

**SAN LUIS OBISPO  
REGIONAL TRANSIT AUTHORITY  
BASIC FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2024 AND 2023**

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY**

**JUNE 30, 2024 AND 2023**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
San Luis Obispo Regional Transit Authority  
San Luis Obispo, California

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the San Luis Obispo Regional Transit Authority (the Authority) as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability and the schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenses – budget and actual is presented for purposes of additional analysis 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 expenses – budget and actual is fairly stated, in all material respects, in relation to the basic 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 October 4, 2024, on our consideration of the Authority'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 solely 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 the effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
October 4, 2024

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
STATEMENTS OF NET POSITION  
JUNE 30, 2024 AND 2023**

	2024	2023
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 7,280,362	\$ 4,547,840
Accounts receivable	34,418	210,832
Deposits	2,000	2,000
Intergovernmental receivables	4,508,273	5,167,832
Prepaid items	321,590	286,976
Inventory at cost	347,327	393,136
	12,493,970	10,608,616
Noncurrent Assets:		
Restricted - Cash	346,614	184,204
	346,614	184,204
Capital Assets:		
Nondepreciable		
Land	1,512,602	1,512,602
Depreciable		
Buildings and improvements	26,404,329	26,237,737
Vehicles and Equipment	26,904,867	23,812,713
Less accumulated depreciation	(20,238,237)	(18,299,707)
	33,070,959	31,750,743
Right-to-use leased asset, net	102,829	115,762
	34,686,390	33,379,107
Total Net Capital Assets	34,686,390	33,379,107
Total Noncurrent Assets	35,033,004	33,563,311
<b>Total Assets</b>	47,526,974	44,171,927
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension	2,106,652	2,899,420
	2,106,652	2,899,420
<b>Total Deferred Outflows of Resources</b>	2,106,652	2,899,420

The notes to the basic financial statements are an integral part of this statement.

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY**  
**STATEMENTS OF NET POSITION (Continued)**  
**JUNE 30, 2024 AND 2023**

	2024	2023
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	637,935	1,100,492
Accrued payroll	474,751	426,517
Unearned revenue	5,980,873	2,965,395
Unearned revenue - State of Good Repair	723,053	1,323,456
Compensated absences	90,907	80,307
Lease liability	49,922	49,958
Pension plan exit liability	172,378	168,634
Total OPEB liability	3,072	6,144
Loan payable	350,255	339,861
	<b>8,483,146</b>	<b>6,460,764</b>
Noncurrent liabilities:		
Compensated absences	272,719	240,920
Total OPEB liability	12,533	14,069
Net pension liability	4,897,352	4,841,422
Pension plan exit liability	176,205	348,581
Lease liability	42,520	55,884
Loan payable	11,960,910	12,311,165
	<b>17,362,239</b>	<b>17,812,041</b>
<b>Total Liabilities</b>	<b>25,845,385</b>	<b>24,272,805</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension	97,202	113,453
	<b>97,202</b>	<b>113,453</b>
<b>NET POSITION</b>		
Net investment in capital assets	22,282,783	20,622,239
Unrestricted	1,408,256	2,062,850
	<b>\$ 23,691,039</b>	<b>\$ 22,685,089</b>

The notes to the basic financial statements are an integral part of this statement.



**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES:</b>		
Passenger fares	\$ 1,085,887	\$ 901,319
Other operating revenue	240,488	165,330
	<u>1,326,375</u>	<u>1,066,649</u>
<b>OPERATING EXPENSES:</b>		
Transit operating expenses	13,777,779	12,716,625
Administration and financial services	2,102,853	2,126,465
Depreciation and amortization	3,151,543	2,977,597
	<u>19,032,175</u>	<u>17,820,687</u>
Total Operating Expenses	<u>19,032,175</u>	<u>17,820,687</u>
Operating Loss	<u>(17,705,800)</u>	<u>(16,754,038)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Transportation Development Act funds	6,692,610	9,293,630
Federal and State grants	7,731,169	4,597,562
Interest income	108,428	70,410
Loss on disposal of capital assets	21,005	-
Planning	(158,686)	-
Interest expense	(105,045)	(114,751)
	<u>14,289,481</u>	<u>13,846,851</u>
Total Nonoperating Revenues (Expenses)	<u>14,289,481</u>	<u>13,846,851</u>
<b>CAPITAL CONTRIBUTIONS:</b>		
Federal capital grants	3,005,678	1,186,931
State capital grants	1,376,158	364,016
Local capital grants	40,433	-
	<u>4,422,269</u>	<u>1,550,947</u>
Total Capital Contributions	<u>4,422,269</u>	<u>1,550,947</u>
Change in Net Position	<u>1,005,950</u>	<u>(1,356,240)</u>
Net Position, Beginning of Fiscal Year	<u>22,685,089</u>	<u>24,041,329</u>
Net Position, End of Fiscal Year	<u><u>\$ 23,691,039</u></u>	<u><u>\$ 22,685,089</u></u>

The notes to the basic financial statements are an integral part of this statement.

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 3,917,864	\$ 1,479,998
Payments to employees	(10,157,797)	(10,617,157)
Payments to suppliers	<u>(5,424,357)</u>	<u>(3,679,181)</u>
Net Cash Used by Operating Activities	<u>(11,664,290)</u>	<u>(12,816,340)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal paid - loan payable	(339,861)	-
Principal paid - lease payment	(49,957)	(379,877)
Interest expense	(105,045)	(114,751)
Capital grants received	4,422,269	1,550,947
Acquisition and construction of property, plant, and equipment	(4,422,269)	(1,550,947)
Proceeds from the sale of capital assets	21,005	-
Planning	<u>(158,686)</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	<u>(632,544)</u>	<u>(494,628)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Grants received	<u>15,083,338</u>	<u>13,509,933</u>
Net Cash Provided by Noncapital Financing Activities	<u>15,083,338</u>	<u>13,509,933</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income	<u>108,428</u>	<u>70,410</u>
Net Cash Provided by Investing Activities	<u>108,428</u>	<u>70,410</u>
Net Increase in Cash and Cash Equivalents	2,894,932	269,375
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>4,732,044</u>	<u>4,462,669</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 7,626,976</u>	<u>\$ 4,732,044</u>

The notes to the basic financial statements are an integral part of this statement.

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (17,705,800)	\$ (16,754,038)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	3,151,543	2,977,597
Change in operating assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	176,414	(66,480)
Prepaid items	(34,614)	(50,240)
Inventory	45,809	(129,219)
Deferred outflows of resources	792,768	(42,412)
Accounts payable	(462,557)	(181,780)
Accrued payroll	48,234	71,101
Unearned revenue	2,415,075	479,829
Total OPEB liability	(4,608)	(6,144)
Net pension liability	(112,702)	1,403,451
Compensated absences	42,399	38,483
Deferred inflows of resources	<u>(16,251)</u>	<u>(556,488)</u>
 Net Cash Used by Operating Activities	 <u>\$ (11,664,290)</u>	 <u>\$ (12,816,340)</u>
 Reconciliation of Cash and Cash Equivalents per Statement of Cash Flows to the Statement of Net Position:		
Cash and investments	\$ 7,280,362	\$ 4,547,840
Restricted - Cash	<u>346,614</u>	<u>184,204</u>
 Cash and Cash Equivalents per Statement of Cash Flows	 <u>\$ 7,626,976</u>	 <u>\$ 4,732,044</u>

The notes to the basic financial statements are an integral part of this statement.

