

NORTH COUNTY TRANSIT DISTRICT

Single Audit Reports

For the Year Ended June 30, 2014

**NORTH COUNTY TRANSIT DISTRICT
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2014**

Table of Contents

	<i>Page(s)</i>
Independent Auditor's 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> and the Transportation Development Act.....	1-2
Independent Auditor's Report on Compliance for the Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs.....	8
Summary Schedule of Prior Audit Findings.....	9

**INDEPENDENT AUDITOR'S 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*
AND THE TRANSPORTATION DEVELOPMENT ACT**

To the Board of Directors
North County Transit District

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 the North County Transit District (NCTD), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise NCTD's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NCTD'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 NCTD's internal control. Accordingly, we do not express an opinion on the effectiveness of NCTD'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCTD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable provisions of the Transportation Development Act as required by Sections 6634 and 6637 of Title 21, Division 3, Chapter 2, Article 4 of the California Code of Regulations, including Public Utilities Code Sections 99267, 99268.1, and 99314.6, 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Diego, California
December 30, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE
MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
North County Transit District

Report on Compliance for the Major Federal Program

We have audited North County Transit District's (NCTD) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on NCTD's major federal program for the year ended June 30, 2014. NCTD's major federal programs are identified in the summary of auditor's 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for NCTD's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about NCTD'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 the major federal program. However, our audit does not provide a legal determination of NCTD's compliance.

Opinion on the Major Federal Program

In our opinion, NCTD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of NCTD 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 NCTD's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 NCTD'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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of NCTD as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise NCTD's basic financial statements. We issued our report thereon dated December 30, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic 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 to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

San Diego, California
December 30, 2014

NORTH COUNTY TRANSIT DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Federal Program Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Direct:			
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	CA-05-0265	\$ 426,834
Federal Transit - Capital Investment Grants	20.500	CA-04-0188	25,018
Federal Transit - Capital Investment Grants	20.500	CA-04-0096	7,765
Federal Transit - Capital Investment Grants	20.500	CA-05-0246	6,198
Federal Transit - Capital Investment Grants	20.500	CA-05-0230	4,247
Federal Transit - Capital Investment Grants	20.500	CA-04-0216	2,362
Federal Transit - Capital Investment Grants	20.500	CA-05-0202	2,066
Federal Transit - Capital Investment Grants	20.500	CA-05-0237	79
Federal Transit - Capital Investment Grants	20.500	CA-03-0718	41
Federal Transit - Capital Investment Grants	20.500	CA-04-0015	41
Subtotal 20.500			<u>474,651</u>
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z096	4,789,535
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y959	3,100,869
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y874	1,806,484
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y632	626,607
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y815	604,574
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y705	320,325
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y556	160,647
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-0467	121,544
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-0345/Y345	77,483
ARRA - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-96-X016	71,163
Subtotal 20.507			<u>11,679,231</u>
State of Good Repair Grants	20.525	CA-54-0012	<u>7,623,700</u>
Total Federal Transit Cluster			<u>19,777,582</u>
Formula Grants for Rural Areas	20.509	5311	506,017
Transit Services Programs Cluster:			
Job Access and Reverse Commute Program	20.516	5316	334,250
Job Access and Reverse Commute Program	20.516	CA-37-X190	41,609
Job Access and Reverse Commute Program	20.516	CA-37-X091	32,519
Job Access and Reverse Commute Program	20.516	CA-37-X163	31,260
Subtotal 20.516			<u>439,638</u>
New Freedom Program	20.521	CA-57-X095	200,000
New Freedom Program	20.521	CA-57-X033 NF	149,546
New Freedom Program	20.521	CA-57-X059	1,671
Subtotal 20.521			<u>351,217</u>
Total Transit Services Programs Cluster			<u>790,855</u>
Subtotal Direct			<u>21,074,454</u>
Pass Through California Department of Transportation Division of Rail: Capital Assistance to States - Intercity Passenger Rail Service	20.317	75FRA0005	<u>4,782,515</u>
Total U.S. Department of Transportation			<u>25,856,969</u>
<u>U.S. Department of Homeland Security</u>			
Direct:			
Rail and Transit Security Grant Program	97.075	2010-RA-TO-0045	<u>43,584</u>
Total Expenditures of Federal Awards			<u>\$ 25,900,553</u>

See accompanying notes to the schedule of expenditures of federal awards.

**NORTH COUNTY TRANSIT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the North County Transit District (NCTD). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies are included in the SEFA. NCTD's reporting entity is defined in Note 1 to the NCTD's basic financial statements. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA-" in the federal program title.

2. BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 to NCTD's basic financial statements. Under the accrual basis of accounting, expenses are recognized when incurred, regardless of the timing of cash flows.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal expenditures agree or can be reconciled with the amounts reported in NCTD's basic financial statements.

4. CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

5. MEDICAL ASSISTANCE PROGRAM (MAA) (MEDI-CAL)

Direct Medi-Cal expenses are excluded from the SEFA. These expenses represent fees for services and are not included in the SEFA or in determining major programs. NCTD entered into an agreement with the County of San Diego (County) to assist in the proper and efficient administration of the MAA program by improving the availability and accessibility to Medi-Cal services for Medi-Cal eligible and potentially eligible individuals and their families. NCTD provides non-emergency, non-medical transportation for Medi-Cal eligible individuals to Medi-Cal covered services within San Diego County using the subcontractor American Logistics Company in fiscal year 2014.

NCTD submitted claims in the amount of \$257,673 to the County for reimbursement for MAA expenses incurred during the year ended June 30, 2014.

**NORTH COUNTY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal program:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Federal Program:

CFDA Number	Federal Program or Cluster Title
20.500	Federal Transit Cluster:
20.507	Federal Transit – Capital Investment Grants
20.525	Federal Transit – Formula Grants (Urbanized Area Formula Program)
	State of Good Repair Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$777,017
Auditee qualified as a low-risk auditee?	Yes

Section II Financial Statement Findings

No matters reported.

Section III Federal Award Findings and Questioned Costs

No matters reported.

**NORTH COUNTY TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

No matters were reported.

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