Activities 2019
Current and Other Assets	\$ 1,261,212	\$ 908,521
Capital Assets	\$ 10,735,171	\$ 8,956,277
Total Assets	\$ 11,996,383	\$ 9,864,798
Long-Term Debt Outstanding	\$ -	\$ -
Other Current Liabilities	\$ 825,718	\$ 479,939
Total Liabilities	\$ 825,718	\$ 479,939
Net Position:		
Net Invested in Capital Assets	\$ 10,735,171	\$ 8,956,277
Unrestricted (deficit)	\$ 435,494	\$ 428,581
Total Net Position	\$ 11,170,665	\$ 9,384,858

Total operations expense in FY 2020, *excluding capital purchases, in-kind expenses, and depreciation*, was \$6,337,428, and was offset by \$6,304,429 in operations revenue, with an operations deficit of -\$33,127. Most of the District's operations revenue of \$6,304,429 was from operations subsidies from the State of Connecticut (\$4,469,915),

local subsidy received from the District's nine-member towns (\$548,107), and charges for services such as passenger fares and receipts from advertising (\$924,501). The passenger fare revenue was substantially reduced by the pandemic.

The Southeast Area Transit District also received revenues for capital (\$3,248,951) and the in-kind rental value of our leased facility (\$349,623). These capital and in-kind revenues were provided by the State of Connecticut (\$1,024,651) and the Federal Transit Administration of (\$2,764,442).

Proprietary Operations Activities: Below is a summary of the Southeast Area Transit District consolidated operations revenue and expense. This chart includes both Fixed Route and ADA services:

Table 2. Changes in Operations Expense and Revenue		
	Proprietary Activities 2020	Proprietary Activities 2019
Program Revenues:		
Revenue from Services	\$ 826,242	\$ 1,144,747
Operations Grants and Local Government Contributions	\$ 5,252,408	\$ 5,196,257
Total Bus Operating Revenue	\$ 6,078,650	\$ 6,341,004
Other Non-Operating Revenue:		
In-Kind Revenue	\$ 349,623	\$ 749,187
General Revenues Total:	\$ 7,078,385	\$ 7,265,333
Program Expenses:		
Payroll	\$ 2,806,584	\$ 2,831,046
Fringe Benefits and taxes	\$ 1,856,367	\$ 1,740,667
Services	\$ 668,102	\$ 406,359
Materials & Supplies	\$ 827,222	\$ 925,381
Other excluding Depreciation	\$ 179,153	\$ 430,083
Total Bus Operating Expense	\$ 6,337,428	\$ 6,333,536
Capital Depreciation	\$ 1,038,748	\$ 827,434
Non-depreciating Capital Expense	\$ 391,334	\$ 179,409
Rent (In-Kind)	\$ 349,623	\$ 749,187
Total Operating Expense:	\$ 8,117,133	\$ 8,089,566
Less Non Operating Revenues	\$ (128)	\$ (48)
Total Bus Operating Surplus/(Deficit)	\$ (258,778)	\$ 7,468
Income (Loss) before Capital Contributions	\$ (1,038,876)	\$ (824,281)
Capital Contributions	\$ 2,824,491	\$ 2,480,052
Change in Net Position	\$ 1,785,743	\$ 1,655,819
Ending Net Position	\$ 11,170,665	\$ 9,384,855

Passenger fare revenues were down (-24.7%) in FY 2020 vs FY 2019 and is compared to a (-0.2%) decline in FY 2019 vs FY 2018. The trend in rider generated revenues continued to be up in FY 2020 but was offset by the total loss of fare revenues from March 20 through June 30, 2020. The State issued a requirement that eliminated access to fareboxes that prevented fares from being collected. This was in effect from March through September of 2020. This not only affected FY 2020 but will substantially affect FY 2021 revenue as well. While fares are again being collected, the ridership remains low due to the high unemployment rate.

