

HUMBOLDT TRANSIT AUTHORITY
Single Audit Report on Federal Awards
Year Ended June 30, 2025

HUMBOLDT TRANSIT AUTHORITY
Single Audit Report on Federal Awards
Year Ended June 30, 2025

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	7
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	15

**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 Transit Authority
Eureka, CA 95501

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 (*Government Auditing Standards*), the financial statements of Humboldt Transit Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 8, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-002 and 2025-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Authority is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including §6667 of Part 21 of the California Code of Regulations, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, including §6667 of Part 21, and which is described in the accompanying schedule of findings and questioned costs as item 2025-005.

Authority's Responses to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Irvine, California
May 8, 2026

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Humboldt Transit Authority
133 V Street
Eureka, CA 95501

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Humboldt Transit Authority's (the Authority's), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2025. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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 (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance 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 Authority 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 each major federal program. Our audit does not provide a legal determination of the Authority'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 Authority's federal programs.

Auditor's 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 Authority'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 the Uniform Guidance 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 Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Authority'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 Authority'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material

weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 a federal program 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 a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-004 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit and are described in the accompanying schedule of finding and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our reported thereon dated March 27, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors
Humboldt Transit Authority
Eureka, California

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Irvine, California
May 8, 2026

HUMBOLDT TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2025

Federal Grantor / Pass - Through Grantor / Program	Assistance Listing Number	Program Identification Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Transportation</u>				
Passed through The State of California Department of Transportation, Division of Rail & Mass Transportation:				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	64BA24-02485	\$ 1,035,866	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	64BC21-01671	1,021,620	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	64CA24-02525	931,244	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	64KA20-02423	96,271	-
Total U.S. Department of Transportation			3,085,001	-
Total Expenditures of Federal Awards			\$ 3,085,001	-

See accompanying notes to Schedule of Expenditures of Federal Awards

HUMBOLDT TRANSIT AUTHORITY

Note to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

(1) **Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Humboldt Transit Authority (the Authority) that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the Authority from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program. The Authority did not use the 10% de minimis cost rate for indirect costs.

HUMBOLDT TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | 2025-001 |
| b. Significant deficiency(ies) identified? | 2025-002 |
| | 2025-003 |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|--|------------|---|
| 1. Internal control over major programs: | | |
| a. Material weakness(es) identified? | | No |
| b. Significant deficiency(ies) identified? | | 2025-004 |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? | | No |
| 4. Identification of major programs: | | |
| <u>CFDA Number</u> | | <u>Name of Federal Program or Cluster</u> |
| 20.509 | | Formula Grants for Rural Areas & Tribal Transit Program |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 | |
| 6. Auditee qualified as a low-risk auditee? | Yes | |

HUMBOLDT TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

Section II - Financial Statement Findings

2025-001: Material Adjusting Journal Entries

Condition

We identified errors in the accounting records that required material journal entries to properly record capital assets and accumulated depreciation, to correct OPEB and pension-related balances, to adjust accounts payable and compensated absences, and to correct revenue recognition. In certain cases, the Authority was aware of the errors and was waiting for the contract CPA to adjust the balances.

Potential Effect

The financial statements could be materially misstated, which could impact reliance on the financial information for decision-making and could affect compliance with reporting requirements.

Recommendation

We recommend that management strengthen its financial reporting processes by implementing enhanced review procedures that include timely reconciliation of accounts to underlying support, and providing additional training to staff on the accounting and reporting requirements related to the areas where the misstatements were identified. In addition, management should ensure that all year-end closing journal entries are prepared, reviewed, and recorded accurately and on a timely basis prior to the commencement of the annual financial statement audit.

Management Response

Staff were aware of journals needed to complete the closing process. However, under the prior auditor of thirty year's process, it was customary for the auditor to record closing entries during the audit. This past year's closing review procedure occurred expecting continued guidance due to the previous auditor and contract accountant, which included their involvement in certain closing entries. Staff will adjust these procedures going forward.

2025-002: Written Policies for Investments and Inventory

Condition

The Authority does not have a written investment policy to guide the management, safeguarding, and oversight of its investment activities. Additionally, the Authority does not have documented procedures for conducting, documenting, and reviewing physical inventory counts.

Potential Effect

In the absence of written policies and procedures, the Authority is exposed to increased risks, including inconsistent practices, inadequate oversight, potential mismanagement of investments, and inaccurate or incomplete inventory records.

HUMBOLDT TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

Section II - Financial Statement Findings (Continued)

Recommendation

We recommend that management develops and adopts a formal written investment policy that outlines authorized investments, risk management practices, oversight responsibilities, and reporting requirements. We also recommend that the Authority establish and implement written procedures for conducting periodic physical inventory counts, including guidelines for documentation, reconciliation, and supervisory review. Implementing these written policies and procedures will strengthen internal controls, promote consistency, and support more reliable financial reporting.

Management Response

An agency investment policy is in the process of being written and is under review. The maintenance department is undergoing a change to their software and is documenting the updated inventory process.