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 – REPORTING ENTITY**

San Luis Obispo Regional Transit Authority (the Authority) is a Joint Powers Authority created by a joint powers agreement among the Cities of San Luis Obispo, Morro Bay, Atascadero, Arroyo Grande, El Paso de Robles, Grover Beach, and Pismo Beach and the County of San Luis Obispo (the County).

The purpose of the Authority is to operate a fixed route public transportation system linking San Luis Obispo to the outlying communities of Morro Bay, Los Osos, Arroyo Grande, El Paso de Robles, Grover Beach, Pismo Beach, Atascadero, Cambria, San Simeon, Nipomo, Santa Maria, Templeton, Santa Margarita, and San Miguel, along with Cuesta College and California Men’s Colony. The Authority also owns, operates, and administers a countywide public demand responsive transportation system that is fully accessible for disabled riders. On August 1, 2009, the Authority began in-house vehicle operations and maintenance. Prior to August 1, 2009, a private transportation company provided these services.

The Authority is governed by a Board of Directors comprised of twelve members representing each of the seven cities, in addition to the five members of the County Board of Supervisors.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Authority are in conformity with accounting principles generally accepted in the United States of America applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the significant accounting policies:

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing transportation services. The principal operating revenues of the Authority are charges to passengers for transportation services (passenger fares). Operating expenses include the cost of providing service, including general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. Revenue Recognition

The Authority’s primary source of revenues include passenger fares, State Transit Assistance funds, and Local Transportation Fund/Transportation Development Act (TDA) allocations made to the participating members, but assigned by the members to this Authority for its sole use. The San Luis Obispo Council of Governments administers the State Transit Assistance and TDA funds, approves claims for such funds submitted by the Authority, and makes payments to the Authority based upon such claims.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### B. Revenue Recognition (Continued)

Generally, amounts due from other governments are recorded as revenues when earned. However, when the expenditure of funds is the prime factor for determining eligibility for grants, revenue is accrued when the related expenditures have been made on an approved grant. The Authority recognizes as revenues the amounts allocated and approved to it by San Luis Obispo Council of Governments.

### C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

### D. Accounts Receivable

The Authority did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable are shown at full value.

### E. Inventory

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

### F. Capital Assets

Capital assets purchased by the Authority are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired. Capital assets are defined by the Authority as assets with initial, individual costs of more than \$1,000 and estimated useful life in excess of two years.

### G. Depreciation

Capital assets purchased by the Authority are depreciated over their estimated useful lives (ranging from 3-15 years) under the straight-line method of depreciation.

### H. Compensated Absences

Accumulated unpaid employee vacation leave benefits are recognized as liabilities of the Authority.

### I. Net Position

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation/amortization and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### J. Use of Estimates

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

### K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plan with San Luis Obispo County Pension Trust (the Trust) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### L. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Authority recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Authority that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time.

### M. Reclassification

Certain prior fiscal amounts have been reclassified to conform to the current fiscal year financial statements presentation.

### N. New Accounting Pronouncements – Implemented

**GASB Statement No. 99 – *Omnibus 2022***. The requirements of this statement are effective as follows:

- The requirements related to the extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. New Accounting Pronouncements – Implemented (Continued)

There was no effect on the Authority’s accounting and financial reporting as a result of implementing this standard.

**GASB Statement No. 100** – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. There was no effect on the Authority’s accounting and financial reporting as a result of implementing this standard.

O. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

**GASB Statement No. 101** – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority will implement GASB Statement No. 101 if and where applicable.

**GASB Statement No. 102** – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all fiscal years thereafter. The Authority will implement GASB Statement No. 102 when and where applicable.

**GASB Statement No. 103** – *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all fiscal years thereafter. The Authority will implement GASB Statement No. 103 when and where applicable.

**NOTE 3 – CASH AND INVESTMENTS**

The Authority's cash and investments as of June 30, 2024 and 2023, are classified in the Statement of Net Position as follows:

	<u>2024</u>	<u>2023</u>
Cash and investments	\$ 7,280,362	\$ 4,547,840
Restricted - Cash	<u>346,614</u>	<u>184,204</u>
Total Cash and Investments	<u>\$ 7,626,976</u>	<u>\$ 4,732,044</u>

On June 30, 2024 and 2023, the Authority had the following cash and investments on hand:

	<u>2024</u>	<u>2023</u>
Cash on hand and in banks	\$ 1,082,386	\$ 762,697
Investments	6,197,976	3,785,143
Restricted cash	<u>346,614</u>	<u>184,204</u>
Total Cash and Investments	<u>\$ 7,626,976</u>	<u>\$ 4,732,044</u>

**NOTE 3 – CASH AND INVESTMENTS** (Continued)

Investments Authorized by the California Government Code and the Authority’s Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	10%	5%
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
County Investment Pool	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority’s investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
2024					
San Luis Obispo County Investment Pool	\$ 6,197,976	\$ 6,197,976	\$ -	\$ -	\$ -
Total	\$ 6,197,976	\$ 6,197,976	\$ -	\$ -	\$ -

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
2023					
San Luis Obispo County Investment Pool	\$ 3,785,143	\$ 3,785,143	\$ -	\$ -	\$ -
Total	\$ 3,785,143	\$ 3,785,143	\$ -	\$ -	\$ -



**NOTE 3 – CASH AND INVESTMENTS** (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority’s investment policy, or debt agreements, and the actual rating as of fiscal year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year-End		
				AAA	AA	Not Rated
San Luis Obispo County Investment Pool	\$ 6,197,976	N/A	\$ -	\$ -	\$ -	\$ 6,197,976
<b>Total</b>	<b>\$ 6,197,976</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,197,976</b>

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year-End		
				AAA	AA	Not Rated
San Luis Obispo County Investment Pool	\$ 3,785,143	N/A	\$ -	\$ -	\$ -	\$ 3,785,143
<b>Total</b>	<b>\$ 3,785,143</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,785,143</b>

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Authority may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The balances in excess of the FDIC insurance amounted to \$579,844 and \$213,524 at June 30, 2024 and 2023, respectively.

### NOTE 3 – CASH AND INVESTMENTS (Continued)

#### Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

The Authority's investments in the County investment pool are measured at amortized cost, and are not valued under Level 1, 2, or 3. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool.

### NOTE 4 – CAPITAL ASSETS

Capital assets activity for the fiscal years ended June 30, 2024 and 2023, was as follows:

	<u>Balance July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance June 30, 2024</u>
Capital Assets Not Being Depreciated:					
Land	<u>\$ 1,512,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,512,602</u>
Total Capital Assets Not Being Depreciated	<u>1,512,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,512,602</u>
Capital Assets Being Depreciated:					
Buildings and improvements	<u>26,237,737</u>	<u>166,592</u>	<u>-</u>	<u>-</u>	<u>26,404,329</u>
Vehicles and equipment	<u>23,812,713</u>	<u>4,255,677</u>	<u>(1,163,523)</u>	<u>-</u>	<u>26,904,867</u>
Total Capital Assets Being Depreciated	<u>50,050,450</u>	<u>4,422,269</u>	<u>(1,163,523)</u>	<u>-</u>	<u>53,309,196</u>
Less Accumulated Depreciation For:					
Buildings, improvements, vehicles, and equipment	<u>18,299,707</u>	<u>3,102,053</u>	<u>(1,163,523)</u>	<u>-</u>	<u>20,238,237</u>
Total Accumulated Depreciation	<u>18,299,707</u>	<u>3,102,053</u>	<u>(1,163,523)</u>	<u>-</u>	<u>20,238,237</u>
Total Capital Assets Being Depreciated, Net	<u>31,750,743</u>	<u>1,320,216</u>	<u>-</u>	<u>-</u>	<u>33,070,959</u>
Right-to-Use Leased Asset					
Building	<u>205,596</u>	<u>36,557</u>	<u>-</u>	<u>-</u>	<u>242,153</u>
Accumulated Amortization	<u>89,834</u>	<u>49,490</u>	<u>-</u>	<u>-</u>	<u>139,324</u>
Total Right-to-Use Leased Asset, Net	<u>115,762</u>	<u>(12,933)</u>	<u>-</u>	<u>-</u>	<u>102,829</u>
Governmental Activities, Capital Assets, Net	<u>\$ 33,379,107</u>	<u>\$ 1,307,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,686,390</u>

