# City of Pismo Beach

Pismo Beach, California

***Transportation Development Act Funds***
***Financial Statements***

***For the years ended June 30, 2025 and 2024***

# City of Pismo Beach, California
## TDA Funds Financial Statements
## For the years ended June 30, 2025 and 2024
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BADAWI & ASSOCIATES
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Pismo Beach
Pismo Beach, California

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the Local Transportation Streets Fund (Streets Fund) and the Local Transportation Transit Fund (Transit Fund) of the City of Pismo Beach, California, (City) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Streets Fund and the Transit Fund, as of June 30, 2025 and 2024, and the respective changes in financial position for the 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 (GAAS) 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 City 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*

The City's 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 Streets Fund and the Transit Fund'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 GAAS 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 GAAS, 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 Streets Fund and the Transit Fund'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 Streets Fund and the Transit Fund'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.

***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the Streets Fund and the Transit Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025 and 2024, and the changes in its financial position or where applicable, its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

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 opinions on the basic financial statements are 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 Streets Fund and the Transit Fund's financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary comparison schedules on pages 15 and 16 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2025 on our consideration of the Streets Fund and Transit Fund'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 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 Streets Fund and Transit Fund's internal control over financial reporting and compliance.

Badawi & Associates

Badawi & Associates, CPAs
Emeryville, California
December 30, 2025

# City of Pismo Beach
# Local Transportation Streets Fund
## Balance Sheets
## June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| Cash and investments | $ 551,259 | $ 346,511 |
| Accrued interest receivable | 102 | 659 |
| **Total assets** | 551,361 | 347,170 |
| **Fund Balance:** | | |
| Restricted for Streets | 551,361 | 347,170 |
| **Total liabilities and fund balance** | $ 551,361 | $ 347,170 |

See accompanying Notes to Basic Financial Statements.

# City of Pismo Beach
## Local Transportation Streets Fund
### Statements of Revenues, Expenditures and Changes in Fund Balance
### For the years ended June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **REVENUES** | | |
| Intergovernmental: | | |
| Transportation Development Act Operating Grants | $ 179,334 | $ 183,453 |
| Miscellaneous revenue | 2,500 | 2,500 |
| Investment earnings | 28,188 | 23,765 |
| **Total revenues** | 210,022 | 209,718 |
| **EXPENDITURES** | | |
| Highways and streets | 5,831 | 5,476 |
| **Total expenditures** | 5,831 | 5,476 |
| **Excess of revenues over expenditures** | 204,191 | 204,242 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Transfers to City of Pismo Beach | - | (300,000) |
| **Total other financing sources (uses)** | - | (300,000) |
| **Net change in fund balance** | 204,191 | (95,758) |
| **FUND BALANCE:** | | |
| Beginning of year | 347,170 | 415,770 |
| Restatements | - | 27,158 |
| Beginning of year, as restated | 347,170 | 442,928 |
| End of year | $ 551,361 | $ 347,170 |

See accompanying Notes to Basic Financial Statements.

# City of Pismo Beach
# Local Transportation Transit Fund
## Statements of Net Position
## June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and investments | $ - | $ - |
| Accrued interest receivable | - | - |
| Total current assets | - | - |
| **Total assets** | - | - |
| **NET POSITION** | | |
| Restricted - Expendable for Transit Operations | - | - |
| **Total net position** | $ - | $ - |

See accompanying Notes to Basic Financial Statements.

# City of Pismo Beach
## Local Transportation Transit Fund
### Statements of Revenues, Expenses and Changes in Net Position
### For the years ended June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **OPERATING EXPENSES:** | | |
| Overhead | $ - | $ - |
| **Total operating expenses** | - | - |
| **Operating income (loss)** | - | - |
| **NONOPERATING REVENUES (EXPENSES):** | | |
| Investment earnings | - | - |
| **Total nonoperating revenues (expenses)** | - | - |
| **Change in net position** | - | - |
| **NET POSITION:** | | |
| Beginning of year | - | 27,158 |
| Restatements | | (27,158) |
| Beginning of year, as restated | - | - |
| End of year | $ - | $ - |

See accompanying Notes to Basic Financial Statements.

# City of Pismo Beach
# Local Transportation Transit Fund
## Statements of Cash Flows
## For the years ended June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash payments to suppliers for goods and services | $ - | $ - |
| **Net cash provided by (used in) operating activities** | - | - |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | |
| Interest and gain (loss) on investments | - | - |
| **Net cash provided by (used in) noncapital financing activities** | - | - |
| **Net cash flows** | - | - |
| **CASH AND INVESTMENTS - Beginning of year** | - | - |
| **CASH AND INVESTMENTS - End of year** | $ - | $ - |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:** | | |
| Operating income (loss) | $ - | $ - |
| **Net cash provided by (used in) operating activities** | $ - | $ - |

See accompanying Notes to Basic Financial Statements.

