



**Onslow United Transit System, Inc.**

**[www.onslowunitedtransit.org](http://www.onslowunitedtransit.org)**

**(910) 346-2998**

(a nonprofit organization)

**Financial Statements**  
Year Ended June 30, 2021



**Nunn, Brashear  
& Uzzell, P.A.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Onslow United Transit System, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Onslow United Transit System, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Onslow United Transit System, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to 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, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2021, on our consideration of Onslow United Transit System, Inc.'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 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 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 Onslow United Transit System, Inc.'s internal control over financial reporting and compliance.

*Nunn, Brashear & Uzzell, P.A.*

Goldsboro, North Carolina

September 24, 2021

## **Financial Statements**

**Onslow United Transit System, Inc.**  
**Statement of Financial Position**  
For the Year Ended June 30, 2021

**Assets**

		<u>2021</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$	1,742,215
Accounts receivable		156,820
Deposits		300
<b>Total Current Assets</b>		<u><b>1,899,335</b></u>
 <b>Property and Equipment</b>		
Furniture and fixtures		103,365
Equipment		81,473
Vehicles		1,070,314
Computers and technology		80,905
		<u>1,336,057</u>
Less accumulated depreciation		<u>(724,523)</u>
Property and Equipment, net		<u>611,534</u>
<b>Total Assets</b>	<b>\$</b>	<u><u><b>2,510,869</b></u></u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$	26,912
Accrued payroll and tax liabilities		39,509
Accrued vacation		39,778
<b>Total Current Liabilities</b>		<u><b>106,199</b></u>
<b>Total Liabilities</b>		106,199
 <b>Net Assets</b>		
Net assets without donor restrictions		<u>2,404,670</u>
Total Net Assets		<u>2,404,670</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<u><u><b>2,510,869</b></u></u>

*The accompanying notes are an integral part of these financial statements.*

**Onslow United Transit System, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2021**

	<b>2021</b>
<b>Net Assets without Donor Restrictions</b>	
<b>Support and Revenues</b>	
Federal and State grants	\$ 1,072,554
Onslow County grant	34,000
Transit services	858,166
One Call Center revenue	92,148
Client fares	13,045
Advertising income	3,600
Interest income	246
Gain (loss) on disposal of assets	4,285
<b>Total Support and Revenues</b>	<b>2,078,044</b>
 <b>Expenses</b>	
Program services	1,384,162
General and administrative	94,141
<b>Total Expenses</b>	<b>1,478,303</b>
<b>Increase (Decrease) in Net Assets</b>	<b>599,741</b>
<b>Net Assets without Donor Restrictions, Beginning of Year</b>	1,700,314
Prior period adjustment - See Note H	104,615
<b>Net Assets without Donor Restrictions, As Restated</b>	<b>1,804,929</b>
<b>Net Assets without Donor Restrictions, End of Year</b>	<b>\$ 2,404,670</b>

*The accompanying notes are an integral part of these financial statements.*

**Onslow United Transit System, Inc.**  
**Statement of Functional Expenses**  
For the Year Ended June 30, 2021

<b>Expenses</b>	<b>Program Services</b>	<b>General and Administrative</b>	<b>2021 Total Expenses</b>
Salaries	\$ 678,478	\$ 44,951	723,429
Payroll related taxes	48,853	3,439	52,292
Employee benefits	2,369	-	2,369
Employee related costs	5,390	-	5,390
Employee training and travel	1,368	-	1,368
Advertising & promotion	10,173	-	10,173
Insurance	131,984	7,381	139,365
Meeting expenses	236	-	236
Miscellaneous	3,279	-	3,279
Office supplies & support	66,389	-	66,389
Professional and legal fees	8,444	8,445	16,889
Rent	23,175	7,725	30,900
Repairs & maintenance - general	9,632	3,211	12,843
Repairs & maintenance - vehicles	235,733	-	235,733
Travel assistance	88	-	88
Utilities	6,163	2,055	8,218
<b>Total expenses before depreciation</b>	<b>1,231,754</b>	<b>77,207</b>	<b>1,308,961</b>
Depreciation	152,408	16,934	169,342
<b>Total Expenses</b>	<b>\$ 1,384,162</b>	<b>\$ 94,141</b>	<b>\$ 1,478,303</b>
<b>Percent of Functional Expenses to Total Expenses</b>	<b>93.63%</b>	<b>6.37%</b>	<b>100.00%</b>