**NOTE 4 – CAPITAL ASSETS (Continued)**

	Balance July 1, 2022	Increases	Decreases	Adjustments	Balance June 30, 2023
Capital Assets Not Being Depreciated:					
Land	\$ 1,512,602	\$ -	\$ -	\$ -	\$ 1,512,602
Total Capital Assets Not Being Depreciated	<u>1,512,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,512,602</u>
Capital Assets Being Depreciated:					
Buildings and improvements	26,220,948	16,789	-	-	26,237,737
Vehicles and equipment	<u>22,412,297</u>	<u>1,534,158</u>	<u>(133,742)</u>	<u>-</u>	<u>23,812,713</u>
Total Capital Assets Being Depreciated	<u>48,633,245</u>	<u>1,550,947</u>	<u>(133,742)</u>	<u>-</u>	<u>50,050,450</u>
Less Accumulated Depreciation For:					
Buildings, improvements, vehicles, and equipment	<u>15,500,769</u>	<u>2,932,680</u>	<u>(133,742)</u>	<u>-</u>	<u>18,299,707</u>
Total Accumulated Depreciation	<u>15,500,769</u>	<u>2,932,680</u>	<u>(133,742)</u>	<u>-</u>	<u>18,299,707</u>
Total Capital Assets Being Depreciated, Net	<u>33,132,476</u>	<u>(1,381,733)</u>	<u>-</u>	<u>-</u>	<u>31,750,743</u>
Right-to-Use Leased Asset					
Building	205,596	-	-	-	205,596
Accumulated Amortization	<u>44,917</u>	<u>44,917</u>	<u>-</u>	<u>-</u>	<u>89,834</u>
Total Right-to-Use Leased Asset, Net	<u>160,679</u>	<u>(44,917)</u>	<u>-</u>	<u>-</u>	<u>115,762</u>
Governmental Activities, Capital Assets, Net	<u>\$ 34,805,757</u>	<u>\$ (1,426,650)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,379,107</u>

Depreciation and amortization expense for the fiscal years ended June 30, 2024 and 2023, was \$3,151,543 and \$2,977,597, respectively.

**NOTE 5 – UNEARNED REVENUE**

The Authority received the following TDA funds:

	2024	2023
Local Transportation Funds	\$ 5,664,389	\$ 2,298,156
The Authority received an advance from developers for construction of bus stops as a condition imposed by the County Board of Supervisors. These funds are deferred until the bus stops have been constructed.	45,688	45,688
The Authority distributes Universal bus passes to Social Services and the general public as part of a "Welfare to Work Program." These funds are deferred revenue until they are tendered or redeemed.	217,300	89,001
Proposition 1B Funding	14,517	14,093
State Transit Assistance (STA) Senate Bill (SB) 1 State of Good Repair funding	723,053	1,323,456
TDA Article 4.5 Funds	(9,566)	226,516
Federal Transit Administration (FTA) Proceeds Carried Forward to Future Procurement	43,583	42,312
Low Carbon Transit Operator Program	<u>4,962</u>	<u>249,629</u>
Total Unearned Revenues	<u>\$ 6,703,926</u>	<u>\$ 4,288,851</u>

**NOTE 6 – OPERATING SUBSIDIES FROM LOCAL TRANSPORTATION AND STATE TRANSIT ASSISTANCE FUNDS**

The Authority was allocated the following funds from the Local Transportation Fund (LTF) and State Transit Assistance Fund (STA) for the fiscal years ended June 30, 2024 and 2023:

Allocation Assigned By/Claimant	Article/Section	Amount	
		2024	2023
Local Transportation Fund (LTF):			
City of Arroyo Grande	4/99260(a)	\$ 666,382	\$ 630,851
City of San Luis Obispo	4/99260(a)	1,275,654	1,068,248
County of San Luis Obispo	4/99260(a)	3,876,187	3,493,640
City of Grover Beach	4/99260(a)	462,868	471,509
City of Morro Bay	4/99260(a)	220,306	180,522
City of Atascadero	4/99260(a)	641,593	533,122
City of El Paso de Robles	4/99260(a)	1,142,424	1,061,544
City of Pismo Beach	4/99260(a)	290,718	290,767
Total LTF		8,576,132	7,730,203
State Transit Assistance (STA) Fund:			
Regional Transit Authority	6.5/99313	1,915,000	1,738,203
Regional Transit Authority	6.5/99314	161,000	160,224
Total STA Fund		2,076,000	1,898,427
Subtotal		10,652,132	9,628,630
Add: Recognition of prior fiscal year unearned revenues		1,704,867	2,267,172
Less: Current fiscal year unearned revenues		(5,664,389)	(2,298,156)
Total TDA Allocation		\$ 6,692,610	\$ 9,597,646

Transit system operating subsidies are earned by the Authority to the extent that it has incurred eligible operating expenses. Eligible expenses compared to the subsidies received and accrued were as followed:

	2024	2023
Operating and interest expenses	\$ 19,137,220	\$ 17,935,438
Add:		
Capital purchases with LTF and STA	673,177	364,016
Less:		
Depreciation and amortization	(3,151,543)	(2,977,597)
Fare revenues	(1,085,887)	(901,319)
Special events and other revenues	(240,488)	(165,330)
Federal and state operating grants	(7,731,169)	(4,597,562)
Maximum Total Allocation Amount	7,601,310	9,657,646
TDA allocations received and accrued	10,652,132	9,628,630
Change in TDA transit allocations in unearned revenues	(3,050,822)	29,016
Allocation over/(under) maximum	\$ -	\$ -

## NOTE 7 – FARE REVENUE RATIO

The Authority had fare revenue ratios for the fiscal years ended June 30, 2024 and 2023, computed as follows:

2024	Fixed Route	Runabout	Paso Express	Paso Dial a Ride	
Operating fare revenues	\$ 692,192	\$ 109,605	\$ 151,436	\$ 4,769	
Other local support - federal grants	2,263,644	1,630,718	365,135	74,622	
(a) Net operating revenues	\$ 2,955,836	\$ 1,740,323	\$ 516,571	\$ 79,391	
(b) Operating expenses, net of depreciation and pension expense (GASB 68 adjustment)	7,398,849	3,733,421	881,706	154,012	
(c) Fare revenue ratio [(a)/(b)]	39.9%	46.6%	58.6%	51.5%	
Minimum ratio required	15.8%	N/A	15.0%	N/A	
Under minimum ratio requirement	N/A*	N/A*	N/A*	N/A*	
	Nipomo	Cambria Trolley	Avila Trolley	SoCo Transit	Other
Operating fare revenues	\$ 14,075	\$ -	\$ 6,469	\$ 107,313	\$ 28
Other local support - federal grants	-	-	33,516	1,080,504	-
(a) Net operating revenues	\$ 14,075	\$ -	\$ 39,985	\$ 1,187,817	\$ 28
(b) Operating expenses, net of depreciation	605,568	6,319	73,500	2,268,321	31,537
(c) Fare revenue ratio [(a)/(b)]	2.3%	0.0%	54.4%	52.4%	0.1%
2023	Fixed Route	Runabout	Paso Express	Paso Dial a Ride	
(a) Operating fare revenues	\$ 529,240	\$ 79,437	\$ 126,788	\$ 7,465	
(b) Operating expenses, net of depreciation and pension expense (GASB 68 adjustment)	5,868,600	3,434,490	933,480	206,907	
(c) Fare revenue ratio [(a)/(b)]	9.0%	2.3%	13.6%	3.6%	
Minimum ratio required	15.8%	N/A	15.0%	N/A	
Under minimum ratio requirement	N/A*	N/A*	N/A*	N/A*	
	Nipomo	Cambria Trolley	Avila Trolley	SoCo Transit	Other
(a) Operating fare revenues	\$ 15,941	\$ -	\$ 6,648	\$ 135,478	\$ 322
(b) Operating expenses, net of depreciation	562,713	2,922	93,345	2,245,791	32,801
(c) Fare revenue ratio [(a)/(b)]	2.8%	0.0%	7.1%	6.0%	1.0%
Minimum ratio required	N/A	N/A	15.0%	15.0%	N/A
Under minimum ratio requirement	N/A*	N/A*	N/A*	N/A*	N/A*

