



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2023

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*, and the Transportation Development Act

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 (*Government Auditing Standards*), the financial statements of North County Transit District (NCTD) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise NCTD’s basic financial statements, and have issued our report thereon dated December 18, 2023. Our report included an emphasis of matter paragraph regarding NCTD’s adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 18, 2023



Independent Auditor’s Report on Compliance for the 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

Opinion on the Major Federal Program

We have audited North County Transit District’s (NCTD) compliance with the types of compliance requirements identified as subject to audit 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, 2023. NCTD’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, NCTD complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NCTD and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of NCTD’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to NCTD’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NCTD's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NCTD's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NCTD's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NCTD's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 NCTD's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023, and the related notes to the financial statements, which collectively comprise NCTD's basic financial statements. We issued our report thereon dated December 18, 2023, which contained an unmodified opinion on those financial statements. Our report included an emphasis of matter paragraph regarding NCTD's adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023. 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 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 basic 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.



Rancho Cucamonga, California
December 18, 2023

North County Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Transportation:			
Federal Transit Cluster:			
Direct Assistance:			
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-2096	\$ 115,840
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z241	127,716
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2016-113	55,481
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-134	225,117
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-005	254,929
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-084	1,147,307
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-235	1,837,063
ARPA - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2022-054	13,044,837
CARES - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-069	1,663,555
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2022-038	3,808,941
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2023-011	20,051,020
Subtotal - 20.507			<u>42,331,806</u>
State of Good Repair Grants Program	20.525	CA-2017-021	186,182
State of Good Repair Grants Program	20.525	CA-2017-133	9,028
State of Good Repair Grants Program	20.525	CA-2019-090	234,219
State of Good Repair Grants Program	20.525	CA-2020-275	821,901
State of Good Repair Grants Program	20.525	CA-2021-216	3,368,386
State of Good Repair Grants Program	20.525	CA-2023-015	6,869,827
Subtotal - 20.525			<u>11,489,543</u>
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2019-010	292,163
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2020-026	29,064
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2021-205	704,536
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2022-202	65,456
Subtotal - 20.526			<u>1,091,219</u>
Subtotal - Federal Transit Cluster			<u>54,912,568</u>
Passed-through from California Department of Transportation Division of Rail:			
Formula Grants for Rural Areas	20.509	Section 5311 (POP 23 & 24)	1,441,700
COVID-19 - Formula Grants for Rural Areas	20.509	Section 5311 CARES Ph2	(1,055,187)
Formula Grants for Rural Areas	20.509	Section 5311 CRRSAA	1,279,146
Subtotal - 20.509			<u>1,665,659</u>
Direct Assistance:			
Capital Assistance to States - Intercity Passenger Rail Service	20.317	FRA	22,521
Direct Assistance:			
Federal-State Partnership for Intercity Passenger Rail	20.326	FRA Partnership Program FY21	830,484
Passed-through from San Diego Association of Governments:			
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	FY19 5304	174,106
Total - U.S. Department of Transportation			<u>57,605,338</u>
Total Federal Financial Assistance			<u>\$ 57,605,338</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the North County Transit District under programs of the federal government for the year ended June 30, 2023. The information 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 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

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

NCTD has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies 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 programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Federal Transit Cluster	20.507/ 20.525/ 20.526
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,728,160
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:

Note reported.