*The accompanying notes are an integral part of these financial statements.*

**Onslow United Transit System, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	<b>2021</b>
<b>Cash Flows from Operating Activities</b>	
Increase (decrease) in net assets	\$ 599,741
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	169,342
(Gain) loss on disposal of fixed assets	(4,285)
Changes in operating assets and liabilities	
(Increase) decrease in accounts receivable	40,297
(Increase) decrease in prepaid expenses	4,413
Increase (decrease) in accounts payable	11,106
Increase (decrease) in deferred revenue	(36,706)
Increase (decrease) in accrued payroll and taxes	7,907
Increase (decrease) in accrued vacation	9,108
Net Cash Provided by Operating Activities	800,923
 <b>Cash Flows from Investing Activities</b>	
Purchases of fixed assets	(77,962)
Proceeds from sale of fixed assets	6,000
Net Cash (Used) by Investing Activities	(71,962)
 <b>Net Increase (Decrease) in Cash</b>	 728,961
Beginning Cash and Investments, unrestricted	1,013,254
Ending Cash and Investments, unrestricted	\$ 1,742,215
 <b><u>Supplemental Disclosures</u></b>	
Interest paid during the year	\$ -

*The accompanying notes are an integral part of these financial statements.*

# **Onslow United Transit System, Inc.**

## **Notes to the Financial Statements**

### **Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Activities**

Established in 1979, Onslow United Transit System, Inc. (OUTS) is a non-profit corporation in Onslow County, North Carolina. Their mission is to provide safe, reliable, and efficient transportation services to all the residents of the county.

#### **Basis of Accounting**

These statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, recognizing revenues when earned and expenses when incurred.

#### **Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB), FASB ASC 958, "*Financial Statements of Not-for Profit Organizations*". Under FASB ASC 958, the organization reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations, or stipulations that can be used for subsequent year's activities. Currently, all net assets are without donor restrictions. See Note F for a schedule of board designations for the net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that are to be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the organization has no such net assets.

#### **Support and Revenue**

The organization receives a large amount of support from government grants, contracted services, and fare revenue. Support received from these revenue sources is recognized as an increase in net assets without donor restrictions unless the use of the related assets is limited by law. Expenses are recognized as decreases in net assets without donor restrictions. Gains and losses on other assets are reported as increases and decreases in net assets without donor restrictions, again unless their use is limited by law.

#### **Fair Value of Financial Instruments**

The carrying amount of cash, accounts payable, and accrued liabilities approximates fair value because of the relative terms and short maturity of these financial instruments.

# **Onslow United Transit System, Inc.**

## **Notes to the Financial Statements**

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts on income and expenses during the reporting period. Actual results could differ from those estimates.

### **Property and Equipment**

Property and equipment is recorded at cost. Depreciation of the assets is computed using the straight line over the estimated useful lives of the assets. The organization capitalizes at cost or fair market value all expenditures of fixed assets in excess of \$500.

Expenditures for repairs and maintenance are expensed as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. When disposal of equipment occurs, the related asset and accumulated depreciation accounts are reversed and the resulting gain or loss is recorded as an increase or decrease in net assets.

### **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Payroll related items have been allocated to general and administrative based on time spent on program services versus general and administrative services. Occupancy costs have been allocated based on amount of space administrative services occupy in the corporate office. Insurance costs have been allocated based on number of employees and their services to the organization. Professional fees have been divided equally among functions.

### **Income Taxes**

OUTS is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes. In addition, the organization qualified for charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a "private foundation" within the meaning of Section 509(a)(2).

### **Cash and cash equivalents**

OUTS consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

### **Date of Management Evaluation**

Subsequent events have been evaluated through September 24, 2021, which is the date the financial statements were available to be issued. See Note I for subsequent event disclosure.

# Onslow United Transit System, Inc.

## Notes to the Financial Statements

### **Note B - CONCENTRATION OF CREDIT RISK**

#### **Cash**

At various times during the fiscal year, OUTS's cash in bank balances exceeded the federally insured limits. The total cash balances at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The cash accounts carry a bank balance of \$1,710,639 of which \$1,460,639 is considered uninsured as of June 30, 2021.

### **Note C – LIQUIDITY RESOURCES**

OUTS primary revenue sources is from transportation contracts, fares, and government grants. OUTS has various sources of liquidity at its disposal including cash and investments.