- Due to COVID-19, the fare revenue ratio was waived for the fiscal year ended June 30, 2023.

## NOTE 8 – LONG-TERM LIABILITIES

	Balance	Increases	Decreases	Balance at June 30, 2024		
	July 1, 2023			Total	Current	Long-Term
Pacific Western Bank	\$ 690,116	\$ -	\$ (339,861)	\$ 350,255	\$ 350,255	\$ -
Transportation Infrastructure Finance and Innovation Act (TIFIA) loan	11,960,910	-	-	11,960,910	-	11,960,910
Leases	105,842	36,557	(49,957)	92,442	49,922	42,520
Compensated absences	321,227	479,451	(437,052)	363,626	90,907	272,719
Total OPEB liability	20,213	-	(4,608)	15,605	3,072	12,533
Net pension liability	4,841,422	55,930	-	4,897,352	-	4,897,352
Pension plan exit liability	517,215	-	(168,632)	348,583	172,378	176,205
<b>Total long-term liabilities</b>	<b>\$ 18,456,945</b>	<b>\$ 571,938</b>	<b>\$ (1,000,110)</b>	<b>\$ 18,028,773</b>	<b>\$ 666,534</b>	<b>\$ 17,362,239</b>

	Balance	Increases	Decreases	Balance at June 30, 2023		
	July 1, 2022			Total	Current	Long-Term
Pacific Western Bank	\$ 1,020,000	\$ -	\$ (329,884)	\$ 690,116	\$ 339,861	\$ 350,255
Transportation Infrastructure Finance and Innovation Act (TIFIA) loan	11,960,910	-	-	11,960,910	-	11,960,910
Leases	155,835	-	(49,993)	105,842	49,958	55,884
Compensated absences	282,744	459,819	(421,336)	321,227	80,307	240,920
Total OPEB liability	26,357	-	(6,144)	20,213	6,144	14,069
Net pension liability	3,272,997	1,568,425	-	4,841,422	-	4,841,422
Pension plan exit liability	682,189	-	(164,974)	517,215	-	517,215
<b>Total long-term liabilities</b>	<b>\$ 17,401,032</b>	<b>\$ 2,028,244</b>	<b>\$ (972,331)</b>	<b>\$ 18,456,945</b>	<b>\$ 476,270</b>	<b>\$ 17,980,675</b>

On September 3, 2020, the Authority entered into a loan agreement for a principal amount not to exceed \$13,080,000 to be used to pay a portion of eligible project costs. As of June 30, 2024 and 2023, the Authority has drawn down \$11,960,910. The loan bears an interest rate of 0.7%. The maturity date is July 1, 2056. At June 30, 2024, future minimum payments were as follows:

Fiscal Year Ended	Principal	Interest
June 30,		
2025	\$ -	\$ 83,726
2026	-	83,726
2027	346,829	81,299
2028	349,257	78,854
2029	351,702	76,392
2030-2034	1,795,784	344,423
2035-2039	1,859,522	280,238
2040-2044	1,925,523	213,776
2045-2049	1,993,866	144,954
2050-2054	2,064,635	73,689
2055-2057	1,273,792	8,958
	<b>\$ 11,960,910</b>	<b>\$ 1,470,035</b>

**NOTE 8 – LONG-TERM LIABILITIES** (Continued)

On July 21, 2020, the Authority entered into a loan agreement for a principal amount not to exceed \$1,020,000 to be used to pay a portion of eligible project costs. As of June 30, 2024 and 2023, the Authority has drawn down \$350,255 and \$690,116, respectively. The loan bears an interest rate of 3.0%. The maturity date is July 1, 2025. At June 30, 2024, future minimum payments were as follows:

Fiscal Year Ended June 30,	Principal	Interest
2025	\$ 350,255	\$ 10,654
	<u>\$ 350,255</u>	<u>\$ 10,654</u>

On July 1, 2021, the Authority entered into a 42-month lease as lessee for the use of a portion of the County's premises. An initial lease liability was recorded in the amount of \$127,808. On May 8, 2024, the lease was extended to December 31, 2025. As of June 30, 2024 and 2023, the value of the lease liability is \$54,669 and \$91,331, respectively. The Authority is required to make monthly fixed payments of \$4,442 through December 2024, and \$3,580 through December 31, 2025. The lease has an interest rate of 4%. The right-to-use leased asset useful life is 54 months as of the contract commencement. The value of the right-to-use leased asset as of June 30, 2024 and 2023, was \$164,365 and \$127,808, respectively, and accumulated amortization was \$100,430 and \$63,904, respectively. Refer to Note 4 of the financial statements.

At June 30, 2024, future minimum lease payments were as follows:

Fiscal Year Ended June 30,	Principal	Interest
2025	\$ 36,571	\$ 5,561
2026	18,098	3,383
2027	-	-
	<u>\$ 54,669</u>	<u>\$ 8,944</u>

On July 1, 2021, the Authority entered into a 72-month lease as lessee for the use of a portion of the County's Corp Yard totaling approximately 1.5 acres of real property. An initial lease liability was recorded in the amount of \$77,788. As of June 30, 2024 and 2023, the value of the lease liability is \$37,773 and \$55,943, respectively. The Authority is required to make monthly fixed payments of \$1,173. The lease has an interest rate of 4%. The right-to-use leased asset useful life was 72 months as of the contract commencement. The value of the right-to-use leased asset as of June 30, 2024 and 2023, was \$77,788, and accumulated amortization was \$38,895 and \$25,930, respectively. Refer to Note 4 of the financial statements.

Fiscal Year Ended June 30,	Principal	Interest
2025	\$ 13,351	\$ 2,030
2026	13,341	2,654
2027	11,081	2,699
	<u>\$ 37,773</u>	<u>\$ 7,383</u>

## NOTE 9 – PENSION PLAN

### A. General Information about the Pension Plan

#### *Plan Description*

The Authority contributes to the San Luis Obispo County Employees Retirement Plan (the Plan), which is an independent multiple-employer cost sharing contributory defined benefit pension plan consisting of six employers: the County of San Luis Obispo (the Employer), the Superior Court in San Luis Obispo County, the San Luis Obispo Air Pollution Control District, the San Luis Obispo County Pension Trust, the San Luis Obispo Local Agency Formation Commission, and the Authority. The Plan exists, operates, and is constituted under the authority of Section 53215 of Section 17 of Article XVI of the California Constitution and the Government Code Article 1.5 (Pension Trusts), of Chapter 2 (Officers and Employees), of Part 1 (Powers and Duties Common to Cities, Counties and Other Agencies), of Division 2 (Cities, Counties and Other Agencies), of Title 5 (Local Agencies) of the California Government Code.