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## 1. REPORTING ENTITY

The Local Transportation Transit Fund (Transit Fund) is an enterprise fund of the City of Pismo Beach, California (City) created by resolution of the City Council of Pismo Beach to account for the revenues received pursuant to the Transportation Development Act (TDA). Such revenues are allocated under specific statutes and are legally restricted to finance expenditures made for transit operations, the development of public transportation systems, and transportation planning. When both restricted and unrestricted resources are available for the same purpose, it is the City's policy to use restricted funds first. In fiscal year 2024, the funding model for transit services changed with the Regional Transportation Agency now covering transit services costs directly, instead of a pass-through to the City's Transit Fund. Consequently, the City no longer directly funds transit services. The City's Transit Fund balance has been moved to the Local Transportation Streets Fund to be used for Roads Maintenance/ Rail/ Bikeways/ Pedestrian (RMRBP) costs.

The Local Transportation Streets (LTS) Fund (Streets Fund) of the City is a special revenue fund created by resolution of the City Council of Pismo Beach to account for the revenues received pursuant to the Transportation Development Act (TDA). Such revenues allocated under specific state statutes are legally restricted to financial expenditures made for the development and construction of local streets and roads, including pedestrian and bicycle facilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Measurement Focus, Basis of Accounting and Basis of Presentation

The Transit Fund's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of related cash flows. The Transit Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Transit Fund's principal ongoing operations. Operating expenses for the Transit Fund include cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including non-exchange transactions such as TDA grants.

Non-exchange transactions, in which the Transit Fund receives value without directly giving equal value in return, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Transit Fund must provide local resources to be used for a specific purpose; and expenditure requirements, in which the Transit Fund must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Transit Fund on a reimbursement basis.

The Streets Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the City considers interest and grant revenues earned but not received as susceptible to accrual under this method. Expenditures are generally recognized at the time liabilities are incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### Annual Financial Statements

The financial statements of the Streets Fund and the Transit Fund are intended to reflect the financial position, results of operations and cash flows where applicable in conformity with generally accepted accounting principles and are not intended to present the financial position, results of operations, or cash flows of the City of Pismo Beach, California.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash balances in checking and money market accounts, and short-term investments, with an original maturity of three months or less. Investments which are in the City's internal investment pool are also treated as cash equivalents for the purposes of the statement of cash flows.

### Amounts Due from Other Governments

Generally, amounts due from other governments are recorded as revenues when earned. However, when the use of funds is the prime factor for determining eligibility for grants, revenue is accrued when the related expenses have been made on an approved grant.

### Fund Equity

The Streets Fund's financial statements report fund balance in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type* Definitions, identifies five components of fund balance - nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable fund balance* includes amounts that cannot be spent because they are either (a) not spendable in form such as inventories, prepaid items and certain long-term receivables or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* includes amounts where constraints placed on the use of resources are externally imposed by grantors, contributors, other governments or by laws and regulations.

*Committed fund balance* includes amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the City's highest level of decision-making authority which includes City Resolutions or legislation. It also includes contractual obligations for which existing amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same action it employed previously to commit those amounts.

*Assigned fund balance* amounts are fund balance amounts constrained by the City's intent to be used for a specific purpose. Such intent should be expressed by the City Manager or Director of Administrative Services to assign amounts to be used.

*Unassigned fund balance* amounts are the residual amounts reported in the general fund.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### Fund Balance Spending Policy

The City has formally adopted a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for a specific purpose. Amounts are spent in the following order: committed, assigned, and then unassigned.

### Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 3. CASH AND CASH EQUIVALENTS

At June 30, 2025 and 2024, cash and cash equivalents consisted of the following:

| | 2025 | 2024 |
|---|---|---|
| Deposits: | | |
| Cash and investments | $ 551,259 | $ 346,511 |

### Custodial Credit Risk - Deposits

Custodial credit risk - deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. Deposits with financial institutions at June 30, 2025 and 2024 were insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

For custodial credit risk associated with deposits, the City's policy is to follow the California Government Code which requires California financial institutions to secure the City's deposits by pledging government securities as collateral. The market value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits.

## 3. CASH AND CASH EQUIVALENTS, Continued

### Additional Cash and Cash Equivalents Disclosures

See the City of Pismo Beach June 30, 2025 Annual Comprehensive Financial Report for additional cash and cash equivalents disclosures.

## 4. INTERGOVERNMENTAL ALLOCATIONS

The City has been allocated the following funds from the Local Transportation Funds (LTF) for the year ended June 30, 2025 and 2024. The amounts have been used for operating expenses.

| | Applicable Allocating TDA Statute | | Amount | |
|---|---|---|---|---|
| | Article | Section | 2025 | 2024 |
| LTF | 3.0 | 99233 | $ 9,485 | $ 9,844 |
| LTF | 8.0 | 99400(a) | 169,849 | 173,609 |
| Total Transportation Development Act Revenue | | | $ 179,334 | $ 183,453 |

For the years ended June 30, 2025 and 2024, the City directly allocated $163,373 and $167,997, respectively, of LTF Article 4.0, Section 99260 funds to San Luis Obispo Regional Transit Authority (SLORTA), which are not shown in the accompanying financial statements. Additionally, for the years ended June 30, 2025 and 2024, the City directly allocated $111,717 and $122,721, respectively, of LTF Article 4.0, Section 99260 funds to South County Transit (SoCo), which are not shown in the accompanying financial statements.

