San Francisco
County Transportation
Authority

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Memorandum

AGENDA ITEM 11

DATE: January 29, 2025

TO: Transportation Authority Board

FROM: Cynthia Fong – Deputy Director for Finance and Administration

SUBJECT: 01/27/2025 Board Meeting: Accept the Audit Report for the Fiscal Year Ended June 30, 2025

RECOMMENDATION ☐ **Information** ☒ **Action**	☐ Fund Allocation
Accept the audit report for the fiscal year ended June 30, 2025.	☐ Fund Programming
	☐ Policy/Legislation
SUMMARY	☐ Plan/Study
The Transportation Authority's financial records are required to be audited annually by an independent, certified public accountant. The Annual Comprehensive Financial Reporting (Audit Report) for the year ended June 30, 2025, was conducted in accordance with generally accepted auditing standards by the independent, certified public accounting firm of Eide Bailly LLP. The Transportation Authority received all unmodified audit opinions from Eide Bailly LLP, with no findings or recommendations for improvements. A representative from Eide Bailly LLP will present the audit report and answer any questions at the Board meeting.	☐ Capital Project Oversight/Delivery ☒ Budget/Finance ☐ Contract/Agreement ☐ Other: _____

BACKGROUND

Under its Fiscal Policy (Resolution 24-48), the Transportation Authority's financial records are to be audited annually by an independent, certified public accounting firm. The audits for the fiscal year (FY) ended June 30, 2025, were conducted in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. The Audit Report contains formal opinions, or disclaimers thereof, issued by an independent, certified public accounting firm as a result of an external audit performed on an agency. An unmodified audit opinion (also known as a clean opinion/unqualified opinion) is the best type of report an

agency may receive from an external audit and represents that the agency complied with direct and material regulatory requirements or that the agency's financial condition, position, and operations in all material respects were fairly presented.

DISCUSSION

The Audit Report includes an introductory section; the overall basic financial statements; a management discussion and analysis of the Transportation Authority's financial performance during that fiscal year; footnotes; required supplemental information; and other supplementary information, statistical section, and compliance section.

We are pleased to note that Eide Bailly LLP issued all unmodified opinions and had no findings or recommendations for improvements. The Transportation Authority recognized all significant transactions in the financial statements in the proper period and received no adjustments to any estimates made in the financial statements. For the annual fiscal audit, Eide Bailly LLP has issued an opinion stating that the financial statements present fairly, in all material respects, the financial position of the Transportation Authority. The full audit report is enclosed. A separate report containing other required communications to the Board is attached.

FINANCIAL IMPACT

Expenditures did not exceed the amounts approved in the agency-wide amended FY 2024/25 budget. Budgeted expenditures that were not expended in FY 2024/25 will be included in the FY 2025/26 mid-year amendment.

CAC POSITION

The CAC considered this item at its January 28, 2026, meeting and unanimously adopted a motion of support for the staff recommendation.

SUPPLEMENTAL MATERIALS

- Attachment 1 – Separate Report Containing Other Required Communications to the Board
- Attachment 2 – Motion
- Enclosure – Annual Comprehensive Financial Report for the Year Ended June 30, 2025

ATTACHMENT 1

November 21, 2025

To the Governing Board
San Francisco County Transportation Authority
San Francisco, California

We have audited the financial statements of San Francisco County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 21, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated July 10, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Transportation Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 21, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks." We have identified the following as significant risks.

> *Management Override of Controls* – Professional standards require auditors to consider the risk of management overriding existing controls. Therefore, we assessed whether organization management could potentially bypass implemented controls. Such actions could involve altering financial records to affect financial statement results or conceal fraudulent activity. No instances of management override were identified during our audit.
>
> *Improper revenue recognition* is presumed a fraud risk under professional standards, as revenue may be recorded in the wrong period or amount due to error or fraud. Our audit found no such instances.
>
> *Estimates* – According to Generally Accepted Auditing Standards, there is a presumed risk of management bias when assumptions are used in calculating significant account balances; for the Transportation Authority, this pertains to pension, claims, and compensated absences.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Transportation Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year, except for the effects of GASB Statement No. 101, *Compensated Absences*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the aggregate net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense is based on the Transportation Authority's proportionate share of the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which were actuarially determined, utilizing projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in CalPERS audited financial statements. The Transportation Authority's proportionate share was determined by calculating the Transportation Authority's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Management's estimate of the Other Post Employment Benefit (OPEB) liability, related deferred outflows of resources, deferred inflows of resources, and OPEB expense is based on the Transportation Authority's actuarially determined estimate, utilizing projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the net OPEB liability audited financial statements.

Management's estimate for compensated absences liability, particularly accumulated sick leave, reflects GASB 101 standards. Management estimates the portion of compensated absences liability, particularly sick leave, that is likely to be utilized by employees, rather than converted to pension service credit or forfeited. This assessment is made in accordance with GASB 101 standards, considering historical usage trends, and the Transportation Authority's employment policies.

We evaluated the key factors and assumptions used to develop the significant accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Transportation Authority's financial statements relate to:

- **Notes 8 and 9** describes the valuation of the Authority's net pension liability, other postemployment benefits liability, and related deferred outflows and inflows of resources. Such amounts are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed, a one percent increase or decrease in the discount rate has a material effect on the Authority's net pension liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected missstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated November 21, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Transportation Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Transportation Authority's auditors.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in Transportation Authority's ACFR, does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

However, in accordance with such standards, we have read the other information and considered whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Treasure Island Mobility Management Agency

The ACFR includes the financial statements of the Transportation Authority and the Treasure Island Mobility Management Agency (TIMMA), a blended component unit, which we considered to be a significant component of the ACFR. Consistent with the audit of the basic financial statements of the Transportation Authority as a whole, our audit included obtaining an understanding of the Transportation Authority and TIMMA and their environment, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements of the Transportation Authority and TIMMA and completion of further audit procedures.

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

Eide Bailly LLP

Menlo Park, California

ATTACHMENT 2

San Francisco
County Transportation
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BD021026 MOTION NO. 26-02

MOTION ACCEPTING THE SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY'S AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Pursuant to the annual audit requirements in its Fiscal Policy, the San Francisco County Transportation Authority hereby accepts the audit report for the fiscal year ended June 30, 2025.

Attachment:

1. Audit Report for the Year Ended June 30, 2025