

**Southeast Area Transit District**

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

**June 30, 2023**

**Ron L. Beaulieu & Company**

**CERTIFIED PUBLIC ACCOUNTANTS**

SOUTHEAST AREA TRANSIT DISTRICT

JUNE 30, 2023

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Southeast Area Transit District, as of and for the year ended June 30, 2023, and the related notes to the 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 Southeast Area Transit District, as of June 30, 2023, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southeast Area 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Southeast Area 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southeast Area Transit 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 Southeast Area Transit 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 4.1 through 4.10 be presented to supplement the financial statements. Such information is the responsibility of management and, 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 May 31, 2024 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  
May 31, 2024

## **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, 2023.

### **SEAT Structural Change**

As a reminder of last year's report, identifying the transfer of capital purchases and depreciation to SEAT, purchased (5) cutaway vans used for the ADA program. 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' net investment in Fixed Assets in FY 2012 to \$8,539,118n FY 2023. Correspondingly, SEAT has gone from reporting 'zero' depreciation expense in FY 2012 to \$1,346,041 in FY 2023. This has affected our Statements in this audit.

Statement B of our Financial Statements shows a loss (before capital contributions) of \$-1,340,521. This is due to reporting \$1,346,041 in depreciation expense. At the same time our capital contributions were \$28,970, and our net position decreased in FY 2023 by \$1,311,551 to \$8,992,765. Depreciation decreased to \$1,346,041 in FY 2023. 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 2023 as we are mandated to do by FTA and State regulation.

Last, perhaps the most significant highlight was the impact of the pandemic affected ridership advent of CARES grant support to Transportation. In addition; SEAT has been



running fare-free services as of April 2022 and continued through March 31, 2023 SEAT was approved to reinstate fares effective 4/1/2023. In FY 2023, SEAT continued the remaining balance of \$823,015 in CARES funding covering the lost fare revenues and the costs of bus and building sanitization including fogging, wipes, and disinfectants. 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. In addition, SEAT was awarded the ARP Grant (American Rescue Plan), federal only in the amount of \$1,800,000 of which \$1,600,000 earmarked for operating assistance and the remaining \$200,000 earmarked for other capital items. In FY 2023, we have received \$1,011,816 of the ARP grant funds.

### **Non-Financial Highlights**

For overview SEAT provides the following key events occurring in FY 2023, some of which have contributed to the Financial Highlights that follow:

- 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 \$8,992,765 in FY 2023. This fund balance represents an \$8,539,118 investment in capital assets, with the balance of \$453,647 considered an *unrestricted fund* balance (see Table 1).

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

- *SEAT FY 2023 is reporting a year-end Bus operations of \$(1,311,551).* This is due to an increase in staff to support the New London Micro Transit for (Directly Operated) service exclusively for New London. In addition, vehicle maintenance has increased our vehicle maintenance costs for the old ADA vehicles that we are using to operate the New London Micro Service. The operations net income reflects a loss of \$(1,154,981) for Fixed Route with a deficit in ADA Service of \$(156,570). These numbers include operating revenue from the CARES Grant of \$823,015.

- *SEAT Capital highlights for FY 2023* were minor. Fixed Assets an additional \$25,586 for a new transmission, lift, and column.
- The Southeast Area Transit District did renew the M & T Bank (formerly Peoples Bank) \$1,000,000 Commercial Line of Credit loan for future borrowing requirements. This was completed in April of FY 2022. The District's short-term debt was \$721,540 as of June 30, 2023, compared to \$685,219 in FY 2022. The increase was reflected in the borrowing needs to compensate between drawdowns from the CARES grant.