Pursuant to the foregoing California Government Code provisions, the County Board of Supervisors established the San Luis Obispo County Pension Trust (the Trust) by the adoption of Chapter 2.56 of the San Luis Obispo County Code. Following the adoption of Chapter 2.56 of the County Code, the Board of Supervisors adopted the By-Laws of the Trust. The Plan is part of those By-Laws. The County Board of Supervisors has the sole authority to amend the Plan's provisions. Participation in the Plan is mandatory for all regular employees. Participants are currently broken into three Tiers depending on date of hire:

Tier 1	Tier 1 generally includes members hired before January 1, 2011. As of December 31, 2023, there were 0 active Authority employed members in Tier 1.
Tier 2	Tier 2 generally includes members hired on or after January 1, 2011, but before January 1, 2013. Tier 2 only applies to members hired after the date each bargaining unit adopted Tier 2. Members hired in a bargaining unit that did not adopt Tier 2 are considered Tier 1 members. As of December 31, 2023, there were 6 active Authority employed members in Tier 2.
Tier 3	Tier 3 includes all members hired on or after January 1, 2013. As of December 31, 2023, there were 6 active Authority employed members in Tier 3.

The Trust and the Plan are both administered by the San Luis Obispo County Pension Trust Board of Trustees (the "Trustees"). Separate stand-alone financial statements are issued for the Plan and are available at the County Auditor-Controller-Treasurer-Tax Collector's office.

The Plan's financial statements are prepared on the accrual basis of accounting. All assets are invested and held pursuant to, and in accordance with, the Investment Policy of the Plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to formal commitments and statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. All other securities are valued at the last reported market price at current exchange rates.

#### *Benefit Provisions*

Members terminating employment before accruing five years of Trust service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested members who terminate service are required to withdraw their



## **NOTE 9 – PENSION PLAN**

### A. General Information about the Pension Plan (Continued)

#### *Benefit Provisions* (Continued)

accumulated contributions plus accrued interest. The employer contributions forfeited by non-vested members are absorbed back into the pension trust fund. Members who terminate after earning five years of Trust service credit may leave their contributions on deposit and upon reaching age eligibility elect to take a retirement. Differences between expected and actual experience for vested or non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Plan participants, upon vesting and attaining the minimum retirement age, are entitled to annual retirement benefits as defined in the Plan document. The applicable retirement formula, minimum retirement age, compensation base, post-retirement cost of living adjustment, cost of living adjustment carry over, and final compensation maximum may differ depending upon the Plan provisions in effect at the member's date of hire, the member's classification, the member's age, and the member's bargaining unit. Participants receive their accumulated plan benefits as a life annuity payable monthly upon retirement. In the event of total and permanent disability, participants, upon satisfaction of membership service requirements and other applicable provisions of the Plan, receive disability benefits as defined in the Plan document. The Plan also provides a death benefit of \$1,000 (one-thousand) paid to a beneficiary or estate if a member dies after retirement.

For members within Tier 1, final average salary is the average monthly salary based on the highest twelve consecutive months of earnings and may include a compensation pickup for various management bargaining units. For members with Tier 2 or Tier 3 benefits, final average salary is the average monthly salary based on the highest thirty-six consecutive months of earnings with no pickup.

The retirement benefit for Tier 1, Tier 2, and Tier 3 members includes post-retirement cost of living adjustments (COLAs) based upon the Consumer Price Index. Tier 1 member COLAs are limited to a maximum of 3% annually. For Tier 2 and Tier 3 members, COLAs are limited to a maximum of 2% annually. There is no minimum COLA requirement, and COLAs must be approved by the Board of Trustees annually.

#### *Contributions*

Plan members are required by statute to contribute to the pension plan. Members' contribution rates are formulated based on age at date of entry and the actuarially calculated future benefits. The Authority is required by statute to contribute the remaining amounts necessary to finance the estimated benefits accrued to its members. Member and employer contribution rates for each plan are as follows:

<u>Plan</u>	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>
Miscellaneous Tier 1	0.00%	0.00%
Miscellaneous Tier 2	33.93%	11.79% - 18.56%
Miscellaneous Tier 3	33.44% - 37.44%	6.17% - 17.92%

Contributions to the pension plan from the Authority were \$279,029 and \$242,069 for the fiscal years ended June 30, 2024 and 2023, respectively.

The Plan establishes the basic obligations for employer and member contributions and benefits to and of the retirement system. The actual employer and member contribution rates in effect each fiscal year are based on recommendations made by an independent actuary that are approved by the Board of Trustees and adopted by the County Board of Supervisors.

**NOTE 9 – PENSION PLAN** (Continued)

**B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

At June 30, 2024 and 2023, the Authority reported a liability of \$4,897,352 and \$4,841,422, respectively, for its proportionate share of the net pension liability of the Plan. The net pension liability was measured as of December 31, 2023 and 2022.

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of January 1, 2023 and 2022. The actuarial assumptions used in the January 1, 2023 and 2022 valuations were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2017. Measurements as of December 31, 2023 and 2022, are based on the fair value of assets on that date, and the Total Pension Liability as of the valuation dates, January 1, 2023 and 2022. The actuarial assumptions were rolled forward to the Plan's fiscal year-ends of December 31, 2023 and 2022. There were no significant events between the January 1, 2023 and 2022 valuation dates and the December 31, 2023 and 2022 measurement dates for the Plan's GASB Statement No. 67 valuation.

The Authority's proportion of the net pension liability was based on the projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2023, (measurement dates December 31, 2023 and 2022) was as follows:

Proportion - December 31, 2022	0.48980%
Proportion - December 31, 2023	<u>0.48770%</u>
Change - Increase (Decrease)	<u><u>-0.00210%</u></u>
Proportion - December 31, 2021	0.51100%
Proportion - December 31, 2022	<u>0.48980%</u>
Change - Increase (Decrease)	<u><u>-0.02120%</u></u>

For the fiscal years ended June 30, 2024 and 2023, the Authority recognized pension expense of \$631,885 and \$1,350,162, respectively. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method and plan benefits. At December 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority contributions subsequent to measurement date	\$ 279,029	\$ -
Differences between actual and expected experience	330,057	-
Changes in assumptions	350,096	-
Net difference between projected and actual earnings on plan investments	388,377	-
Adjustment due to differences in proportions	759,093	97,202
Differences in actual contributions and proportionate share of contributions	-	-
Total	<u>\$ 2,106,652</u>	<u>\$ 97,202</u>

**NOTE 9 – PENSION PLAN** (Continued)**B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**  
(Continued)

December 31, 2022	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Authority contributions subsequent to measurement date	\$ 242,069	\$ -
Differences between actual and expected experience	245,803	-
Changes in assumptions	515,261	-
Net difference between projected and actual earnings on plan investments	459,033	-
Adjustment due to differences in proportions	1,437,254	113,453
Differences in actual contributions and proportionate share of contributions	-	-
	<u>-</u>	<u>-</u>
Total	<u>\$ 2,899,420</u>	<u>\$ 113,453</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$279,029 and \$242,069 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2024 and 2023, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized the pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2025	\$ 344,417
2026	333,644
2027	370,772
2028	19,720
2029	661,868
	<u>661,868</u>
	<u>\$ 1,730,421</u>

**NOTE 9 – PENSION PLAN** (Continued)**B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**  
(Continued)*Actuarial Assumptions*