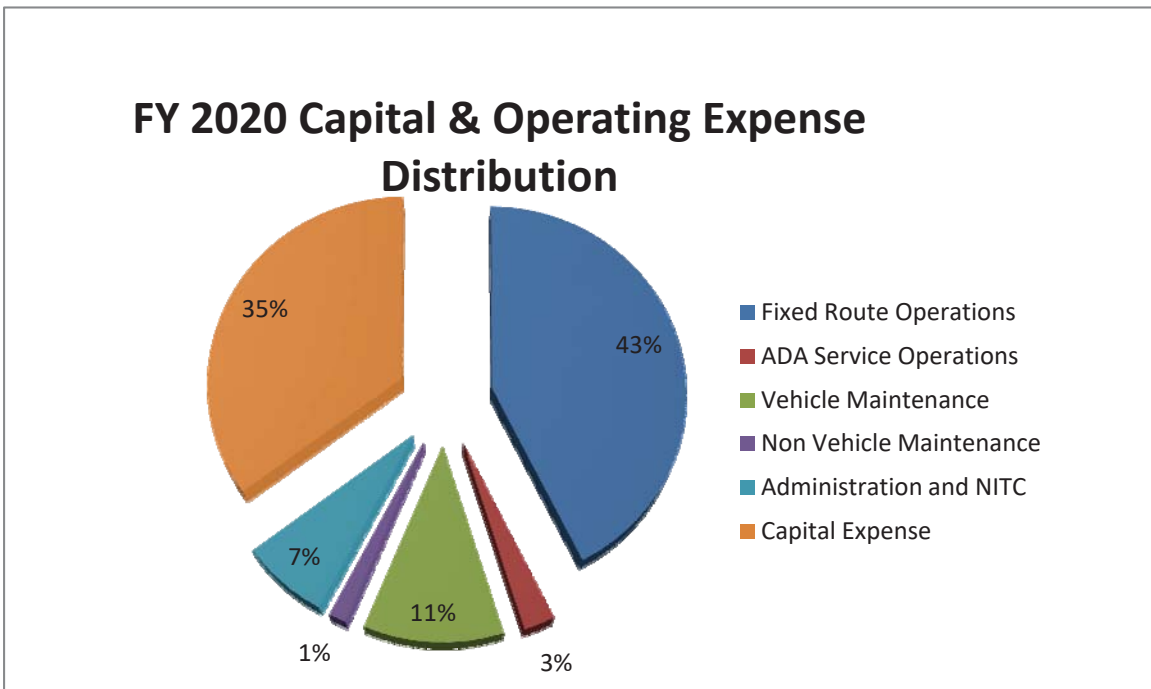
Revenue from Services provided were down 24.7% from FY 2019:

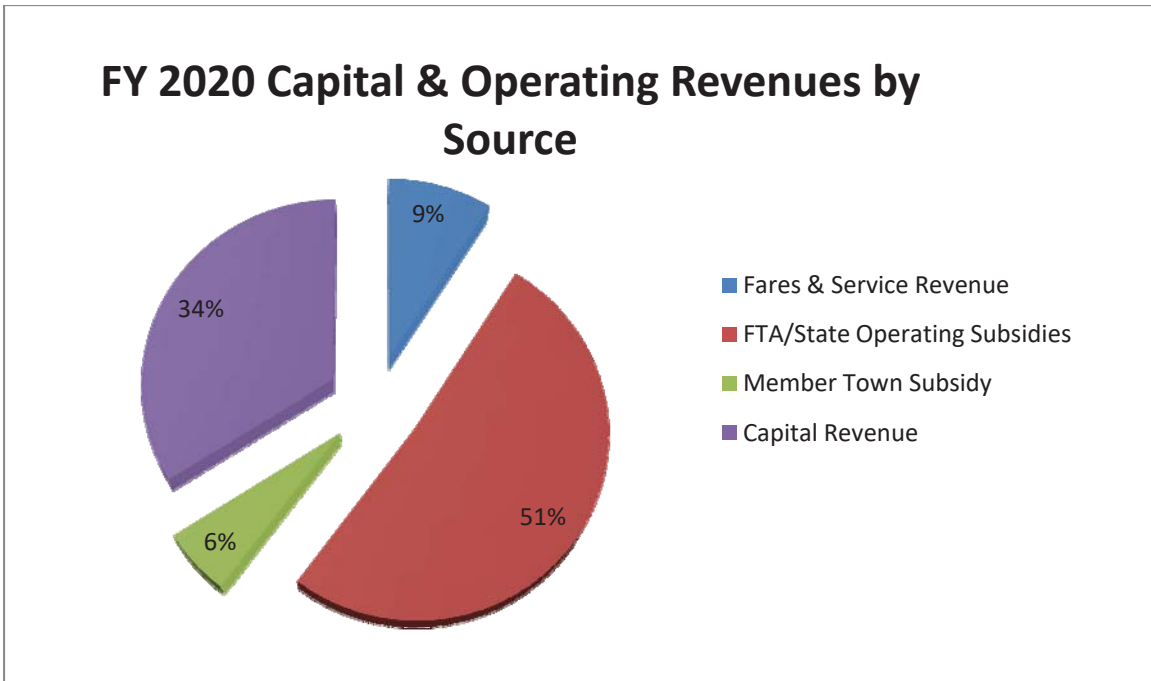
Analysis YOY - Revenue from Passenger Fares						
		2020	2019	Over/(Under)	% change	
Fixed Route Farebox (GFI)	\$	776,019.91	\$ 1,039,729.00	\$ (263,709.09)	-25.4%	
Stop & Shop Ticket Sales	\$	19,755.00	\$ 31,635.00	\$ (11,880.00)	-37.6%	
Advertizing and other Revenue	\$	35,258.40	\$ 34,962.00	\$ 296.40	0.8%	
ECWIB Ticket Purchases	\$	13,431.66	\$ 14,841.90	\$ (1,410.24)	-9.5%	
ADA Farebox	\$	17,035.64	\$ 23,578.71	\$ (6,543.07)	-27.7%	
Total Farebox & Ticket Sales	\$	861,500.61	\$ 1,144,746.61	\$ (283,246.00)	-24.7%	
Offset Special Transit Revenues						
Special Transit UPASS Revenue	\$	63,000.00		\$ 63,000.00	100.0%	
Gold Star Bridge Support	\$	-	\$ 80,920.00	\$ (80,920.00)	-100.0%	
Total Special Transit	\$	63,000.00	\$ 80,920.00	\$ (17,920.00)	77.9%	
Net Revenue	\$	924,500.61	\$ 1,225,666.61	\$ (301,166.00)	-24.6%	