***Proprietary Fund Analysis:***

As noted earlier, *net position* may serve over time as a useful indicator of a government's financial position. In FY 2023 Southeast Area Transit District's *net position* exceeded liabilities by \$9,861,732 at the close of the year. Of these assets \$453,647 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 2022, we no longer have any State-owned vehicles, all vehicles and titles are SEAT property. 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: <i>Net Position</i>			
	Proprietary Activities 2023		Proprietary Activities 2022
Current and Other Assets	\$ 2,140,874		\$ 1,869,442
Other Capital Assets	\$ 15,405,392		\$ 15,379,807
Less accumulated depreciation	\$ (6,866,274)		\$ (5,520,233)
	\$ 8,539,118		\$ 9,859,574
Right-of-use subscription assets, net amortization	\$ 43,526		\$ -
	\$ 8,582,644		
Total Assets	\$ 10,723,518		\$ 11,729,016
Long-Term Debt Outstanding	\$ -		\$ -
Other Current Liabilities	\$ 1,235,112		\$ 1,056,015
Total Liabilities	\$ 1,235,112		\$ 1,056,015
Deferred revenue	\$ 495,641		\$ 368,683
Net Position:			
Net Invested in Capital Assets	\$ 8,539,118		\$ 9,859,574
Unrestricted (deficit)	\$ 453,647		\$ 444,744
Total Net Position	\$ 8,992,765		\$ 10,304,318

Total operations expense in FY 2023, was \$10,754,765, and was offset by \$9,414,244 in operations revenue, with an operations deficit of -\$1,340,521. Most of the District's operations revenue of \$9,414,244 was from operations subsidies from the State of Connecticut \$5,766,578, local subsidy received from the District's nine-member towns (\$578,664), and charges for services such as passenger fares and receipts from advertising \$378,820. The passenger fare revenue was substantially reduced by the pandemic.

The Southeast Area Transit District also received revenues for capital \$28,970 and the in-kind rental value of our leased facility \$389,480. These capital and in-kind revenues were provided by the State of Connecticut and the Federal Transit Administration of

***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:

**Passenger fare revenues** were down (36 %) in FY 2023 vs FY 2022 . SEAT continued free fares as it was mandated by Governor Lamont for all districts in FY 2023 from July 1 and ended on March 31<sup>st</sup> of 2023.

	Proprietary Activities 2023	Proprietary Activities 2022
Program Revenues:		
Revenue from Services	\$ 316,320	\$ 499,503
Operations Grants and Local Government Contributions	\$ 5,766,578	\$ 4,824,804
Local Government Contracts	\$ 578,664	\$ 561,810
Federal Government Contracts	\$ 2,300,354	\$ 1,815,793
Advertising	\$ 62,500	\$ 38,000
In-Kind Revenue	\$ 389,480	\$ 376,309
Miscellaneous Revenue	\$ 348	\$ 572
General Revenues Total:	\$ 9,414,244	\$ 8,116,791
Program Expenses:		
Payroll	\$ 3,684,339	\$ 3,403,909
Payroll Taxes	\$ 341,806	\$ 334,808
Fringe Benefits	\$ 2,014,856	\$ 1,854,147
Services	\$ 739,757	\$ 694,018
Materials & Supplies	\$ 1,254,034	\$ 857,309
Utilities	\$ 131,994	\$ 113,417
Insurance	\$ 66,481	\$ 55,913
Interest	\$ 47,949	\$ 17,764
Maintenance	\$ 674,082	\$ 375,844
Capital Depreciation	\$ 1,346,041	\$ 1,360,189
Rent (In-Kind)	\$ 389,480	\$ 376,309
Amortiation	\$ 34,819	
Other	\$ 29,127	\$ 33,353
Total Operating Expense:	\$ 10,754,765	\$ 9,476,980
Less Non Operating Revenues	\$ -	\$ -
Income (Loss) before Capital Contributions	\$ (1,340,521)	\$ (1,360,189)
Capital Contributions	\$ 28,970	\$ 530,547
Change in Net Position	\$ (1,311,551)	\$ (829,642)
Ending Net Position	\$ 8,992,765	\$ 10,304,318