The following table reflects the organization's financial assets as of June 30, 2021:

	<u>06/30/21</u>
Cash and cash equivalents	\$ 1,742,215
Accounts receivables	156,820
Deposits	<u>300</u>
Financial assets to meet cash needs for general expenditures within one year	<u><u>\$ 1,899,335</u></u>

The organization's goal is generally to maintain financial assets to meet four to six months operating expenses (approximately \$435,000 to \$650,000).

### **Note D - VACATION AND COMPENSATION**

#### **Accrued Vacation Time**

The organization's vacation policy provides for the accumulation of up to six weeks earned vacation leave, which has been included in accrued vacation as a liability of \$39,778 as of June 30, 2021. At the beginning of each calendar year, any employee balance above 240 hours is transferred to the employee's sick leave account.

#### **Accrued Sick Time**

The organization's sick leave policy provides for an unlimited accumulation of earned sick leave; however, upon separation from the organization, the employee does not receive any payment of the remaining balance. An accrual has not been recorded; the sick time accumulated is \$136,399 as of June 30, 2021.

#### **Accrued Payroll**

Based on the pay period and pay date, the organization recorded accrued payroll cost of \$38,268 as of June 30, 2021.

**Onslow United Transit System, Inc.**  
**Notes to the Financial Statements**

**Note E – SHORT-TERM DEBT**

The organization has a credit card with a financial institution for operating expenses with a credit line totaling \$5,000. The balance on all cards is paid off monthly by the organization. A balance of \$455 was reflected as part of the accounts payable balance as of June 30, 2021.

The organization has a line of credit with a local financial institution for \$100,000. There is no amount due as of June 30, 2021.

**Note F – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions of OUTS are available for use at the discretion of the board of directors. For planning purposes the board sets aside amounts for future purposes. The chart below details the net assets without donor restrictions set aside.

	06/30/21
Operating reserve	\$ 450,000
Facilities reserve	100,000
Vehicle replacement reserve	20,000
Technology reserve	15,000
Maintenance reserve	20,000
Remaining net assets	1,799,670
Total net assets without donor restrictions	\$ 2,404,670

**Note G - COMMITMENTS AND CONTINGENCIES**

The organization receives a substantial amount of its support from government funds that are available for their programs. These federal and state funds are subject to audit by these agencies and could result in a refund of grant monies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of any monies. A significant reduction in the level of outside support could have an adverse effect on the OUTS's programs and activities. The following schedule shows the various amounts provided by granting agencies:

	06/30/21
U.S. DOT: Rural Area Formula Grants	\$ 979,113
U.S. DHHS: CARES Act	26,696
U.S. DOT: JARC	7,500
U.S. DOT: Enhanced Mobility Seniors	12,498
U.S. DHHS: ROAP - Elderly & Disabled Transportation	36,706
N.C. DOT: Traveler's Aid and Operating	10,041
	\$ 1,072,554

## **Onslow United Transit System, Inc.**

### **Notes to the Financial Statements**

See accompanying Schedule of Federal and State Awards for additional information. Certain vehicles owned by OUTS have a lien held by the N.C. D.O.T. until certain conditions have been met. The conditions ensure terms of the grants are completed before the title is transferred to OUTS. OUTS reports these vehicles as assets.

#### **Note H – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was needed to correct accumulated depreciation. The accumulated depreciation was over reported in prior compilation report. \$104,615 was recorded to decrease accumulated depreciation and increase net assets without donor restrictions.

#### **Note I - SUBSEQUENT EVENTS**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and activities. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of the closings and activities. Therefore, OUTS experienced negative impact of its operations in the 2021 fiscal year.

## **Compliance Section**

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**Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses, Significant Deficiencies, or Reportable Instances of Noncompliance or Other Matters Identified**

To the Board of Directors of Onslow United Transit System, Inc.

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 Onslow United Transit System, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Onslow United Transit System, Inc.'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 Onslow United Transit System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Onslow United Transit System, Inc.'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 Onslow United Transit System, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nunn, Brashear & Uzzell, P.A.*

Goldsboro, North Carolina  
September 24, 2021

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**Single Audit Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance—with Unmodified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies**

To the Board of Directors of Onslow United Transit System, Inc.

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

We have audited Onslow United Transit System, Inc.'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 Onslow United Transit System, Inc.'s major federal programs for the year ended June 30, 2021. Onslow United Transit System, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Onslow United Transit System, Inc.'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 Onslow United Transit System, Inc.'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 Onslow United Transit System, Inc.'s compliance.