Ridership was down 11.0% from FY 2019 and down 10.3% from FY 2018. This again was due to the effect of the COVID pandemic on employment and the restrictions on travel in a public environment. These effects are strongly impacting ridership that is currently still down 30-40% every month.

SEAT YOY Fixed Route Ridership Analysis						
	2020	2019	2018	2020 to 2019 % Change	2019 to 2018 % Change	
	Ridership	Ridership	Ridership			
Jul	87,274	78,266	78,585	11.5%	11.1%	
Aug	92,791	86,355	88,076	7.5%	5.4%	
Sep	81,584	75,377	81,640	8.2%	-0.1%	
Oct	89,080	87,183	83,255	2.2%	7.0%	
Nov	82,128	79,252	79,025	3.6%	3.9%	
Dec	78,511	78,068	77,700	0.6%	1.0%	
Jan	82,679	77,612	70,924	6.5%	16.6%	
Feb	81,546	73,636	75,402	10.7%	8.1%	
Mar	58,111	78,124	76,767	-25.6%	-24.3%	
Apr	33,446	80,950	77,947	-58.7%	-57.1%	
May	35,348	82,838	82,829	-57.3%	-57.3%	
Jun	51,268	81,783	79,550	-37.3%	-35.6%	
Total Year	853,766	959,444	951,700	-11.0%	-10.3%	

Proprietary Fund Revenue Sources and Distribution: The below charts present a snapshot of the source and use of District operating funds in FY 2020. Again, we have included capital revenues and expense in these charts which makes visually clear the significant capital investments made as a result of the scheduled and actual replacement of our heavy-duty buses. A reduced but still high level of capital expenditure will continue with (2) new replacement 40' buses (already delivered) and (5) replacement ADA Cutaway buses arriving FY 2021.





Capital Asset and Debt Administration:

Capital assets: In FY 2020 and prior years, expenditures for items purchased under FTA grants under the administrative responsibility of Southeast Area Transit, and have a value of \$5,000 or greater, are, for accounting reasons, recorded under Fixed Asset accounts. SEAT regularly reports the status of those assets to the FTA. This includes any new items for which expenditures were made in FY 2020 under five SEAT/FTA grants. SEAT’s FTA grant (X469) remains active and has provided the funds for the now completed purchase of (5) ADA vans and (3) SUV replacements, with one significant project in progress. This project, projected to be completed in FY 2021, is the installation of a new bus wash system and a fueling system upgrade. The second current SEAT/FTA grant (CT-2017) remains active. This grant funded the replacement of (15) heavy duty buses in FY 2018 and FY 2019. The current balance of unused funds is \$1,297,522 for many projects still in progress. A third grant (CT-2018) went into effect in FY 2019 with the major expense being to cover the replacement of (5) 35’ buses and (2) Cutaway buses that were delivered in FY 2020. Last, a fourth grant (CT-2019) was activated in August of FY 2021 and covered the replacement of (2) 40’ buses now 13 and 14 years old.. These new buses were delivered early in FY 2021. Last, the CARES Grant, provided to replace lost revenue due to COVID, went into effect at the end of FY 2020.

Long-term debt: At the end of the current fiscal year, Southeast Area Transit District had no long-term bonded debt outstanding. The District regularly borrows on a short-term basis in anticipation of state operating grant revenues to supplement its cash flow during the year. On June 28, 2020, the District obtained the renewal of its existing Line of Credit (\$1,000,000 max) to cover any short-term borrowing requirements. The current interest rate is 4.0% which is a significant decrease from last year (5.5%).

Economic Factors and Next Year’s Budget:

The unemployment rate for the New London Labor Market, obtained from the Connecticut Department of Labor, was 10.9% as of June 30, 2020, which is up from 4.3% in June of FY 2019. This data reflects the effect of the COVID virus. The State's current unemployment rate (November, 2020) is 8.2%. While lower than June of 2020, this shows a continuing rate increase due to the virus. The inflationary trend in the region (+0.8%) annual (BLS CPI Northeast region Table CPI-U for all items as of 6/30/2020) is slightly lower than the national inflation rate (1.4% - BLS CPI Urban areas - all items) for the last year. Note however, SEAT procurements are driven by national factors as much as regional.