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2023
Measurement Date	December 31, 2023
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.50%
Projected Salary Increase	3.00%, plus merit component based on years of service ranging from 0.00% to 5.25%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
COLA Increases	2.75% for Tier 1 and 2.00% for Tier 2 and Tier 3

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Weighted Average Long-Term Expected Real Rate of Return
Cash Equivalents/Short Duration Government	10.00%	1.96%
Equities - Public Market	30.00%	4.75%
Real Assets	15.00%	5.50%
Private Markets	30.00%	5.98%
US Treasury - Long Duration/TIPS	15.00%	2.15%
Total	100.00%	

**NOTE 9 – PENSION PLAN** (Continued)

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions  
(Continued)

*Discount Rate* (Continued)

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

December 31, 2023	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Agency's proportionate share of the net pension plan liability	\$ 6,703,593	\$ 4,897,352	\$ 3,417,604
December 31, 2022	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Agency's proportionate share of the net pension plan liability	\$ 6,575,962	\$ 4,841,422	\$ 3,421,605

**NOTE 10 – INSURANCE**

The Authority is exposed to various risks of loss related to torts; theft, damage to, or destruction of an asset; and errors or omissions. The Authority maintains comprehensive general liability including automobile insurance of \$25 million for buses, vans, equipment, and facilities. The Authority also purchases commercial Special Liability Insurance and Special Authority Property Insurance with limits of \$25 million per occurrence and \$100 million annual aggregate.

**NOTE 11 – PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT**

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B in November 2006, included a program of funding in the amount of \$4 billion to be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, \$3.6 billion in the PTMISEA was made available to project sponsors in California for allocation to eligible public transportation projects for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or rolling stock procurement, rehabilitation, expansion, or replacement.

PTMISEA eligibility is based on STA allocations to each project sponsor during the fiscal years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, and 2009-10, and 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16 and were made available during the 2016-17 fiscal year. Qualifying expenditures must be encumbered within three years from the date of allocation and expended within three years from the date of the encumbrance.

**NOTE 11 – PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT** (Continued)

During the fiscal years ended June 30, 2024 and 2023, the Authority received \$0 in PTMISEA receipts. Interest earned for the fiscal years ended June 30, 2024 and 2023, was \$423 and \$236, respectively. The Authority did not have qualifying expenditures for the fiscal years ended June 30, 2024 and 2023.

<b>Schedule of PTMISEA Proposition 1B Funds For the Year Ended June 30, 2024</b>	
Description	Amount
<b>Balance - beginning of the year</b>	\$ 14,094
<b>Receipts:</b>	
PTMISEA receipts	-
Interest accrued 7/1/2023 through 6/30/2024	423
<b>Expenses:</b>	
PTMISEA expenditures	-
<b>Balance - end of year</b>	<u>\$ 14,517</u>

<b>Schedule of PTMISEA Proposition 1B Funds For the Year Ended June 30, 2023</b>	
Description	Amount
<b>Balance - beginning of the year</b>	\$ 13,858
<b>Receipts:</b>	
PTMISEA receipts	-
Interest accrued 7/1/2022 through 6/30/2023	236
<b>Expenses:</b>	
PTMISEA expenditures	-
<b>Balance - end of year</b>	<u>\$ 14,094</u>

**NOTE 12 – SENATE BILL 1 – STATE OF GOOD REPAIR**

The Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), signed by the Governor on April 28, 2017, includes a program that will provide additional revenues for transit infrastructure repair and service improvements. This investment in public transit will be referred to as the State of Good Repair (SGR) program. This program provides funding of approximately \$105 million annually to the STA Account. These funds are to be made available for eligible transit maintenance, rehabilitation, and capital projects.

**NOTE 12 – SENATE BILL 1 – STATE OF GOOD REPAIR** (Continued)

This program demonstrates California’s commitment to clean, sustainable transportation, and the role that public transit plays in that vision. While SB1 addresses a variety of transportation needs, this program has a specific goal of keeping transit systems in a state of good repair, including the purchase of new transit vehicles, and maintenance and rehabilitation of transit facilities and vehicles. These new investments will lead to cleaner transit vehicle fleets, increased reliability and safety, and reduced greenhouse gas emissions and other pollutants.

During the fiscal years ended June 30, 2024 and 2023, the Authority received \$85,377 and \$454,085, respectively, in SB1 SGR funds. In the fiscal years ended June 30, 2024 and 2023, the Authority did not spend any SB1 SGR funds.

**NOTE 13 – CONTINGENT LIABILITY FOR PENSION PLAN EXIT**

The Authority had contracted with the California Public Employees’ Retirement System (CalPERS) since 1994, and administrative, management, and confidential employees were offered participation in the CalPERS defined benefit retirement program. To reduce potential future financial obligations, the Board of Directors adopted a Resolution of Intention to terminate the Authority’s contract with CalPERS on January 9, 2019. Staff subsequently investigated the cost to terminate the contract and an ad hoc committee appointed by the Board of Directors has determined that joining the San Luis Obispo County Employees Retirement Plan provides an equivalent retirement program for employees previously enrolled in CalPERS.

Payments made for the pension plan exit were \$168,632 and \$164,974 during the fiscal years ended June 30, 2024 and 2023, respectively. The remaining pension plan exit liability was \$348,583 and \$517,215 as of June 30, 2024 and 2023, respectively.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 4, 2024, the date these financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**



**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30, 2024**

The following table provides required supplementary information regarding the Authority's Pension Plan.

	2024	2023	2022	2021	2020
Proportion of the net pension liability	0.48770%	0.48980%	0.51100%	0.45130%	0.00637%
Proportionate share of the net pension liability	\$ 4,897,352	\$ 4,841,422	\$ 3,272,997	\$ 3,272,997	\$ 653,046
Covered payroll	\$ 1,179,231	\$ 1,160,540	\$ 980,914	\$ 540,683	\$ 925,276
Proportionate share of the net pension liability as a percentage of covered payroll	415.30%	417.17%	333.67%	605.34%	70.58%
Plan's total pension liability	\$ 2,712,658,050	\$ 2,583,068,273	\$ 2,390,539,528	\$ 2,247,011,774	\$ 41,426,453,489
Plan's fiduciary net position	\$ 1,708,463,155	\$ 1,594,492,075	\$ 1,749,962,789	\$ 1,566,326,195	\$ 31,179,414,067
Plan's fiduciary net position as a percentage of the total pension liability	62.98%	61.73%	73.20%	69.71%	75.26%
	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00621%	0.00633%	0.00629%	0.60400%	0.00684%
Proportionate share of the net pension liability	\$ 598,258	\$ 628,213	\$ 543,863	\$ 414,886	\$ 425,837
Covered payroll	\$ 1,030,066	\$ 832,784	\$ 822,150	\$ 473,673	\$ 345,255
Proportionate share of the net pension liability as a percentage of covered payroll	58.08%	75.44%	66.15%	87.59%	123.34%
Plan's total pension liability	\$ 38,944,855,364	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 29,308,589,559	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan's fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

**Changes in assumptions**

In 2021, the discount rate was changed from 6.88% to 6.75%.

In 2020, inflation was changed from 2.50 percent to 2.75 percent.

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent.

