



**HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS**  
**Regional Transportation Planning Agency**  
**Humboldt County Local Transportation Authority**  
**Service Authority for Freeway Emergencies**  
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**AGENDA ITEM 3a**  
**HCAOG Board Meeting**  
**April 16, 2026**

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**DATE:** April 9, 2026  
**TO:** HCAOG Policy Advisory Committee (PAC)  
**FROM:** Brendan Byrd, Executive Director  
**SUBJECT:** **Fiscal Year 2024-25 Transportation Development Act Fiscal and Compliance Audits**

### **STAFF REPORT**

#### **Contents:**

- Staff Recommended Action
- Staff Summary
- Audit Reports for fiscal year ending June 30, 2025
  - City of Arcata TDA Audited Financial Statements
  - City of Blue Lake TDA Audited Financial Statements
  - City of Ferndale TDA Audited Financial Statements
  - City of Fortuna TDA Audited Financial Statements
  - County of Humboldt TDA Audited Financial Statements
  - City of Rio Dell TDA Audited Financial Statements
  - City of Trinidad TDA Audited Financial Statements
  - Humboldt Transit Authority DRAFT Audited Financial Statements
  - Humboldt Transit Authority DRAFT Single Audit
  - HCAOG Report on Internal Control and Compliance
  - HCAOG Management Letter
  - HCAOG Audited Financial Statements

#### **Staff's Recommended Action:**

The PAC recommends the HCAOG Board receive and file the Fiscal Year 2024-25 Transportation Development Act Fiscal and Compliance Audits.

#### **Staff Summary:**

In accordance with the Transportation Development Act (TDA), HCAOG is required to submit fiscal and compliance audit reports to the California State Controller's Office (SCO) within 180 days following the close of each fiscal year (December 31). HCAOG contracted with Davis Farr, CPA to complete the FY 2024–25 TDA fiscal and compliance audits for HCAOG, its member

agencies, and Humboldt Transit Authority (HTA). A time extension was requested and approved by the SCO, allowing until March 31, 2026, to complete and submit all audits. All but one report was submitted to the SCO by the deadline. As of April 8, 2026, the HTA audit report has not yet been finalized or submitted to the SCO but is expected to be completed and transmitted by the end of the month. The draft included with this staff report is not expected to differ significantly from the final version, though final report dates and minor wording may change prior to submission. If any other substantial changes are made when finalizing, staff will bring the final report forward at a future meeting.

Staff have reviewed all of the FY 2024–25 TDA audits. All agencies received unmodified (clean) audit opinions, meaning their financial statements were fairly presented in accordance with generally accepted accounting principles. No material compliance issues were identified related to TDA eligibility, use of funds, or federal grant requirements. HTA also received a clean federal Single Audit, with no findings of noncompliance or questioned costs.

A few administrative and accounting-related issues were noted across some agencies. The County of Humboldt and the City of Trinidad reported prior period restatements to correct earlier accounting errors. The Cities of Fortuna and Rio Dell did not include the required Management’s Discussion and Analysis (MDA). HTA had one material weakness and two significant deficiencies related to financial reporting controls, primarily involving year-end accounting adjustments and financial statement preparation. HTA also did not include the required MDA. The City of Arcata’s audit, which reflects its final year of transit operations before transferring to HTA, also included audit adjustments and a restatement related to benefit allocations and revenue classification. None of these issues affected audit opinions or indicated misuse of funds, but they do point to areas where processes can be improved.

HCAOG also received an unmodified (clean) audit opinion. The audit reports enclosed include the financial statements, a report on internal control and compliance, and a management letter. Together, these confirm that HCAOG’s financial reporting is accurate, compliant, and supported by appropriate internal controls.

HCAOG ended the fiscal year with a total net position of about \$6.5 million, most of which is restricted for specific transportation programs such as SAFE, Local Transportation Fund, State Transit Assistance, and RSTP. While unrestricted net position is reported as negative, this is mainly due to long-term pension and OPEB liabilities and does not reflect the agency’s day-to-day financial condition. In reality, HCAOG maintains approximately \$650,000 in flexible funds within its administrative fund that can be used as a financial buffer. The rest of the funds are restricted and cannot be used for general operations.

The audit also included prior period restatements related to implementing GASB Statement No. 101, reclassifying certain funds, and correcting earlier accounting errors. The auditors identified two material weaknesses related to financial reporting, mainly tied to revenue timing and fund classification. For example, some revenues were initially recorded too early and were reclassified during the audit, and some prior-year balances needed correction. These were technical issues, were fixed during the audit, and did not involve misuse of funds or noncompliance. There were no significant deficiencies, fraud, disagreements with management, or compliance violations.

Management agrees with the findings and has already taken steps to improve processes, including strengthening year-end review procedures and improving the agency’s accounting structure and documentation. These changes are intended to improve accuracy and reduce the

need for audit adjustments in the future. Overall, the FY 2024–25 audit results show that HCAOG is financially stable and in compliance with requirements.

At this meeting, Jennifer Farr of Davis Farr, CPA will present an overview of the audits, and the Board will have an opportunity to ask questions. Staff recommends that the HCAOG Board receive and file the FY 2024–25 TDA Fiscal and Compliance Audits.