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

In our opinion, Onslow United Transit System, Inc. 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.

## Report on Internal Control Over Compliance

Management of Onslow United Transit System, Inc. 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 Onslow United Transit System, Inc.'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 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 Onslow United Transit System, Inc.'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Nunn, Brashear & Uzzell, P.A.*

Goldsboro, North Carolina  
September 24, 2021

**Onslow United Transit System, Inc.**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2021**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass- Through) Expenditures</u>	<u>State (Direct &amp; Pass- Through) Expenditures</u>	<u>Pass-Through to Local Recipients</u>	<u>Local (Direct &amp; Pass- Through) Expenditures</u>
<b><u>Federal Awards</u></b>						
<b><u>U. S. Dept. of Health and Human Services</u></b>						
Passed through the N.C. Department of Health and Human Services CARES Act - Vaccine Transportation	21.019	49458.9.1.2	26,696	-	-	-
<b><u>U.S. Department of Transportation</u></b>						
Passed through North Carolina Dept. of Transportation Enhanced Mobility of Seniors and Individuals with Disabilities 5310 Elderly and Disabled	20.513-CL	51001.52.7.2	12,498	-	-	12,498
Formula Grants for Rural Areas Administration	20.509	36.233.79.15.1	233,929	14,619	-	43,858
CARES-CTP Grant	20.509	49233.46.1.2	667,768	-	-	-
Capital	20.509	36233.79.15.3	55,820	6,977	-	6,977
Job Access and Reverse Commute Program	20.516	51002.24.2.2	7,500	-	-	7,500
			<b>\$ 1,004,211</b>	<b>\$ 21,596</b>	<b>\$ -</b>	<b>\$ 70,833</b>
<b><u>State Awards</u></b>						
<b><u>State of North Carolina</u></b>						
<b><u>Department of Transportation</u></b>						
Operating - RSO	DOT-11	36223.115.2.1	-	10,000	-	10,000
Traveler's Aid	DOT-11	36224.30.5.2	-	41	-	41
Passed through Onslow County Rural Operating Assistance Program Rural General Public Program	DOT-16CL		-	36,706	-	-
			-	46,747	-	10,041
<b>Total Federal and State Awards</b>			<b>\$ 1,004,211</b>	<b>\$ 68,343</b>	<b>\$ -</b>	<b>\$ 80,874</b>

**Onslow United Transit System, Inc.**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2021**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Agency or Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal (Direct &amp; Pass- Through) Expenditures</b>	<b>State (Direct &amp; Pass- Through) Expenditures</b>	<b>Pass-Through to Local Recipients</b>	<b>Local (Direct &amp; Pass- Through) Expenditures</b>
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Notes to the Schedule of Expenditures of Federal Financial Awards:

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and State grant activity of Onslow United Transit System, Inc. (OUTS) under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and OMB Circular A-122, Cost Principles for Nonprofit Organizations, and Subpart C, Cost Sharing and Matching, of OMB Circular A-110, Grants and agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of OUTS, it is not intended to and does not present the financial position, changes in net assets or cash flows of the organization.

**Note 2: Summary of Significant Accounting Policies**

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

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

**Note 3: Cluster of Programs**

The following are clustered by the federal government:

Enhanced Mobility of Seniors and Individuals with Disabilities

The following are clustered by the State government:

Rural Operating Assistance Program

**Onslow United Transit System, Inc.**  
**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2021

**I. Summary of Auditors' Results**

**Financial Statement**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   No

Noncompliance material to financial statements noted \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major federal programs:

Material weakness identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_\_\_ Yes   X   No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Formula Grants for Rural Areas	20.509

Dollar threshold used to distinguish between Type A and B Programs      \$   750,000  

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Onslow United Transit System, Inc.**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended June 30, 2021

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**II. Financial Statement Findings**

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**Finding:** None noted

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**III. Federal Awards Findings and Questioned Costs**

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**Finding:** None noted

**Onslow United Transit System, Inc.**

**Corrective Action Plan**

For the Year Ended June 30, 2021

**II. Findings Related to the Audit of the Financial Statements of Onslow United Transit System, Inc.**

**None noted**

**III. Federal Awards Findings and Questioned Costs**

**None noted**

**Onslow United Transit System, Inc.**  
**Summary Schedule of Prior Audit Findings**  
For the Year Ended June 30, 2021

**No prior year findings noted**

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**Communication of No Material Weaknesses in a Separate Report**

To Board of Directors and Management  
of Onslow United Transit System, Inc.