In 2017, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution (actuarially determined)	\$ 409,249	\$ 353,079	\$ 312,585	\$ 245,132	\$ 81,697
Contribution in relation to the actuarially determined contribution	<u>(409,249)</u>	<u>(353,079)</u>	<u>(312,585)</u>	<u>(245,132)</u>	<u>(81,697)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,296,823	\$ 1,179,231	\$ 1,160,540	\$ 980,914	\$ 540,683
Contributions as a percentage of covered payroll	31.56%	29.94%	26.93%	24.99%	15.11%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 121,671	\$ 120,722	\$ 108,461	\$ 126,258	\$ 74,414
Contribution in relation to the actuarially determined contribution	<u>(121,671)</u>	<u>(120,722)</u>	<u>(108,461)</u>	<u>(126,258)</u>	<u>(74,414)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 925,276	\$ 1,030,066	\$ 832,784	\$ 822,150	\$ 473,673
Contributions as a percentage of covered payroll	13.15%	11.72%	13.02%	15.36%	15.71%

**Notes to Schedule**

Valuation Date	January 1, 2023
Measurement Date	December 31, 2023
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.50%
Projected Salary Increase	3.00%, plus merit component based on years of service ranging from 0.00% to 5.25%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
COLA Increases	2.75% for Tier 1 and 2.00% for Tier 2 and Tier 3

**SUPPLEMENTARY INFORMATION**

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF EXPENSES – BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<u>Adopted Budget</u>	<u>Actual</u>	<u>County Services Actual</u>	<u>Variance with Budget</u>
<b>Administration:</b>				
Labor	\$ 1,260,560	\$ 1,268,712	\$ -	\$ (8,152)
Labor - Administration Workers Comp	45,630	37,458	-	8,172
Office Space Rental	58,030	5,594	-	52,436
Property Insurance	239,060	258,330	-	(19,270)
Professional Technical Services	247,410	256,841	-	(9,431)
Professional Development	91,450	65,762	-	25,688
Operating Expense	398,380	391,788	-	6,592
Marketing and Reproduction	148,920	72,958	-	75,962
North County Management Contract	(55,770)	(55,770)	-	-
County Management Contract	(114,950)	(114,950)	114,950	-
SCT Management Contract	(133,360)	(133,360)	-	-
<b>Total Administration</b>	<u>2,185,360</u>	<u>2,053,363</u>	<u>114,950</u>	<u>131,997</u>
<b>Service Delivery:</b>				
Labor - Operations	7,545,070	6,985,040	379,851	560,030
Labor - Operations Workers Comp	346,030	284,057	15,073	61,973
Labor - Maintenance	1,809,490	1,811,764	98,627	(2,274)
Labor - Maintenance Workers Comp	94,750	77,780	4,127	16,970
Fuel	1,651,890	1,589,496	36,733	62,394
Insurance	855,850	858,046	20,424	(2,196)
Special Transportation (for SLOCAT and Paso)	33,740	27,694	25,797	6,046
Avila Trolley	-	-	-	-
Maintenance (Parts, Supplies, Materials)	1,029,610	859,099	17,773	170,511
Maintenance Contract Costs	167,990	188,092	3,569	(20,102)
<b>Total Service Delivery</b>	<u>13,534,420</u>	<u>12,681,068</u>	<u>601,974</u>	<u>853,352</u>
<b>Capital/Studies:</b>				
Computer System Maintenance/Upgrades	180,750	84,216	-	96,534
Maintenance Equipment	46,500	27,325	-	19,175
Vehicle ITS/Camera System	138,000	126,013	-	11,987
Bus Stop Improvements/Bus Stop Solar Lighting	467,480	114,838	-	352,642
Large Capital Repairs	869,800	842,038	-	27,762
Support Vehicles	256,070	259,206	-	(3,136)
Fixed Route Vehicles	3,130,460	2,916,879	-	213,581
Trolley Vehicles	293,200	-	-	293,200
Cutaway and Dial A Ride Vehicles	177,280	-	-	177,280
Runabout Vehicles	834,500	-	-	834,500
<b>Total Capital/Studies</b>	<u>6,394,040</u>	<u>4,370,515</u>	<u>-</u>	<u>2,023,525</u>

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF EXPENSES – BUDGET AND ACTUAL (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<u>Adopted Budget</u>	<u>Actual</u>	<u>County Services Actual</u>	<u>Variance with Budget</u>
Contingency	187,680	-	-	187,680
CalPERS Buyout	178,310	178,308	-	2
Loan Repayments	472,140	444,905	-	27,235
Short Range Transit Plan	250,000	158,686	-	91,314
Elks Lane Project	-	51,753	-	-
Management Contracts	<u>304,080</u>	<u>304,080</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUNDING USES</b>	<u><u>\$ 23,506,030</u></u>	<u><u>\$ 20,242,678</u></u>	<u><u>\$ 716,924</u></u>	<u><u>\$ 3,315,105</u></u>
<b>TOTAL EXPENSES, BUDGETARY BASIS</b>		\$ 20,242,678		
<b>ADD:</b>				
DEPRECIATION AND AMORTIZATION		3,151,543		
GASB 68 ADJUSTMENT		832,446		
<b>LESS:</b>				
LOAN INTEREST PAYMENTS		(105,044)		
LOAN PRINCIPAL REPAYMENT		(339,861)		
CALPERS BUYOUT PRINCIPAL PAYMENTS		(168,633)		
CAPITALIZED EXPENSES		<u>(4,580,954)</u>		
<b>TOTAL OPERATING EXPENSES PER FINANCIAL STATEMENTS</b>		<u><u>\$ 19,032,175</u></u>		

**SAN LUIS OBISPO REGIONAL  
TRANSIT AUTHORITY**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2024**

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY**

**JUNE 30, 2024**

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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 THE BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
San Luis Obispo Regional Transit Authority  
San Luis Obispo, 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 San Luis Obispo Regional Transit Authority (the Authority), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 4, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority’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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority’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

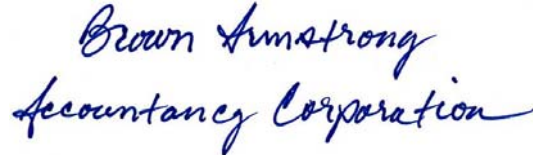


effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
October 4, 2024

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
San Luis Obispo Regional Transit Authority  
San Luis Obispo, California

### Report on Compliance with Transportation Development Act Requirements

We have audited the San Luis Obispo Regional Transit Authority's (the Authority) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the Authority were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of San Luis Obispo County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the fiscal year ended June 30, 2024.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the applicable statutes, rules, and regulations of the TDA.

### Auditor's Responsibility

Our responsibility is to express an opinion on each of the Authority's compliance requirements referred to in Section 6667, which requires that for a transit claimant, the independent auditor will perform at least the following tasks:

- a) Determine whether the claimant was an entity eligible to receive the funds allocated to it;
- b) Determine whether the claimant is maintaining its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99234;
- c) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5, and 99277 for Article 4.5 claimants; Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract; and Section 99405(d) for transportation services provided by cities and counties with populations of less than 5,000;
- d) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions;
- e) Determine whether interest earned on funds received by the claimant pursuant to the TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6;
- f) Verify the amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in the Section 6633.2;

- g) Verify the amount of the claimant's actual fare revenues for the fiscal year;
- h) Verify the amount of the claimant's actual local support for the fiscal year;
- i) Verify the amount the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649;
- j) Verify, if applicable, the amount of the operator's expenditure limitation in accordance with Section 6633.1;
- k) In the case of an operator, determine whether the operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273;
- l) In the case of an operator, determine whether the operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251;
- m) In the case of an operator, verify, if applicable, its State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7; and
- n) In the case of a claimant for community transit services, determine whether it is in compliance with Public Utilities Code Sections 99155 and 99155.5.

Compliance with the requirements referred to above is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

### **Opinion on Transportation Development Act Compliance**

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the Authority for the fiscal year ended June 30, 2024.