**Revenue** from Services provided was down -34% from FY 2023

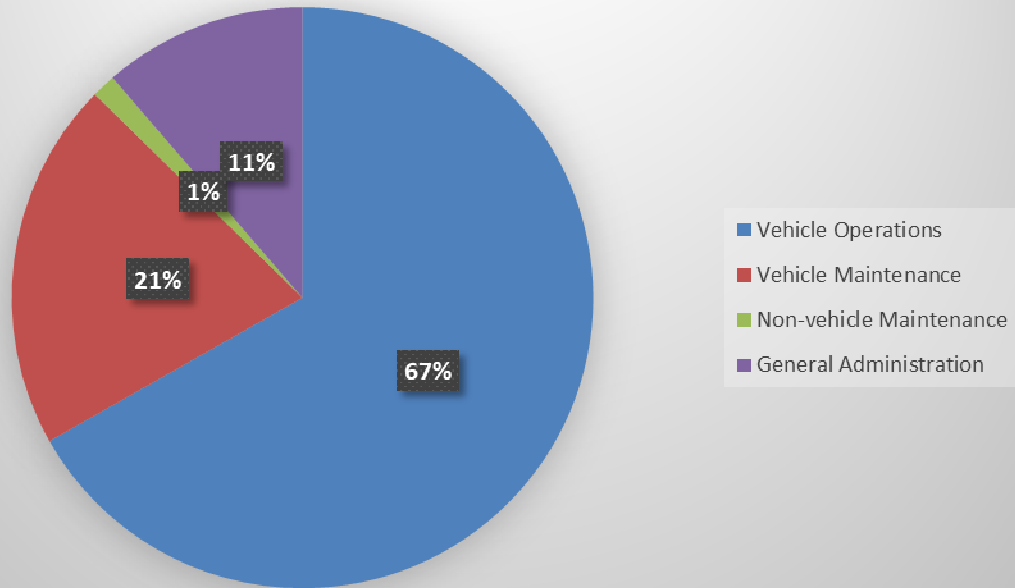
Analysis YOY - Revenue from Passenger Fares						
		2023	2022	Over/(Under)		% change
Fixed Route Farebox (GFI)	\$	306,755.97	\$ 467,588.90	\$ (160,832.93)		-34.4%
Stop & Shop Ticket Sales	\$	2,616.00	\$ 11,295.00	\$ (8,679.00)		-76.8%
Advertizing and other Revenue	\$	62,848.57	\$ 38,572.51	\$ 24,276.06		62.9%
ECWB Ticket Purchases	\$	2,561.92	\$ 8,798.37	\$ (6,236.45)		-70.9%
ADA Farebox	\$	4,385.99	\$ 9,107.50	\$ (4,721.51)		-51.8%
<b>Total Farebox &amp; Ticket Sales</b>	<b>\$</b>	<b>379,168.45</b>	<b>\$ 535,362.28</b>	<b>\$ (156,193.83)</b>		<b>-29.2%</b>
Offset Special Transit Revenues						
Gold Star Bridge Shuttle	\$	-	\$ -	\$ -		0.0%
	\$	-	\$ -	\$ -		
<b>Total Special Transit</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>		<b>#DIV/0!</b>
<b>Net Revenue</b>	<b>\$</b>	<b>379,168.45</b>	<b>\$ 535,362.28</b>	<b>\$ (156,193.83)</b>		<b>-29.2%</b>

**Ridership** was up 60% from FY 2022 and up 86% from FY 2021. The increase in ridership may be due to the continuation of free fares that occurred during COVID. 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.

