

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**SINGLE AUDIT REPORT**  
June 30, 2021

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

SINGLE AUDIT REPORT  
June 30, 2021

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BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Alameda-Contra Costa Transit District  
Oakland, California

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 business-type activities and fiduciary activities of Alameda-Contra Costa Transit District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November <>, 2021. Our report includes a reference to other auditors who audited the financial statements of the AC Transit Pension Trust Fund, as described in our report on the District's financial statements. The financial statements of the AC Transit Pension Trust Fund were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2021-001).

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(Continued)

**Compliance and Other Matters**

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

**The District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

Crowe LLP

San Francisco, California  
November <>, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Alameda-Contra Costa Transit District  
Oakland, California

**Report on Compliance for Each Major Federal Program**

We have audited Alameda-Contra Costa Transit District's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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(Continued)

## Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the fiduciary activities of Alameda-Contra Costa Transit District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November <>, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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 the Uniform Guidance 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 directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

San Francisco, California  
November <>, 2021

DRAFT  
ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2021  
(In Thousands)

SR No. 21-520  
Att.9.

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	(Unaudited) <u>Total Program Award</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Transportation					
Federal Transit Cluster:					
General capital assistance					
Federal transit capital improvement grants					
Capital improvement	20.500	CA-03-X798	\$ 43,808	\$ 733	\$ -
Capital improvement	20.500	CA-04-0189	12,099	624	-
Capital improvement	20.500	CA-04-0264	<u>22,280</u>	<u>81</u>	<u>-</u>
Subtotal			<u>85,687</u>	<u>1,438</u>	<u>-</u>
General operating assistance					
Operating (Federal passthrough)	20.500	CA-03-0798	6,192	16	-
Operating (Federal passthrough)	20.500	CA-04-0264	<u>2,720</u>	<u>78</u>	<u>-</u>
Subtotal			<u>8,912</u>	<u>94</u>	<u>-</u>
Subtotal CFDA 20.500			<u>94,599</u>	<u>1,532</u>	<u>-</u>
Federal transit formula grants (urbanized area formula program)					
Capital assistance	20.507	CA-90-0303	14,472	167	-
Capital assistance	20.507	CA-90-Z058	10,896	802	-
Capital assistance	20.507	CA-90-Z153	50,579	68	-
Capital assistance	20.507	CA-90-Z307	8,568	507	-
Capital assistance	20.507	CA-95-0059	1,061	2	-
Capital assistance	20.507	CA-95-X253	1,803	88	-
Capital assistance	20.507	CA-95-Z010	<u>2,200</u>	<u>1,262</u>	<u>-</u>
Subtotal			<u>89,579</u>	<u>2,896</u>	<u>-</u>
Operating assistance	20.507	CA-90-0367	5,385	5,385	-
Operating assistance	20.507	CA-90-0370	11,451	6,050	-
COVID-19 – Operating assistance	20.507	CA-90-4092	114,160	84,160	-
Operating (Federal passthrough)	20.507	CA-95-0059	9,326	260	-
Operating (Federal passthrough)	20.507	CA-95-0088	<u>3,881</u>	<u>689</u>	<u>-</u>
Subtotal			<u>144,203</u>	<u>96,544</u>	<u>-</u>
Subtotal CFDA 20.507			<u>233,782</u>	<u>99,440</u>	<u>-</u>
Total Federal Transit Cluster			<u>328,381</u>	<u>100,972</u>	<u>-</u>
Highway Planning and Construction	20,205	n/a	178	178	-
Highway Planning and Construction	20,205	STPLNI 6084	2,300	293	-
Highway Planning and Construction	20,205	CMLNI 6084	<u>900</u>	<u>344</u>	<u>-</u>
Total Highway Planning and Construction Cluster			<u>3,378</u>	<u>815</u>	<u>-</u>

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

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2021  
(In Thousands)

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<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	(Unaudited) <u>Total Program Award</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Public Transportation Research, Technical Assistance, and Training	20.514	CA-26-0064	<u>1,552</u>	<u>46</u>	<u>-</u>
Total Public Transportation Research, Technical Assistance, and Training			<u>1,552</u>	<u>46</u>	<u>-</u>
Total U.S. Department of Transportation			<u>333,311</u>	<u>101,833</u>	<u>-</u>
U.S. Department of Labor					
H-1B Job Training Grants	17.268	AP27832-15-60	<u>150</u>	<u>113</u>	<u>-</u>
Total H-1B Job Training Grants			<u>150</u>	<u>113</u>	<u>-</u>
Total U.S. Department of Labor			<u>150</u>	<u>113</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 333,461</u>	<u>\$ 101,946</u>	<u>\$ -</u>

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



ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2021

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**NOTE 1 - REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Alameda-Contra Costa Transit District (the District) and its component units as disclosed in the notes to the basic financial statements for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 2 - 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, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

Federal awards may be granted directly to the District by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the District. The Schedule includes both of these types of Federal award programs when they occur.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

  X   Yes      \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:  
Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        X   None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes        X   No

Identification of major programs:

CFDA Number

Name of Federal Program of Cluster

20.500 / 20.507

Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

***Finding 2021-001 – Net OPEB Liability – Significant Deficiency***

Criteria: GASB Statement No. 75 requires that a liability be recognized for the net OPEB liability. The net OPEB liability should be measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the OPEB plan's fiduciary net position

Condition: An audit adjustment for \$3.2 million was proposed and posted to adjust the net OPEB liability of the ATU Local 192 Benefits Trust plan per the general ledger to match the net OPEB liability per the actuarial valuation.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021

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Context: During our testing of the OPEB plans transactions and balances, we noted that while the deferred inflows and deferred outflows of the ATU Local 192 Benefits Trust plan agreed to the actuarial valuation, the net OPEB liability did not.

Effect: The net OPEB liability and OPEB expense were both understated by approximately \$3.2 million prior to the audit adjustment.

Cause: Management did not implement internal controls at the level of precision necessary to ensure that the liability was properly adjusted. It appeared that they calculated the correct liability on their worksheet, however, the journal entry that was posted was incorrect, resulting in an understated balance.

Recommendation: We recommend that management review all closing journal entries to ensure that they are properly posted and review the general ledger after journal entries are posted to ensure that the adjusted balances agree to any supporting documentation.

Views of responsible officials and planned corrective actions: Management concurs with the finding. All proposed entries are reviewed and approved by a second senior accountant or Manager. We will add a second review by another Senior Manager, the Controller or CFO, for complex entries such as the OPEB and Pension actuarial adjustments. This review will include a reconciliation of the affected accounts after the entry is posted to ensure the net effect of the entry is as expected.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.