### **Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the TDA, and not to provide an opinion on the effectiveness of the Authority's compliance with the applicable bond act and state accounting requirements. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
October 4, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
San Luis Obispo Regional Transit Authority  
San Luis Obispo, California

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

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

We have audited San Luis Obispo Regional Transit Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority 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 fiscal year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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). 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 the Authority 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 each major federal program. Our audit does not provide a legal determination of the Authority'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 the Authority'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 the Authority'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 auditing standards generally accepted in the United States of America, *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 the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *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 the Authority'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 the Authority'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 the Authority'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 the Authority, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 4, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
October 4, 2024

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Identifying Number	Total Federal Expenditures
<u>U.S. Department of Transportation</u>			
Direct:			
FTA Section 5307 - Capital Assistance (Bus Stop Improvements)	20.507	CA-2016-064-02	\$ 7,008
FTA Section 5307 - Capital Assistance (Bus Stop Improvements)	20.507	CA-2016-065-11	27,858
FTA Section 5307 - Capital Assistance (Veh Maint Equip)	20.507	CA-2017-100-04	7,678
FTA Section 5307 - Capital Assistance (Bus Stop Improvements)	20.507	CA-2017-100-11	25,838
FTA Section 5307 - Capital Assistance (Bus Stop Improvements)	20.507	CA-2018-073-03	6,065
FTA Section 5307 - Capital Assistance (Maintenance tools)	20.507	CA-2019-082-03	13,881
FTA Section 5307 - Capital Assistance (Maintenance tools)	20.507	CA-2020-083-03	1,278
FTA Section 5307 - Capital Assistance (Capital Assistance)	20.507	CA-2020-283-04	2,832
FTA Section 5307 - Operating Assistance	20.507	CA-2021-161-01	2,703,367
FTA Section 5307 - Operating Assistance	20.507	CA-2024-183-00	1,224,510
FTA Section 5307 - Capital Assistance (Engine rehab)	20.507	CA-2021-161-02	26,049
FTA Section 5307 - Capital Assistance (Bus Stop Improvements)	20.507	CA-2021-161-05	32,191
FTA Section 5307 - Capital Assistance (Vehicle Procurement)	20.507	CA-2021-161-06	1,014,300
FTA Section 5307 - Capital Assistance (Engine rehab)	20.507	CA-2022-205-02	273,256
FTA Section 5307 - Capital Assistance (Planning)	20.507	CA-2022-216-06	145,288
FTA Section 5307 - Capital Assistance (Vehicle Replacement)	20.507	CA-2022-216-08	248,554
FTA Section 5307 - Capital Assistance (Vehicle Replacement)	20.507	CA-2022-216-10	297,686
FTA Section 5307 - Capital Assistance (Capital Assistance)	20.507	CA-2023-195-03	100,810
FTA Section 5307 - Capital Assistance (Support Vehicle Replacement)	20.507	CA-2023-205-07	185,973
FTA Section 5307 - Capital Assistance & Ops Assist FY 14/15 (Bus Stop Impr)	20.507	CA-90-Z272-04	6,443
FTA Section 5307 - Operating Assistance	20.507	CA-2024-183-00	439,756
FTA Section 5307 - Operating Assistance	20.507	CA-2024-183-00	1,080,504
<b>Total FTA Section 5307</b>			<u>7,871,125</u>
<b>Total Federal Transit Cluster</b>			<u>7,871,125</u>
FTA Section 5339 - Capital Assistance (Rolling Stock)	20.509	CA-2022-205-01	39,308
FTA Section 5339 - Capital Assistance (Rolling Stock)	20.509	CA-2021-161-07	70,276
FTA Section 5339 - Capital Assistance (Rolling Stock)	20.509	CA-2022-205-02	28,282
FTA Section 5339 - Capital Assistance (Rolling Stock)	20.509	CA-2023-195-02	333,261
FTA Section 5339 - Capital Assistance (Rolling Stock)	20.509	CA-2023-195-04	12,667
FTA Section 5339 - Capital Assistance (BMF)	20.509	CA-2020-040-01	51,753
Passed Through the State of California Department of Transportation:			
FTA Section 5339 - Capital Assistance (Rolling Stock)	20.509	64GC20-01517	191,480
<b>Total FTA Section 5339</b>			<u>727,027</u>
Passed Through the State of California Department of Transportation:			
FTA Section 5311 - Operating Assistance	20.509	64BA22-02070	777,370
ARPA - FTA Section 5311 - Operating Assistance	20.509	64TO21-01876	635,900
<b>Total FTA Section 5311</b>			<u>1,413,270</u>
Total U.S. Department of Transportation			<u>10,011,422</u>
Total Expenditures of Federal Awards, Excluding Federal Loan Balances			<u>\$ 10,011,422</u>
<b>Federal Loan Balances Carried Forward from Prior Year</b>			
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223		<u>\$ 11,960,910</u>
Total Federal Loan Balances			<u>11,960,910</u>
Total Expenditures of Federal Awards, Including Federal Loan Balances			<u>\$ 21,972,332</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 1 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all Federal award programs of the San Luis Obispo Regional Transit Authority (the Authority). All Federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the Schedule.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting, which is described in Note 2 of the Authority’s financial statements.

**NOTE 3 – RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal award monies are reported in the Authority’s financial statements as revenues from Federal operating and capital assistance grants.

**NOTE 4 – INDIRECT COST RATE**

The Authority did not elect to use the 10 percent de minimus indirect cost rate.

**NOTE 5 – LOANS OUTSTANDING**

The following program had federally-funded loans outstanding at June 30, 2024:

Assistance Listing Number	Program Title	Amount Outstanding				
		July 1, 2023	New Loans	Loan Payments	Forgiven	June 30, 2024
20.223	TIFIA	\$ 11,960,910	\$ -	\$ -	\$ -	\$ 11,960,910



**FINDINGS AND QUESTIONED COSTS SECTION**

**SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes  X  None reported

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

**Federal Awards**

Internal control over major federal programs:

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

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes  X  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 the Uniform Guidance? \_\_\_ Yes  X  No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Clusters</u>
20.507	Federal Transit – Formula Grants (Urbanized Areas Formula Program)
20.509	Formula Grants for Other than Urbanized Areas

Dollar threshold used to distinguish Type A and B programs: \$750,000

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

**II. Findings Relating to Financial Statement Required Under Generally Accepted Government Auditing Standards (GAGAS)**

None.

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

None.

**IV. State Award Findings and Questioned Costs**

None.

**V. Summary of Prior Audit (June 30, 2023) Findings and Current Status**

None.

Board of Directors  
San Luis Obispo Regional Transit Authority  
San Luis Obispo, California

We have audited the financial statements of the San Luis Obispo Regional Transit Authority (the Authority) for the fiscal year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *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 2, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2024. We noted no transactions entered into by the Authority during the fiscal 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 estimates affecting the Authority's financial statements were:

Management's estimate of the useful lives of capital assets for purposes of calculating annual depreciation expense. We evaluated the key factors and assumptions used to develop the estimate of the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of its net pension liability, and related deferred inflows of resources and deferred outflows of resources, are based on actuarial valuations that involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. We evaluated the key factors and assumptions used to develop the estimates of the net pension liability, and related deferred inflows of resources and deferred outflows of resources, in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates in determining its lease liability and right-to-use leased asset. We evaluated the key factors and assumptions used to develop these estimates in determining that they are 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 disclosures affecting the financial statements were:

The disclosures of capital asset and depreciation, lease liability and right-to-use leased asset, and pension in Notes 4, 8, and 9 to the financial statements, respectively.

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 known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

*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 October 4, 2024.

*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 Authority'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 Authority'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**

We applied certain limited procedures to the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenses – Budget and Actual, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, 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.

**Restriction on Use**

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
October 4, 2024