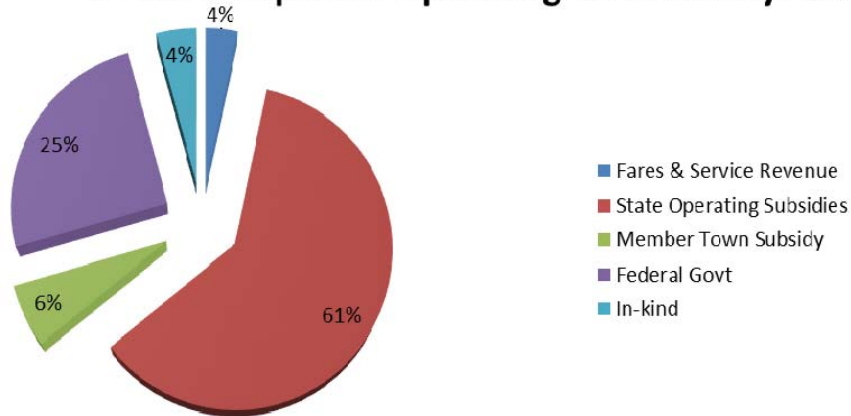
SEAT YOY Fixed Route Ridership Analysis						
	2023	2022	2021	2020	2023 to 2022 %	2021 to 2020 %
	Ridership	Ridership	Ridership	Ridership	Change	Change
Jul	98,265	55,187	60,739	81,553	78.06%	-25.52%
Aug	110,151	57,648	60,841	85,749	91.08%	-29.05%
Sep	105,640	49,882	63,918	74,754	111.78%	-14.50%
Oct	102,743	57,220	54,325	82,225	79.56%	-33.93%
Nov	97,988	55,338	46,298	76,202	77.07%	-39.24%
Dec	102,505	55,245	47,215	73,659	85.55%	-35.90%
Jan	95,689	44,176	44,748	77,903	116.61%	-42.56%
Feb	92,535	48,818	40,704	77,086	89.55%	-47.20%
Mar	109,157	58,311	53,887	53,998	87.20%	-0.21%
Apr	79,183	75,201	52,526	31,983	5.30%	64.23%
May	87,052	78,584	49,305	35,133	10.78%	40.34%
Jun	84,258	96,495	52,696	50,634	-12.68%	4.07%
<b>Total Year</b>	<b>1,165,166</b>	<b>732,105</b>	<b>627,202</b>	<b>800,879</b>	<b>59.15%</b>	<b>45.49%</b>

**Proprietary Fund Revenue Sources and Distribution:** The below charts present a snapshot of the source and use of District operating funds in FY 2023. Again, we have included capital revenues and expenses in these charts which makes visually clear the significant capital investments made because of the scheduled and actual replacement of our heavy-duty buses. A reduced but still high level of capital expenditure will continue with (5) new replacement 20' micro transit buses (already delivered) FY 2022 for ADA service.

## FY 2023 Operation Cost of Services



## FY 2023 Capital & Operating Revenues by Source



### Capital Asset and Debt Administration:

**Capital assets:** In FY 2023 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. In addition, SEAT has the following active grants:

CT-2017, CT- 2018, CT-2019, CT-2020, CT-2021 with budgeted funds to support preventative maintenance, administration office purchase to support the fleet and maintenance of facilities.

**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. The District obtained the renewal of its existing Line of Credit (\$1,000,000 max) to cover any short-term borrowing requirements.

**Economic Factors and Next Year’s Budget:**

The unemployment rate for the New London Labor Market, obtained from the Connecticut Department of Labor, was 3.50% as of June 30, 2023, which is down from 4.40% in June of FY 2022. This data reflects the effect of the return of the community going back to work post the Covid Virus epidemic. The State’s current unemployment rate (March 2023) is 3.9%. This is likely due to the mass return to the ability for remote work for many individuals since the Covid Virus epidemic. Please note, SEAT procurements are driven by national factors as much as regional.

With the growth and decrease of unemployment, SEAT is optimistic operations will continue to build and resume ridership and revenue for the coming fiscal year FY 2023 and forward.

**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, 2023

## ASSETS

## Current assets:

Cash	\$ 197,567
Accounts receivable (net)	(10,630)
Due from other governments (net)	1,466,334
Inventories	238,406
Prepaid expenses	249,197
Total current assets	<u>2,140,874</u>

## Noncurrent assets:

## Capital assets:

Construction in progress	-
Other capital assets	15,405,392
Less accumulated depreciation	<u>(6,866,274)</u>
Total capital assets	<u>8,539,118</u>
Right-of-use subscription assets, net of amortization	<u>43,526</u>
Total noncurrent assets	<u>8,582,644</u>

## TOTAL ASSETS

10,723,518

## DEFERRED OUTFLOWS OF RESOURCES

Deferred charge	-
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## TOTAL DEFERRED OUTFLOWS OF RESOURCES

-

## LIABILITIES

## Current liabilities:

Accounts payable	274,705
Accrued payroll	57,823
Accrued liabilities	50,158
Line of credit	721,541
Subscription liability	40,422
Accrued compensated absences	90,463
Total current liabilities	<u>1,235,112</u>

