



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2020

North County Transit District

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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*, the Transportation Development Act and California Government Code §8879.50

Board of Directors
North County Transit District
Oceanside, 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 North County Transit District (NCTD) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise NCTD's basic financial statements, and have issued our report thereon dated December 14, 2020.

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) 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 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 of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Title 21 of the California Code of Regulations, 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 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

San Diego, California
December 14, 2020



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
North County Transit District
Oceanside, California

Report on Compliance for the Major Federal Program

We have audited North County Transit District (NCTD)'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on NCTD's major federal program for the year ended June 30, 2020. NCTD's major federal program is 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 program.

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 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 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 the major federal program for the year ended June 30, 2020.

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, we considered NCTD's internal control over compliance with the requirements that could have a direct and material effect on a 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses.

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 NCTD as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise NCTD's basic financial statements. We have issued our opinion thereon dated December 14, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of 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.



San Diego, California

January 14, 2021, except for our report on the schedule of expenditures of federal awards, for which the date is December 14, 2020

North County Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Grant Number	Federal Expenditures
U.S. Department of Transportation:			
Federal Transit Cluster:			
Direct Assistance:			
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y815	\$ 168,422
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y874	637,548
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y959	281,168
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z096	7,878
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z200	1,947,424
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z241	1,148,239
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2016-068	356,974
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2016-113	87,938
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2016-134	(22,731)
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-134	3,364,678
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-005	4,969,692
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-084	7,367,626
COVID-19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-069	<u>19,164,040</u>
Subtotal - 20.507			<u>39,478,896</u>
State of Good Repair Grants Program	20.525	CA-54-0012	333,856
State of Good Repair Grants Program	20.525	CA-54-0029	100,096
State of Good Repair Grants Program	20.525	CA-54-0035	28,535
State of Good Repair Grants Program	20.525	CA-2017-021	2,164,809
State of Good Repair Grants Program	20.525	CA-2017-133	566,260
State of Good Repair Grants Program	20.525	CA-2018-151	1,046,641
State of Good Repair Grants Program	20.525	CA-2019-090	<u>6,262,324</u>
Subtotal - 20.525			<u>10,502,521</u>
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2017-132	1,492,092
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2019-010	427,689
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2019-071	<u>2,528,742</u>
Subtotal - 20.526			<u>4,448,523</u>
Subtotal - Federal Transit Cluster			<u>54,429,940</u>
Transit Services Programs Cluster:			
Job Access and Reverse Commute Program	20.516	CA-37-X091	<u>145,118</u>
Subtotal - Transit Services Program Cluster			<u>145,118</u>
Passed-through from California Department of Transportation Division of Rail:			
Formula Grants for Rural Areas	20.509	Section 5311 (POP 23 & 24)	465,994
COVID-19 - Formula Grants for Rural Areas	20.509	Section 5311 (POP 23 & 24)	<u>488,232</u>
Subtotal - 20.509			<u>954,226</u>
Capital Assistance to States - Intercity Passenger Rail Service	20.317	FRA	<u>502,615</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	FY19 5304	<u>247,122</u>
Total - U.S. Department of Transportation			<u>56,279,021</u>
Total Expenditures of Federal Awards			<u>\$ 56,279,021</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of NCTD under programs of the federal government for the year ended June 30, 2020. 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 NCTD, it is not intended to and does not present the financial position, changes in net position, or cash flows of NCTD.

Note 2 - Summary of Significant Accounting Policies

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when NCTD becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

Pass-through entity identifying numbers were presented where available.

Note 3 - Indirect Cost Rate

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

Note 4 - Subrecipients

There were no awards passed through to subrecipients.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified	No
Significant deficiency(ies) identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No

Identification of major federal programs:

Name of Federal Program or Cluster	CFDA Number
Federal Transit Cluster	20.507/ 20.525/ 20.526
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,688,371
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None Reported.

Financial Statement Findings:

None reported.

Federal Award Findings:

Finding No.	Program	CFDA No.	Compliance Requirements	Status of Corrective Action
2019-001	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Reporting	Implemented