SHASTA REGIONAL TRANSPORTATION AGENCY

Single Audit Report on Federal Awards

Year Ended June 30, 2025

SHASTA REGIONAL TRANSPORTATION AGENCY

Single Audit Report on Federal Awards

Year Ended June 30, 2025

TABLE OF CONTENTS

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

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
Shasta Regional Transportation Agency
Redding, California

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, and each major fund of Shasta Regional Transportation Agency (the Agency) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September_______2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 to be material weaknesses.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Title 21 of the California Code of Regulations, 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,* including §6666 of Title 21 of the California Code of Regulations.

The Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our engagement and described above. The Agency'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.

Irvine, California
September____, 2026

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

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
Shasta Regional Transportation Agency
Redding, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shasta Regional Transportation Agency's (the Agency'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 each of the Agency's major federal programs for the year ended June 30, 2025. The Agency'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 Agency 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 Agency 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 Agency'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 Agency'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 Agency'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 Agency'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 Agency'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 Agency'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 Agency'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

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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

We have audited the financial statements of the governmental activities, and each major fund of the Agency as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon, dated September___2026, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 basic 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 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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.

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.

Irvine, California
September____, 2026

SHASTA REGIONAL TRANSPORTATION AGENCY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2025

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Program Identification Number	Program Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation				
Passed through the California Department of Transportation				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A0821	$1,003,455	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A1622	585,624	-
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			1,589,079	-
Total U.S. Department of Transportation			1,589,079	-
Total Expenditures of Federal Awards			$ 1,589,079	-

See Accompanying Notes to Schedule of Expenditure of Federal Awards

SHASTA REGIONAL TRANSPORTATION AGENCY

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 Shasta Regional Transportation Agency (the Agency) that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, federal financial assistance includes the Metropolitan Planning and Research Funds passed through the California Department of Transportation. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. The Agency did not use the 15% de minimis indirect cost rate covered in section 200.414 of the Uniform Guidance.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

Summary of Significant Accounting Policies

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. Such expenditures are recognized following the cost principles contained in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Subrecipients

During the fiscal year ended June 30, 2025, there were no payments made to subrecipients.

SHASTA REGIONAL TRANSPORTATION AGENCY

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:	Modified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	2025-001 2025-002
b. Significant deficiency(ies) identified?	None reported
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?	None reported
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:	
CFDA Number	Name of Federal Program or Cluster
20.505	Metropolitan Planning and Research
5. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6. Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Findings

(2025-001) Errors in Accounting Records and Financial Reporting

Condition

Our audit procedures identified material errors in the accounting records that required correcting journal entries. The adjustments related to fund classifications, revenue recognition, accrued liabilities, accounts receivable, deferred revenue, and other year-end balances, including prior period adjustments. These adjustments delayed completion of the audit and impacted the timeliness of financial reporting.

The Agency has three governmental funds that report on the modified accrual basis of accounting. However, the accounting system is only capable of accounting for one fund and accounting is maintained on a full accrual basis of accounting. To compensate, Agency staff and consultants use work arounds to track the activities of each fund and manual adjustments are made to balance each fund and convert the accounting from the full accrual basis to the modified accrual basis. We believe the system limitations and manual work arounds are the primary reason for the errors we detected during the audit.

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 strengthens year-end closing procedures to ensure accounts are properly reconciled, adjustments are accurately recorded, and financial activity is recorded in the appropriate funds and basis of accounting prior to commencement of the annual audit.

We also recommend that management evaluate whether the current accounting system is adequate to support the financial reporting needs of a multi-fund governmental agency.

Management Response

Management agrees with the recommendation and will ……………………………….

Section II - Financial Statement Findings (Continued)

(2025-002) Segregation of Duties

Condition

We identified instances in which journal entries were initiated and approved by the same individual. This results in a lack of segregation of duties over the journal entry process and increases the risk that errors or inappropriate entries may go undetected.

Potential Effect

Insufficient segregation of duties increases the risk that errors or inappropriate journal entries may go undetected, resulting in inaccurate financial reporting.

Recommendation

We recommend that management implement an independent review and approval process for journal entries. If segregation of duties is not feasible, a documented compensating review should be performed by an independent individual.

Management Response

Management agrees with the recommendation and will ………………………………….

SHASTA REGIONAL TRANSPORTATION AGENCY

Schedule of Findings and Questioned Costs

(Continued)

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings noted for the year ended June 30, 2025.

Prior Year Findings

(2024-001) Financial Reporting

Condition

Management identified and corrected misstatements related to intergovernmental and unearned revenues, resulting in a prior-period adjustment. Several additional audit adjustments were also required.

Current Status

Repeated in the current year. See 2025-001

(2024-002) Segregation of Duties

Condition

There were instances in which journal entries were initiated and approved by the same individual.

Current Status

Repeated in the current year. See 2025-002