2025-003: IT Change Management, Access Controls, and System Governance

Condition

We noted several areas for improvement in the Authority's information technology control environment:

- There are no formal procedures in place for emergency program changes or changes to program files.
- Periodic user access reviews are not documented.
- The Authority does not have documented guidelines governing the use of shareware, bulletin boards, personal diskettes/CDs/jump drives, or other external data media.
- The Authority does not test significant changes or updates to applications made by the IT vendor prior to implementation.

Potential Effect

The absence of these controls increases the risk of unauthorized system changes, inappropriate user access, exposure to malicious software through unmanaged external media, and potential system errors or operational disruptions resulting from untested system updates.

Recommendation

We recommend that management:

- Develop and implement formal procedures for emergency program changes and all changes to program files, including required approvals and documentation.
- Establish a process to perform and document periodic user access reviews to ensure access is appropriate and limited to authorized users.
- Adopt written guidelines regarding the use of shareware, external media, and other data sources to reduce the risk of malware and unauthorized software installation.

HUMBOLDT TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

Section II - Financial Statement Findings (Continued)

- Require testing and documented review of significant system changes or updates made by the IT vendor prior to deployment, ensuring they function as intended and do not negatively impact operations

Implementing these measures will strengthen the Authority's IT control environment, reduce operational and security risks, and enhance the reliability of its systems and data.

Management Response

Written policies for access controls and external data media are in the process of being written with the collaboration of the IT vendor. None of the Authority's systems currently provide environments that support internal testing of updates provided by the IT Vendor, nor does the agency have the resources or staff with this expertise. The IT Vendor does have its own internal practice of allowing approximately one week for the broader user community to identify potential issues before proceeding with implementation.

2025-005: Documentation of Compliance with Purchasing Policy

Condition

The policies and procedures governing the Authority's procurement of supplies, materials, equipment, vehicles, services and construction require the General Manager's approval on purchases less than \$50,000 and Board of Director's approval on purchases greater than \$50,000. Additionally, three quotes are required on small purchases between \$10,000 and \$250,000 and formal bidding is required on purchases over \$250,000. While the Authority management believes they followed the purchasing policies and procedures, they did not routinely retain evidence of approvals and bidding.

Potential Effect

The purchasing policies are designed to conserve public funds, promote cost-effective procurements, and comply with laws and regulations. Lacking evidence of compliance could impact public trust and create concerns from grantors and regulators.

Recommendation

We recommend that management develop a form to accompany all purchases exceeding \$10,000. The form could be used to document the level of bidding required, the bidding results, justification for sole source procurement, and the required approvals.

Management Response

Staff is evaluating improved controls to ensure compliance with policies in the future. The new financial software includes a purchasing module that will help with documentation retention as it allows for attachments and workflows with submission of a purchase order or payment request.

HUMBOLDT TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

Section III - Federal Award Findings and Questioned Costs

2025-004: Federal Awards – Allowable Costs

Federal Agency: U.S. Department of Transportation

CFDA No.: 20.509

Federal Program: Formula Grants for Rural Areas and Tribal Transit Program

Control Category: Allowable Costs

Questioned Costs: Does not exceed threshold for reporting

Condition

During our testing of payroll expenditures, we noted that administrative and maintenance employee salaries and wages were charged to the federal program using predetermined allocation percentages rather than actual time recorded on employee timesheets or activity reports. Employees working on multiple programs did not maintain documentation identifying the actual hours worked on each program during the pay period. Instead, payroll costs were distributed across funding sources using fixed percentages established by management.

Criteria

2 CFR 200.430(i), Standards for Documentation of Personnel Expenses, states, in part:

“Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed...”

Charges must “support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award;...”

And “budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards.”

Cause

The Authority’s payroll system charges time for employees each pay period based on an allocation rather than actual hours documented on the employee’s timesheet.

Effect

Because payroll costs were not supported by records reflecting the actual work performed, the Authority cannot demonstrate that salary and wage costs charged to the federal program were accurate and properly allocable. As a result, payroll expenditures charged to the program may be unallowable under federal cost principles, and there is an increased risk that federal funds could be misallocated among programs.

Recommendation

We recommend that the Authority charge time to the program based on actual hours worked per the employees’ timesheets.

HUMBOLDT TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

Section III – Federal Award Findings and Questioned Costs (Continued)

Management’s Response Regarding Corrective Action Taken or Planned

These rules apply to costs charged directly to federal programs, such as the 5311 grants that require a 44.67% match when used for operating expenses. All maintenance and administrative staff time is eligible as direct costs for these grants as their time is only spent on transit activities and not administrating non-transit programs. Staff apply payroll costs and on either actual vehicle miles or hours based their type of work, as recommended by the National Rural Transit Assistance Program, for time by staff that cannot be directly tied to a specific grant source.

HUMBOLDT TRANSIT AUTHORITY
Summary Schedule of Prior Year Findings
Year ended June 30, 2025

Prior Year Findings

There were no findings reported for the year ended June 30, 2024.