In planning and performing our audit of the financial statements of Onslow United Transit System, Inc. as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Onslow United Transit System, Inc.'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

**Other Recommendation:**

**Change in Accounting Principles**

*Observation:* Effective for the fiscal year ending June 30, 2022, the Financial Accounting Standards Board (FASB) has issued a new accounting standard that will require non-profit entities to account for leases that in the past were operating leases.

*Recommendation:* We suggest that the Organization begin to compile a list of all leases along with related payment, dates of lease, and length of lease.

*Benefit:* The Organization will have a year in order to gather the required information in order to implement the new standard.

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

*Nunn, Brashear, & Uzzell, P.A.*

Goldsboro, North Carolina  
September 24, 2021

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**Communication with Those Charged with Governance  
At or Near the Conclusion of the Audit**

September 24, 2021

To the Board of Directors  
Onslow United Transit System, Inc.

We have audited the financial statements of Onslow United Transit System, Inc. for the years ended June 30, 2021 and 2020, and have issued our report thereon dated September 24, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Onslow United Transit System, Inc. are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

Management's estimate of depreciation is based on straight-line depreciation. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is:

The disclosure of liquidity in Note C to the financial statements are significant in that they rely on estimated expenses expected in the subsequent year.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. All adjustments have been posted to the Onslow United Transit System, Inc.'s financial records. A schedule of adjustments is attached.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 24, 2021

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Onslow United Transit System, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Nunn, Brashear & Uzzell, P.A.*

Goldsboro, North Carolina



G197	G197 -+ Drug & Alcohol Tests		25.00
G199	G199 -+ Other Professional Services - Other		150.00
G251	G251 -+ Gasoline		8,903.00
G331	G331 -+ Electricity		22.00
G334	G334 -+ Water		53.00
G353	G353 -+ Repairs & Maintenance-Vehicles - Other		3,364.00
G391	G391 -+ Legal Advertising		71.00
G394	G394 -+ Cleaning Services		780.00
G586	G586 -+ Bldg Security/Surveil. Equip		175.00

<b>Total</b>		<b>45,061.00</b>	<b>45,061.00</b>
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#### Adjusting Journal Entries JE # 8

To record additional payables found.

G251	G251 -+ Gasoline	15,379.00	
G254	G254 -+ Vehicle Licenses, Tags, & Fees	7,366.00	
2000	2000 -+ Accounts Payable		22,745.00

<b>Total</b>		<b>22,745.00</b>	<b>22,745.00</b>
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#### Adjusting Journal Entries JE # 9

To reverse items prior accountant reversed through retained earnings.

3000	3000 -+ Undesignated Net Assets	30,670.00	
3000	3000 -+ Undesignated Net Assets	36,706.00	
4811	NCDOT-CARES Operating	145,360.00	
5300	5300 -+ Contract Transit Services	20,885.00	
5570	5570 -+ One Call Center Revenue	7,455.00	
9321	9321 -+ Corporate Income Tax (Fed & NC)	3,408.00	
G322	G322 -+ Internet Service	43.00	
G325	G325 -+ Postage	53.00	
G491	G491 -+ Dues & Subscriptions	1,575.00	
3000	3000 -+ Undesignated Net Assets		5,079.00
3000	3000 -+ Undesignated Net Assets		171,543.00
4815	ROAP		2,157.00
4815	ROAP		36,706.00
G121	G121 -+ Salaries & Wages		30,670.00

<b>Total</b>		<b>246,155.00</b>	<b>246,155.00</b>
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#### Adjusting Journal Entries JE # 10

PBC-To record additional accounts receivable.

1200	1200 -+ Accounts Receivable	111,090.00	
4811	NCDOT-CARES Operating		65,634.00
5300	5300 -+ Contract Transit Services		37,518.00
5540	5540 -+ Client Fares		259.00
5570	5570 -+ One Call Center Revenue		7,679.00

<b>Total</b>		<b>111,090.00</b>	<b>111,090.00</b>
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#### Adjusting Journal Entries JE # 11

To clear out old prepaid amount.

1450	1450 -+ Prepaid Expenses	666.00	
G261	G261 -+ Office Supplies & Materials		666.00

<b>Total</b>		<b>666.00</b>	<b>666.00</b>
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