While the rate of employment and business recovery remains slow. SEAT is optimistic operations will remain stable in the long run as the effects of the pandemic wear thin.

All these factors are being considered in outlining the Southeast Area Transit District's budget for the 2022 fiscal year. The details of this will be worked out during the balance of FY 2021.

Requests for Information: This financial report is designed to provide a general overview of the Southeast Area Transit District's finances for all those with an interest in the District's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Southeast Area Transit District, 21 Route 12, Preston, CT 06365.

SOUTHEAST AREA TRANSIT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

Current assets:

Cash	\$ 193,596
Accounts receivable (net)	(1,154)
Due from other governments (net)	344,507
Unbilled - due from other governments	337,444
Inventories	263,531
Prepaid expenses	123,288
Total current assets	<u>1,261,212</u>

Noncurrent assets:

Capital assets:

Construction in progress	-
Other capital assets	13,642,272
Less accumulated depreciation	<u>(2,907,101)</u>
Total capital assets	<u>10,735,171</u>
Total noncurrent assets	<u>10,735,171</u>

TOTAL ASSETS

11,996,383

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge	-
-----------------	---

TOTAL DEFERRED OUTFLOWS OF RESOURCES

-

LIABILITIES

Current liabilities:

Accounts payable	228,975
Accrued payroll	92,426
Accrued liabilities	26,600
Line of credit	440,219
Accrued compensated absences	37,498
Total current liabilities	<u>825,718</u>

TOTAL LIABILITIES

825,718

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	-
------------------	---

TOTAL DEFERRED INFLOWS OF RESOURCES

-

NET POSITION

Net investment in capital assets	10,735,171
Restricted	-
Unrestricted	435,494
TOTAL NET POSITION	<u>\$ 11,170,665</u>

See accompanying independent auditors' report and management's notes to financial statements.

SOUTHEAST AREA TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Passenger fares	\$ 826,242
State government contracts	4,814,432
Local government contracts	548,107
Federal government contracts	504,850
Advertising revenue	33,281
In-kind revenue	349,623
Miscellaneous revenue	1,850
Total operating revenues	<u>7,078,385</u>
OPERATING EXPENSES	
Payroll	2,806,584
Payroll taxes	272,070
Fringe benefits	1,584,297
Services	668,102
Materials and supplies	827,222
Utilities	106,879
Insurance	50,446
Interest	10,201
Rent	349,623
Maintenance	391,334
Depreciation	1,038,748
Other	11,755
Total operating expenses	<u>8,117,261</u>
OPERATING INCOME (LOSS)	<u>(1,038,876)</u>
NON-OPERATING REVENUES (EXPENSES)	
Gain on disposal of capital asset	-
Interest	128
Total non-operating revenues (expenses)	<u>128</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(1,038,748)</u>
CAPITAL CONTRIBUTIONS	<u>2,824,491</u>
CHANGE IN NET POSITION	1,785,743
TOTAL NET POSITION - BEGINNING	<u>9,384,922</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 11,170,665</u></u>

See accompanying independent auditors' report and management's notes to financial statements.

SOUTHEAST AREA TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 829,612
Receipts from governments	5,568,934
Other receipts	35,131
Payments to employees	(4,605,178)
Payments to suppliers	(1,699,983)
Other payments	(60,647)
Net cash provided (used) by operating activities	<u>67,869</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided (used) by noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	2,824,491
Purchase of capital assets	(2,817,642)
Net cash provided (used) by capital and related financing activities	<u>6,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	128
Net cash provided (used) by investing activities	<u>128</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,846
BALANCES - BEGINNING OF YEAR	<u>118,750</u>
BALANCES - END OF YEAR	<u>\$ 193,596</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (1,038,876)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories	
Depreciation expense	1,038,748
Changes in assets and liabilities:	
Accounts receivable (net)	3,370
Due from other governments (net)	(342,727)
Unbilled receivables	44,272
Inventories	9,906
Prepaid expenses	7,401
Accounts payable	(41,913)
Accrued payroll	31,748
Accrued liabilities	24,103
Line of credit	329,915
Accrued compensated absences	1,922
Deferred revenue	-
Net cash provided (used) by operating activities	<u>\$ 67,869</u>

See accompanying independent auditors' report and management's notes to financial statements.

SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southeast Area Transit District (the District) was formed in January 1976, under Chapter 103A of the Connecticut General Statutes for the purpose of providing government sponsored bus service to the people who reside within the urbanized area of Southeastern Connecticut. Any town, city or borough may, by vote of its legislative body, join the District. As of June 30, 2020 nine (9) municipalities had joined the District.

Since 1993, the District has been providing services to the disabled, as required by The Americans with Disabilities Act (ADA). The District provides and coordinates ADA services throughout Southeastern Connecticut.