## 5. OPERATING TRANSFERS

The City expends all amounts for alternate transportation projects in its General Fund or Capital Projects Fund. LTF monies received by the City are initially deposited in the Streets Fund and subsequently transferred to these funds, where such monies are expended on designated transportation projects. During the year ended June 30, 2025 and 2024, there were transfers of $0 and $300,000, respectively, to the Capital Projects Fund.

# City of Pismo Beach
## Local Transportation Streets Fund
### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
### For the year ended June 30, 2025

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Transportation Development Act Operating Grants | $ 273,181 | $ 273,181 | $ 179,334 | $ (93,847) |
| Miscellaneous revenue | 2,500 | 2,500 | 2,500 | - |
| Investment earnings | 2,559 | 2,559 | 28,188 | 25,629 |
| **Total revenues** | 278,240 | 278,240 | 210,022 | (68,218) |
| **EXPENDITURES** | | | | |
| Highways and streets | 5,609 | 5,829 | 5,831 | (2) |
| **Total expenditures** | 5,609 | 5,829 | 5,831 | (2) |
| **Excess of revenues over expenditures** | 272,631 | 272,411 | 204,191 | (68,220) |
| **Net change in fund balance** | $ 272,631 | $ 272,411 | 204,191 | $ (68,220) |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 347,170 | |
| End of year | | | $ 551,361 | |

# City of Pismo Beach
## Local Transportation Streets Fund
### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
### For the year ended June 30, 2024

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Transportation Development Act Operating Grants | $ 273,181 | $ 183,453 | $ 183,453 | $ - |
| Miscellaneous revenue | 2,500 | 2,500 | 2,500 | - |
| Investment earnings | 2,559 | 2,559 | 23,765 | 21,206 |
| **Total revenues** | 278,240 | 188,512 | 209,718 | 21,206 |
| **EXPENDITURES** | | | | |
| Highways and streets | 5,535 | 5,535 | 5,476 | 59 |
| **Total expenditures** | 5,535 | 5,535 | 5,476 | 59 |
| **Excess of revenues over expenditures** | 272,705 | 182,977 | 204,242 | 21,265 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers to City of Pismo Beach | - | (300,000) | (300,000) | - |
| **Total other financing sources (uses)** | - | (300,000) | (300,000) | - |
| **Net change in fund balance** | $ 272,705 | $ (117,023) | (95,758) | $ 21,265 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 415,770 | |
| Restatements | | | 27,158 | |
| Beginning of year, as restated | | | 442,928 | |
| End of year | | | $ 347,170 | |

BADAWI & ASSOCIATES
Certified Public Accountants

# 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*

*Independent Auditor's Report*

To the Honorable Mayor and Members of the City Council
of the City of Pismo Beach
Pismo Beach, 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 Local Transportation Streets Fund (TDA Program) of the City of Pismo Beach, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2025.

## *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 TDA Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Badawi & Associates

Badawi & Associates, CPAs
Emeryville, California
December 30, 2025

BADAWI & ASSOCIATES
Certified Public Accountants

# REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR TRANSPORTATION DEVELOPMENT ACT FUNDS

## Independent Auditor's Report

To the Honorable Mayor and Members of City Council
of the City of Pismo Beach
Pismo Beach, California

**Report on Compliance**

***Opinions***

We have audited the City of Pismo Beach's (City) compliance with the types of compliance requirements described in Section 6666 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code* (the Act) and the allocation instructions and resolutions of the San Luis Obispo Council of Governments applicable to the City's Transportation Development Act Articles 3 and 8 Program (TDA Program) for the year ended June 30, 2025.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its TDA Program for the year ended June 30, 2025.

***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Section 6666 of the Act; and the allocation instructions and resolutions of the San Luis Obispo Council of Governments. Our responsibilities under those standards and the Act 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 City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the City's TDA Program. Our audit does not provide a legal determination of the City'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 City's TDA Program.

***Auditors' 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 City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Section 6666 of the Act and the allocation instructions and resolutions of the San Luis Obispo Council of Governments 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 City's compliance with the requirements of the TDA Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Section 6666 the Act and the allocation instructions and resolutions of the San Luis Obispo Council of Governments, 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 City'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 City'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 Section 6666 and of Act and the allocation instructions and resolutions of the San Luis Obispo Council of Governments, but not for the purpose of expressing an opinion on the effectiveness of City'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 Section 6666 and of the Act and the allocation instructions and resolutions of the San Luis Obispo Council of Governments on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of Section 6666 and of Act and the allocation instructions and resolutions of the San Luis Obispo Council of Governments 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 Section 6666 and of the Act and the allocation instructions and resolutions of the San Luis Obispo Council of Governments 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 Section 6666 of the Act, and the allocation instructions and resolutions of the San Luis Obispo Council of Governments. Accordingly, this report is not suitable for any other purpose.

Badawi & Associates

Badawi & Associates, CPAs
Emeryville, California
December 30, 2025