## TOTAL LIABILITIES

1,235,112

## DEFERRED INFLOWS OF RESOURCES

Deferred revenue	495,641
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## TOTAL DEFERRED INFLOWS OF RESOURCES

495,641

## NET POSITION

Net investment in capital assets	8,539,118
Restricted	-
Unrestricted	453,647
TOTAL NET POSITION	<u>\$ 8,992,765</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, 2023

OPERATING REVENUES	
Passenger fares	\$ 316,320
State government contracts	5,766,578
Local government contracts	578,664
Federal government contracts	2,300,354
Advertising revenue	62,500
In-kind revenue	389,480
Miscellaneous revenue	348
Total operating revenues	<u>9,414,244</u>
OPERATING EXPENSES	
Payroll	3,684,339
Payroll taxes	341,806
Fringe benefits	2,014,856
Services	739,757
Materials and supplies	1,254,034
Utilities	131,994
Insurance	66,481
Interest	47,949
Rent	389,480
Maintenance	674,082
Depreciation	1,346,041
Amortization	34,819
Other	29,127
Total operating expenses	<u>10,754,765</u>
OPERATING INCOME (LOSS)	<u>(1,340,521)</u>
NON-OPERATING REVENUES (EXPENSES)	
Gain on disposal of capital asset	-
Interest	-
Total non-operating revenues (expenses)	<u>-</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,340,521)
CAPITAL CONTRIBUTIONS	<u>28,970</u>
CHANGE IN NET POSITION	(1,311,551)
TOTAL NET POSITION - BEGINNING	<u>10,304,316</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 8,992,765</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, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 444,324
Receipts from governments	8,479,572
Other receipts	62,848
Payments to employees	(5,993,431)
Payments to suppliers	(2,691,404)
Other payments	(114,430)
Net cash provided (used) by operating activities	<u>187,479</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Principal payments on SBITA liabilities	<u>(37,923)</u>
Net cash provided (used) by noncapital financing activities	<u>(37,923)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	28,970
Purchase of capital assets	(25,585)
Net cash provided (used) by capital and related financing activities	<u>3,385</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	-
Net cash provided (used) by investing activities	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	152,941
<b>BALANCES - BEGINNING OF YEAR</b>	<u>44,626</u>
<b>BALANCES - END OF YEAR</b>	<u>\$ 197,567</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (1,340,521)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories	
Depreciation & amortization expense	1,380,860
Changes in assets and liabilities:	
Accounts receivable (net)	1,046
Due from other governments (net)	(166,024)
Inventories	16,105
Prepaid expenses	30,382
Accounts payable	54,781
Accrued payroll	29,711
Accrued liabilities	9,018
Line of credit	36,322
Accrued compensated absences	8,841
Deferred revenue	126,958
Net cash provided (used) by operating activities	<u>\$ 187,479</u>

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

SOUTHEAST AREA TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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, 2023 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.

SOUTHEAST AREA TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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 and Amortization

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

Right-of-use subscription assets are amortized over the subscription term of three years using the straight-line method.

SOUTHEAST AREA TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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 - CHANGE IN ACCOUNTING PRINCIPLE

Adoption of New Accounting Standards

Effective July 1, 2022, the District adopted GASB Statement No.96 *Subscription-Based Information Technology Arrangements (SBITA)*. The standard was issued to increase consistency and comparability in financial reporting by governments and to enhance the relevance and reliability of a government's financial statements by reporting subscription assets and liabilities and disclosing key information about the arrangement. The District's adoption of GASBS 96 resulted in the recognition of a lease asset and liability on the statement of net position. There was no effect on the change in net position for the current period, or prior periods, as a result of the change. For periods prior to July 1, 2022, SBITA's continue to be reported in accordance with the District's historical accounting treatment.

NOTE 3 - 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

SOUTHEAST AREA TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 3 - RISKS AND UNCERTAINTIES (CONTINUED)

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.

The total amount of the District's cash, stated at fair value, at June 30, 2023, is \$197,567. The total amount of District deposits in financial institutions, per the bank statements, were \$208,904 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, foreign currency 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 4 - 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 5 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of June 30, 2023 the allowance for uncollectible accounts was estimated at \$0.