In accordance with governmental generally accepted accounting principles, the District is considered a quasi-governmental entity. Southeast Area Transit District maintains its books and records in accordance with Urban Mass Transportation Administration Uniform System of Accounts and Records and Reporting System.

The value of any services provided by State personnel on behalf of operations of the District and insurance premiums provided by the State on State owned buses has not been recognized in the accompanying financial statements.

Principles Determining Scope of Reporting Entity

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, the District. Control or dependence is determined on the basis of budget adoption, taxing district, funding, and appointment of the respective governing board.

Fund Accounting

The District's operations are accounted for solely in one fund - the Enterprise Fund. This is the appropriate fund as the District had decided that the periodic determination of revenues earned, expenses incurred and increase (decrease) in net position is desired for the purpose of facilitating management control and accountability.

In-kind

In-kind revenues represent fair market value of facilities rent provided by the State of Connecticut at no cost. Rental value of buses and equipment provided by the State of Connecticut has not been valued and is excluded from in-kind revenues. This exclusion is not in accordance with generally accepted accounting principles.

SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District's operations are primarily funded by passenger fares and subsidies from the State of Connecticut and the member Towns.

Capitalization of Assets

Capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. Purchased capital assets over \$5,000 are capitalized.

Depreciation

Capital assets are depreciated over the assets useful lives using the straight-line method. The estimated useful lives are as follows:

Buses	12 years
Service vehicles	5 years
Equipment	5-12 years

SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The allowance for doubtful accounts is based upon an analysis of the credit history with its customers.

Inventories

Inventories of parts and fuel are stated at the lower of cost or market on a first-in, first-out basis (FIFO), and are accounted for under the consumption method.

Net Position

If expenses can be applied to either restricted or unrestricted balances, the government's policy is to apply them to restricted balances.

NOTE 2 - RISKS AND UNCERTAINTIES

Nature of Operations

The District is operated in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state agencies. Such administrative directives, rules, and regulations are subject to change by an act of Congress or the Legislature. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Current Vulnerabilities Due to Certain Concentrations

A large percentage of the District's funding revenues are from the Connecticut State Government. It is always considered to be reasonably possible that the State Government revenue could be lost or adjusted significantly in the near term.

SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - RISKS AND UNCERTAINTIES (CONTINUED)

The total amount of the District's cash, stated at fair value, at June 30, 2020, is \$193,596. The total amount of District deposits in financial institutions, per the bank statements, were \$199,218 of which the total was covered by federal depository insurance. There were no remaining deposits that were uninsured or uncollateralized. The district has no policy regarding credit risk, custodial credit risk, or concentrations of credit risk. The district has not formally adopted deposit and investment policies.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the 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.

Significant Estimates

None of the estimates contained in the financial statements are considered significant.

NOTE 3 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for certain risks of loss, including blanket umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from amounts held in the prior year.

NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of June 30, 2020 the allowance for uncollectible accounts was estimated at \$0.

**SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Capital assets (non-depreciable)				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets (non-depreciable)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets				
Buses	9,088,369	2,729,830	-	11,818,199
Equipment	1,446,320	87,812	-	1,534,132
Service vehicles	289,942	-	-	289,942
Total other capital assets at historical cost	<u>10,824,631</u>	<u>2,817,642</u>	<u>-</u>	<u>13,642,273</u>
Less accumulated depreciation for:				
Buses	(1,214,253)	(857,187)	-	(2,071,440)
Equipment	(541,035)	(132,800)	-	(673,835)
Service vehicles	(113,066)	(48,761)	-	(161,827)
Total accumulated depreciation	<u>(1,868,354)</u>	<u>(1,038,748)</u>	<u>-</u>	<u>(2,907,102)</u>
Other capital assets, net	<u>8,956,277</u>	<u>1,778,894</u>	<u>-</u>	<u>10,735,171</u>
Capital assets, net	<u>\$ 8,956,277</u>	<u>\$ 1,778,894</u>	<u>\$ -</u>	<u>\$ 10,735,171</u>

NOTE 6 - SHORT-TERM LIABILITIES

The following is a summary of outstanding short-term liabilities at June 30, 2020:

	<u>2019</u>
\$1,000,000 Line of Credit - Issued for general cash flow demands during the year. Interest rate of People's United Bank prime rate plus 2.000%. Interest rate shall not be less than 3.200% nor more than 25.000%. All revenues, income, and profits, and any bank accounts, certificates of deposit, and other investments of the District have been pledged as collateral on the line of credit. In the event of a default, the lender may access the collateral, the lender may declare the entire unpaid principal balance and accrued interest under the note immediately due, and the interest rate on the note shall be increased by 5.000%. Per the note, an event of default is: "The failure of Borrower to provide financial statements as required hereunder or under the Loan Agreement, the Commitment Letter, or any other document related to the Note".	<u>\$ 440,219</u>

