

Board of Directors
Shasta Regional Transportation Agency
Redding, California

We have audited the financial statements of the governmental activities and each major fund of Shasta Regional Transportation Agency (the Agency) as of and for the year ended June 30, 2025, and have issued our report thereon dated **September __, 2026**. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 4, 2026, 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 does not relieve you or management of your 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 the City 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.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included proposing journal entries. To mitigate the risk, journal entries are reviewed by management and approved prior to posting. We believe these safeguards are sufficient to reduce the independence threats to an acceptable level.

Significant Risks Identified

We have identified the following significant risks:

- Government Accounting Standards Board Statement No. 101 (Compensated Absences): We reviewed the Agency's calculations to ensure the financial statements and footnotes are accurate and complete.
- Risk of noncompliance with Federal grant requirements: We performed required procedures over applicable compliance areas and evaluated the Agency's compliance with the requirements of the federal grant programs tested.
- Risk of noncompliance with Transportation Development Act (TDA) requirements: We performed required procedures to evaluate the Agency's compliance with the applicable TDA provisions.
- Revenue recognition: We tested a sample of revenues to ensure proper revenue recognition accounting standards and cutoff periods are being applied.
- Management override of controls: In accordance with professional auditing standards, we identified the risk of management override of internal controls as a significant risk. We performed testing of non-routine journal entries to identify unusual or inappropriate entries and evaluated the business purpose, supporting documentation, and authorization of selected entries.

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 the Agency is included in Note 1 to the financial statements. As described in Note 1 to the financial statements during the year, the Agency changed accounting policies related to compensated absences and by adopting Statement of Governmental Accounting Standards (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 Management's estimate of transactions related to OPEB and pension liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive noted disclosures affecting the financial statements. The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

Significant Difficulties Encountered during the Audit

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also 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 and each applicable opinion unit. Management has corrected all identified misstatements. The uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole include recording an adjustment to investment fair value and correcting payroll clearing account balances. 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.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were material corrected misstatements as a result of our audit procedures that impacted cash, receivables, payables, revenues, expenses, and fund balance.

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 Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September ____, 2026.

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 Agency, 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 and regulatory

conditions affecting the entity, and operational 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 Agency's auditors.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification.

There were errors in the classification of certain restricted and unrestricted fund balances reported in the prior year, which resulted in the misclassification of amounts between restricted and unrestricted categories. Management corrected the misstatement, resulting in restated beginning net position and fund balance, as disclosed in Note 13.

Modification of the Auditor's Report

We have modified the auditor's report and issued a qualified opinion based on the accounting system's inability to provide a self-balancing set of accounts for each fund.

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

Irvine, California
September __, 2026