SOUTHEAST AREA TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
Capital assets (non-depreciable)				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets (non-depreciable)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets				
Buses	13,386,130	-	-	13,386,130
Equipment	1,635,774	25,586	-	1,661,360
Service vehicles	357,902	-	-	357,902
Total other capital assets at historical cost	<u>15,379,806</u>	<u>25,586</u>	<u>-</u>	<u>15,405,392</u>
Less accumulated depreciation for:				
Buses	(4,301,456)	(1,167,039)	-	(5,468,495)
Equipment	(950,634)	(141,942)	-	(1,092,576)
Service vehicles	(268,143)	(37,060)	-	(305,203)
Total accumulated depreciation	<u>(5,520,233)</u>	<u>(1,346,041)</u>	<u>-</u>	<u>(6,866,274)</u>
Other capital assets, net	<u>9,859,573</u>	<u>(1,320,455)</u>	<u>-</u>	<u>8,539,118</u>
Capital assets, net	<u>\$ 9,859,573</u>	<u>\$ (1,320,455)</u>	<u>\$ -</u>	<u>\$ 8,539,118</u>

NOTE 7 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has entered into three subscription-based information technology arrangements for transit planning/scheduling with terms ending September 30, 2024. No commitments exist under the SBITA before the commencement of the subscription term.

The following is a summary of changes in the right-of-use subscription assets:

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
Amortized Asset				
Intangible Right to Use SBITA Software	\$ 78,345	\$ -	\$ -	\$ 78,345
Total amortized asset	<u>78,345</u>	<u>-</u>	<u>-</u>	<u>78,345</u>
Less accumulated amortization for:				
SBITA Software	-	(34,819)	-	(34,819)
Total accumulated amortization	<u>-</u>	<u>(34,819)</u>	<u>-</u>	<u>(34,819)</u>
Amortized assets, net	<u>\$ 78,345</u>	<u>\$ (34,819)</u>	<u>\$ -</u>	<u>\$ 43,526</u>

SOUTHEAST AREA TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 7 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)**

The following is a summary of principal and interest requirements to maturity on the subscription liability:

	Principal	Interest	Total Debt Service
2024	\$ 40,422	\$ 3,910	\$ 44,332
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 40,422</u>	<u>\$ 3,910</u>	<u>\$ 44,332</u>

**NOTE 8 – SHORT-TERM DEBT**

The following is a summary of outstanding short-term debt at June 30, 2023:

	<u>2023</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>\$ 721,541</u>

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

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
Line of Credit	\$ 685,219	\$ 3,099,412	\$(3,063,090)	\$ 721,541
	<u>\$ 685,219</u>	<u>\$ 3,099,412</u>	<u>\$(3,063,090)</u>	<u>\$ 721,541</u>

**NOTE 9 - 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 \$40 depending on the date of hire and position. The total amount of pension expense incurred by the District was \$101,705 for year ending June 30, 2023.



SOUTHEAST AREA TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - CONTINGENCIES

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

NOTE 11 – SUBSEQUENT EVENTS

Adoption of New Accounting Pronouncements –

The GASB has issued the following statements, which may require adoption subsequent to June 30, 2023. 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)
99	<i>Omnibus 2022</i>	06/15/23
100	<i>Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62</i>	06/15/23
101	<i>Compensated Absences</i>	12/15/23
102	<i>Certain Risk Disclosures</i>	06/15/24

NOTE 12 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of May 31, 2024, 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

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### 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, 2023, and have issued our report thereon dated May 31, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying 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, 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  
May 31, 2024

