

Board of Directors  
Humboldt County Association of Governments  
Eureka, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Humboldt County Association of Government (the "HCAOG") as of and for the year ended June 30, 2025, and have issued our report thereon dated February 6, 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 1, 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 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 HCAOG 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, 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.

Those non-attest services included recording journal entries detected during the audit process and preparing the financial statements. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify accuracy and ensure footnotes are complete and accurate.

Additionally, we utilize a quality control reviewer to perform a second review of journal entries and the financial statements. 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:

- Implementation of a new accounting standard – Governmental Accounting Standards Board 101: Compensated Absences. We reviewed the calculation of compensated absences and ensured it is in compliance with the accounting standard.
- SAFE Compliance: We reviewed SAFE funds received and expended and ensured compliance with Streets and Highways Code Division 3, Chapter 4.

### **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 HCAOG is included in Note 1 to the financial statements. As described in Note 1 to the financial statements during the year, the HCAOG changed its method of accounting for compensated absences by adopting Government Accounting Standards Board (GASB) Statement No. 101. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. Additionally, HCAOG changed its method of accounting for risk disclosures related to government vulnerabilities due to concentrations and constraints by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 102, Certain Risk Disclosures. 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.

During the current year, management re-evaluated the classification of several funds previously reported as fiduciary. Based on the nature of the underlying activities, these funds were determined to more appropriately meet the definition of special revenue funds. As a result, they are now included in the governmental funds and governmental activities in the financial statements. This represents a change in financial reporting presentation from the prior year and improves consistency with GASB requirements.

#### *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 net 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 financial statements taken as a whole.

- Management's estimate of transactions related to total OPEB 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 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 HCAOG's financial statements relate to the disclosure of pension and OPEB activities. The financial statement disclosures are neutral, consistent, and clear.

### **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**

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. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: adjustment to reclassify SB 125 revenue to deferred revenue and RPA revenue to unavailable revenue.

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. We identified an immaterial adjustment to correct interest receivable that management chose not to record.

### **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 HCAOG'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 dated February 6, 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 HCAOG, 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 HCAOG's auditors.

### *Restriction on Use*

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
February 6, 2026