

**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

Board of Directors
Humboldt County Association of Government

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Humboldt County Association of Governments ("HCAOG") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise HCAOG's basic financial statements, and have issued our report thereon dated February 6, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HCAOG'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 HCAOG's internal control. Accordingly, we do not express an opinion on the effectiveness of HCAOG'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We identified a deficiency in internal control, described below as items 2025-001 that we consider to be a material weakness.

2025-001 Journal Entries Detected During the Audit and Prior Period Restatements

During the audit, we identified revenue recorded in the current year that was not yet earned because either eligible expenses had not yet been recorded or the related eligibility and availability criteria had not been met as of year-end. As a result, revenue was overstated and required material adjustments to correct revenue.

Additionally, during the audit we identified errors in the prior year that required restatements. Some of the misstatements were material to the financial statements, which is an indication of a material weakness in internal controls.

Recommendation

We recommend management performs additional review of revenues at year-end to ensure amounts are recorded in the correct period and properly classified as revenue, unearned revenue, or unavailable revenue. We also recommend that HCAOG strengthen its year-end review and reconciliation procedures to ensure errors are identified and corrected in the appropriate reporting period. Enhanced review and timely resolution of identified issues will help reduce the risk of misstatement and future prior period restatements that may impair the reliability of financial reporting.

Management Response

HCAOG will improve its year-end review process to make sure revenues are recorded in the correct period and classified appropriately as revenue, unearned revenue, or unavailable revenue. This will include additional review of revenue eligibility and availability at year-end and clearer documentation of management review of key journal entries and account balances. HCAOG will also strengthen its year-end review procedures to ensure fund classifications, beginning balances, and significant account balances are reviewed and corrected, if necessary, before the audit begins. To support these improvements, HCAOG plans to update its QuickBooks setup so that financial activity is classified more clearly and consistently. These changes are intended to reduce audit adjustments and help prevent similar issues in future years.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HCAOG'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*.

Additionally, we performed tests to determine that expenditures and activities of the HCAOG's Service Authority for Freeway Emergencies (SAFE) funds were in accordance with the applicable provisions of the California Streets and Highways Code governing the establishment, administration, and operation of the program. Specifically, we performed procedures over selected compliance requirements applicable to HCAOG SAFE funds under Chapter 14 (Sections 2550 through 2559) of the Streets and Highways Code, including requirements related to the use of motor vehicle registration fee revenues, administration and oversight of the motorist aid system, and management of program-related activities. In connection with our audit, nothing came to our attention that caused us to believe the HCAOG

failed to comply, in all material respects, with the applicable statutes, rules, and regulations governing the SAFE funds.

HCAOG's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on HCAOG's response to the findings identified in our audit and described above. HCAOG's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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

Irvine, California
February 6, 2026