The following is a summary of changes in short-term liabilities:

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Line of Credit	\$ 110,304	\$ 3,295,000	\$(2,965,085)	\$ 440,219
	<u>\$ 110,304</u>	<u>\$ 3,295,000</u>	<u>\$(2,965,085)</u>	<u>\$ 440,219</u>

SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - DEFERRED COMPENSATION PLAN

There is a deferred compensation 457(b) plan administered in the District's name, but as it is administered by nongovernmental third parties and the plan administrators invest plan assets at the direction of the plan's participants, the plan is not reported in the financial statements of the District. The District does match an Employee's weekly contribution up to a maximum of \$35 depending on the date of hire and position. The total amount of pension expense incurred by the District was \$84,509 for year ending June 30, 2020.

NOTE 8 - CONTINGENCIES

There are various unrecorded suits and claims pending against the District, none of which individually or in the aggregate is believed by legal counsel to be likely to result in a judgment or judgments which would materially affect the District's financial position.

The District has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based upon prior experience, the District management believes such disallowance, if any, will not be material.

NOTE 9 - SUBSEQUENT EVENTS

Adoption of New Accounting Pronouncements –

The GASB has issued the following statements, which will require adoption subsequent to June 30, 2020 and may be applicable to the District. The District has not yet adopted these statements, and the implication on the District's fiscal practices and financial reports is being evaluated.

Statement No.	Title	Effective Date (FY begins after)
87	Leases	06/15/21
89	Accounting for Interest Cost Incurred before the End of a Construction Period	12/15/20
91	Conduit Debt Obligations	12/15/21
96	Subscription-Based Information Technology Arrangements	6/15/2022
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation plans - an amendment of GASBS No. 14 and No. 84, and a supersession of GASBS No.32	6/15/2021

SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of January 28, 2021, the date the financial statements were available to be issued. At that time there were no material subsequent events.

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

www.rlbco.com
accting@rlbco.com

41 Bates Street
Portland, Maine 04103

Tel: (207) 775-1717
Fax: (207) 775-7103

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Southeast Area Transit District
Preston, Connecticut

We have audited the financial statements of Southeast Area Transit District as of and for the year ended June 30, 2020, and have issued our report thereon dated January 28, 2021, which contained a qualified opinion on those financial statements because in-kind revenues and expenses associated with donated bus and equipment leases from the State of Connecticut were not recorded. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

Schedules A through B are presented for the purposes of additional analysis and are not a required part of the financial statements. Schedules A through B are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the qualified opinion on the financial statements for the in-kind revenues and expenses not recorded, Schedules A through B are fairly stated, in all material respects, in relation to the financial statements as a whole.

Ron L. Beaulieu & Co.

Portland, Maine
January 28, 2021

SCHEDULE A

SOUTHEAST AREA TRANSIT DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BY DIVISION
 YEAR ENDED JUNE 30, 2020

	General	ADA	Total
OPERATING REVENUES			
Passenger fares	\$ 809,207	\$ 17,035	\$ 826,242
State government contracts	4,643,046	171,386	4,814,432
Local government contracts	548,107	-	548,107
Federal government contracts	504,850	-	504,850
Advertising revenue	33,281	-	33,281
In-kind revenue	349,623	-	349,623
Miscellaneous revenue	1,850	-	1,850
Total operating revenues	<u>6,889,964</u>	<u>188,421</u>	<u>7,078,385</u>
OPERATING EXPENSES			
Payroll	2,797,808	8,776	2,806,584
Payroll taxes	271,255	815	272,070
Fringe benefits	1,580,340	3,957	1,584,297
Services	458,415	209,687	668,102
Materials and supplies	804,479	22,743	827,222
Utilities	106,879	-	106,879
Insurance	50,446	-	50,446
Interest	10,201	-	10,201
Rent	349,623	-	349,623
Maintenance	391,334	-	391,334
Depreciation	1,038,748	-	1,038,748
Other	11,755	-	11,755
Total operating expenses	<u>7,871,283</u>	<u>245,978</u>	<u>8,117,261</u>
OPERATING INCOME (LOSS)	<u>(981,319)</u>	<u>(57,557)</u>	<u>(1,038,876)</u>
NON-OPERATING REVENUES (EXPENSES)			
Gain on disposal of capital asset	-	-	-
Interest	128	-	128
Total non-operating revenues (expenses)	<u>128</u>	<u>-</u>	<u>128</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(981,191)</u>	<u>(57,557)</u>	<u>(1,038,748)</u>
CAPITAL CONTRIBUTIONS	<u>2,824,491</u>	<u>-</u>	<u>2,824,491</u>
CHANGE IN NET POSITION	1,843,300	(57,557)	1,785,743
TOTAL NET POSITION - BEGINNING	<u>9,876,692</u>	<u>(491,770)</u>	<u>9,384,922</u>
TOTAL NET POSITION - ENDING	<u>\$ 11,719,992</u>	<u>\$ (549,327)</u>	<u>\$ 11,170,665</u>

See accompanying independent auditors' report on supplementary information.