## SCHEDULE A

SOUTHEAST AREA TRANSIT DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 BY DIVISION  
 YEAR ENDED JUNE 30, 2023

	General	ADA	Total
<b>OPERATING REVENUES</b>			
Passenger fares	\$ 311,934	\$ 4,386	\$ 316,320
State government contracts	5,563,007	203,572	5,766,579
Local government contracts	578,664	-	578,664
Federal government contracts	2,300,354	-	2,300,354
Advertising revenue	62,500	-	62,500
In-kind revenue	389,480	-	389,480
Miscellaneous revenue	348	-	348
Total operating revenues	<u>9,206,287</u>	<u>207,958</u>	<u>9,414,245</u>
<b>OPERATING EXPENSES</b>			
Payroll	3,675,236	9,105	3,684,341
Payroll taxes	341,035	770	341,805
Fringe benefits	2,010,950	3,907	2,014,857
Services	424,677	315,079	739,756
Materials and supplies	1,218,367	35,667	1,254,034
Utilities	131,994	-	131,994
Insurance	66,481	-	66,481
Interest	47,949	-	47,949
Rent	389,480	-	389,480
Maintenance	674,082	-	674,082
Depreciation	1,346,041	-	1,346,041
Amortization	34,819	-	34,819
Other	29,127	-	29,127
Total operating expenses	<u>10,390,238</u>	<u>364,528</u>	<u>10,754,766</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,183,951)</u>	<u>(156,570)</u>	<u>(1,340,521)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain on disposal of capital asset	-	-	-
Interest	-	-	-
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(1,183,951)	(156,570)	(1,340,521)
<b>CAPITAL CONTRIBUTIONS</b>	<u>28,970</u>	<u>-</u>	<u>28,970</u>
<b>CHANGE IN NET POSITION</b>	(1,154,981)	(156,570)	(1,311,551)
<b>TOTAL NET POSITION - BEGINNING</b>	<u>11,016,711</u>	<u>(712,395)</u>	<u>10,304,316</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 9,861,730</u>	<u>\$ (868,965)</u>	<u>\$ 8,992,765</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, 2023

## REVENUES

Intergovernmental revenue	
State government contracts	\$ 5,563,007
Federal government contracts	2,300,354
Local government contracts	578,664
Total intergovernmental revenue	<u>8,442,025</u>
Transportation revenue	
Passenger fares	311,934
Total transportation revenue	<u>311,934</u>
Other revenue	
In-kind revenue	389,480
Advertising	62,500
Gain on disposal of capital asset	-
Miscellaneous	348
Total other revenue	<u>452,328</u>
Capital contributions	28,970
Total capital contributions	<u>28,970</u>
Interest income	-
Total interest income	<u>-</u>
Total revenues	<u>9,235,257</u>

## EXPENSES

Vehicle operations	
Payroll [OPS]	2,773,164
Payroll taxes [OPS]	267,854
Fringe benefits [OPS]	1,628,067
Purchased services [OPS]	13,402
Materials and supplies consumed [OPS]	876,232
Depreciation [OPS]	1,346,041
Amortization (OPS)	34,819
Miscellaneous	256
Total vehicle operations	<u>6,939,835</u>
Vehicle maintenance	
Payroll [VM]	713,662
Payroll taxes [VM]	58,748
Fringe benefits [VM]	319,727
Purchased services [VM]	68,390
Materials and supplies consumed [VM]	300,888
Maintenance [VM]	674,082
Miscellaneous	-
Total vehicle maintenance	<u>\$ 2,135,497</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, 2023

Non-vehicle Maintenance	
Purchased services [OM]	\$ 54,119
Utilities (OM)	8,086
Insurance [OM]	55,685
Materials and supplies consumed [OM]	20,306
Total non-vehicle maintenance	<u>138,196</u>
General administration	
Payroll [AD]	188,409
Payroll taxes [AD]	14,432
Fringe benefits [AD]	63,156
Purchased services [AD]	288,766
Materials and supplies consumed [AD]	20,940
Utilities [AD]	123,908
Casualty and liability insurance [AD]	10,797
Interest [AD]	47,949
Rent [AD]	389,480
Miscellaneous [AD]	28,873
Total general administration	<u>1,176,710</u>
Total expenditures	<u>10,390,238</u>
Revenues over expenditures	(1,154,981)
TOTAL NET POSITION - BEGINNING	<u>11,016,711</u>
TOTAL NET POSITION - ENDING	<u>\$ 9,861,730</u>

See accompanying independent auditors' report on supplementary information.

# Ron L. Beaulieu & Company

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## 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 the 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, 2023, 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 May 31, 2024.

### **Report on 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) 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 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  
May 31, 2024