SOUTHEAST AREA TRANSIT DISTRICT
 SCHEDULE OF REVENUES, FUNCTIONAL EXPENSES, AND CHANGES IN NET POSITION –
 GENERAL DIVISION
 YEAR ENDED JUNE 30, 2020

REVENUES

Intergovernmental revenue	
State government contracts	\$ 4,643,046
Federal government contracts	504,850
Local government contracts	548,107
Total intergovernmental revenue	<u>5,696,003</u>
Transportation revenue	
Passenger fares	809,207
Total transportation revenue	<u>809,207</u>
Other revenue	
In-kind revenue	349,623
Advertising	33,281
Gain on disposal of capital asset	-
Miscellaneous	1,850
Total other revenue	<u>384,754</u>
Capital contributions	2,824,491
Total	<u>2,824,491</u>
Interest income	128
Total	<u>128</u>
Total revenues	<u>9,714,583</u>

EXPENSES

Vehicle operations	
Payroll	2,090,040
Payroll taxes	207,520
Fringe benefits	1,277,009
Purchased services	17,193
Materials and supplies consumed	570,595
Depreciation	1,038,748
Miscellaneous	1,589
Total vehicle operations	<u>5,202,694</u>
Vehicle maintenance	
Payroll	543,981
Payroll taxes	49,301
Fringe benefits	220,459
Purchased services	105,755
Materials and supplies consumed	182,026
Maintenance	391,334
Miscellaneous	9
Total vehicle maintenance	<u>\$ 1,492,865</u>

See accompanying independent auditors' report on supplementary information.

SCHEDULE B (CONTINUED)

SOUTHEAST AREA TRANSIT DISTRICT
 SCHEDULE OF REVENUES, FUNCTIONAL EXPENSES, AND CHANGES IN NET POSITION -
 GENERAL DIVISION
 YEAR ENDED JUNE 30, 2020

Non-vehicle Maintenance	
Purchased services	\$ 65,552
Insurance	41,988
Materials and supplies consumed	25,386
Total non-vehicle maintenance	<u>132,926</u>
General administration	
Payroll	163,788
Payroll taxes	14,434
Fringe benefits	82,872
Purchased services	269,915
Materials and supplies consumed	26,472
Utilities	106,879
Casualty and liability insurance	8,458
Interest	10,201
Rent	349,623
Miscellaneous	10,156
Total general administration	<u>1,042,798</u>
Total expenditures	<u>7,871,283</u>
Revenues over expenditures	1,843,300
TOTAL NET POSITION - BEGINNING	<u>9,876,692</u>
TOTAL NET POSITION - ENDING	<u>\$ 11,719,992</u>

See accompanying independent auditors' report on supplementary information.

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

www.rlbco.com
accting@rlbco.com

41 Bates Street
Portland, Maine 04103

Tel: (207) 775-1717
Fax: (207) 775-7103

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*

To the Board of Directors of
Southeast Area Transit District
Preston, 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 Southeast Area Transit District, which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2021, which contained a qualified opinion on those financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Area Transit District's internal control over financial reporting (internal control) to determine the 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 Southeast Area Transit District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeast Area Transit 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Area Transit 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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of Southeast Area Transit 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 Southeast Area Transit District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ron L. Beaulieu & Co.

Portland, Maine
January 28, 2021

Southeast Area Transit District

State Single Audit Reports

June 30, 2020

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

SOUTHEAST AREA TRANSIT DISTRICT

JUNE 30, 2020

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; INTERNAL CONTROL OVER COMPLIANCE; AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT	1 - 3
MANAGEMENT'S SCHEDULES AND NOTES	
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	4
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	6 - 7

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

www.rlbco.com
accting@rlbco.com

41 Bates Street
Portland, Maine 04103

Tel: (207) 775-1717
Fax: (207) 775-7103

INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Board of Directors of
Southeast Area Transit District
Preston, Connecticut

Report on Compliance for Each Major State Program

We have audited Southeast Area Transit District's 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 Southeast Area Transit District's major state programs for the year ended June 30, 2020. Southeast Area Transit District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southeast Area Transit District's major state programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Southeast Area Transit District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Southeast Area Transit District's compliance.

Opinion on Each Major State Program

In our opinion, Southeast Area 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 state programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Southeast Area Transit District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southeast Area Transit District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Area Transit District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of Southeast Area Transit District, as of and for the year ended June 30, 2020 and have issued our report thereon dated January 28, 2021, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Ron L. Beaulieu & Co.

Portland, Maine
January 28, 2021

SOUTHEAST AREA TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2020

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
Department of Transportation		
Bus Operations	12001-DOT57000-12175	\$ 5,207,944
ADA	12001-DOT57000-12378	<u>171,386</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 5,379,330</u></u>

See accompanying independent auditors' report and management's notes to schedule of expenditures of state financial assistance.

SOUTHEAST AREA TRANSIT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2020

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Southeast Area Transit District under programs of the State of Connecticut for the fiscal year ended June 30, 2020. 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 several programs including fixed route services, ADA specialized transit services, and capital asset purchases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southeast Area Transit District conform to accounting principles generally accepted in the United States of America as applicable to governments.

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

Basis of Accounting

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

SOUTHEAST AREA TRANSIT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' opinion issued: Qualified

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 Bus Operations	12001-DOT57000-12175	\$ 5,207,944
· Dollar threshold used to distinguish between type A and type B programs		\$ 200,000

SOUTHEAST AREA TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

II. FINANCIAL STATEMENT FINDINGS

- We have issued reports, dated January 28, 2021 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

- No findings or questioned costs are reported related to State Financial Assistance programs.

STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

FY 2019-2020 MUNICIPAL AUDIT QUESTIONNAIRE

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

Name of Auditee Southeast Area Transit District

Fiscal Period under Audit July 1, 2019 to June 30, 2020

Ron L. Beaulieu & Company, CPAs
(Audit Firm Name)

Ron L. Beaulieu & Co.
(Signature)

January 28, 2021
(Date)

This Questionnaire was reviewed with and a copy given to:

Alfred Fritzsche on January 28, 2021
Name of Municipal Official Date

Finance Director 860-886-6097
Title of Municipal Official Telephone

	<u>YES</u>	<u>NO</u>	<u>NA</u>
1. Did you inform the town, city or Borough clerk of that part of Section 7-394 of the General Statutes which provides that within one week after receiving the audit report he/she shall cause to be published a legal notice in a newspaper having a substantial circulation in the municipality that the report is on file in said clerk's office?	<u>X</u>	<u> </u>	<u> </u>
2. Did you obtain a letter from municipal counsel with respect to unpaid or pending judgments and as to any other legal proceeding affecting the municipality's finances?	<u> </u>	<u>X</u>	<u> </u>
3. Were financial statements and/or books and records of the entity made available within a reasonable time after the close of the fiscal year?	<u>X</u>	<u> </u>	<u> </u>
4. Did the entity issue tax anticipation notes (TANs) during the fiscal year? (If yes, the notes to the financial statements should provide details regarding such TANs, including the purpose for which the TANs were issued.)	<u> </u>	<u>X</u>	<u> </u>
5. Was a separate management letter issued in addition to the Internal Control Report? If so, it must be submitted to the Office of Policy and Management with the audit report.	<u> </u>	<u>X</u>	<u> </u>
6. Were municipal officials (including the chief elected or executive official and governing body of the municipal entity) made aware of findings and recommendations resulting from the audit?	<u> </u>	<u> </u>	<u>X</u>
7. Federal Single Audit Act as Amended, 1996; Uniform Guidance for Federal Awards (Title 2 of CFR, 12/26/13)			
(a) Did you conduct a Single Audit of Federal Financial Assistance expended by the entity for FY 2019-20?	<u>X</u>	<u> </u>	<u> </u>
(b) Is a copy of the Single Audit included in the reporting package submitted?	<u> </u>	<u>X</u>	<u> </u>
8. State Single Audit (SSA) Act as amended by P.A. 09-7; Regulations to the SSA Act as amended by P.A. 09-7			
(a) Did you conduct a Single Audit of state financial assistance expended by the entity for FY 2019-20 or a program-specific audit of the entity's sole state program?	<u>X</u>	<u> </u>	<u> </u>
(b) Is a copy of the State Single Audit or program-specific audit included in the reporting package submitted?	<u>X</u>	<u> </u>	<u> </u>

- | | <u>YES</u> | <u>NO</u> | <u>NA</u> |
|--|------------|-----------|-------------|
| (c) If applicable, did officials prepare a Corrective Action Plan (CAP) in sufficient time for inclusion in the audit report package [C.G.S. Sec.4-233(d)] to be filed with OPM as the cognizant state agency (hardcopy and electronic)? | _____ | _____ | _____X_____ |
| (d) Did you upload the corrective action plan with the audit report package on OPM's Electronic Audit Reporting System? | _____ | _____ | _____X_____ |

The following question applies only to the one-hundred and sixty-nine (169) Connecticut municipalities, including the Borough of Naugatuck. It does not apply to other boroughs, regional school districts, other audited agencies or the City of Groton.

- | | <u>YES</u> | <u>NO</u> |
|---|------------|-----------|
| 9. Did the municipality complete its filings of the annual report in accordance with the Uniform System of Accounting for fiscal years ended 2014 through 2019 as provided under Section 7-406c(b) of the General Statutes? | _____ | _____ |