FECHTER & COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

January 12, 2024

Board of Commissioners
El Dorado Local Agency Formation Commission
550 Main Street, Suite E
Placerville, CA 95667

We have audited the financial statements of El Dorado Local Agency Formation Commission (EDLAFCo) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 18, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by EDLAFCo are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimate affecting the Commission's financial statements was:

Management's estimate of the net pension liability is based on CalPERS actuarial reports. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. For the year ended June 30, 2023, the following audit adjustments were made to correct misstatements to the Commission's financial statements.

- Recorded current year changes in accrued salaries and compensated absences liabilities.
- Recorded current year changes in net pension liability accounts in accordance with GASB 68.
- Removed stale-dated prepaid expenses and record new prepaids.
- Record GASB 87 lease activity.
- Adjusted CalTRUST to reflect the realized losses on investment balance.
- Reclassified fund balances to establish the emergency reserve fund.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Required Supplementary Information related to pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (continued)

We were not engaged to report on the other supplemental information which includes: the budgetary comparison schedule, the comparative schedules of operating expenses by department, and the schedule of changes in restricted and reserved net position, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2023 on our consideration of EDLAFCo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the LAFCo's internal control over financial reporting and compliance.

Restriction on Use

This information is intended solely for the information and use of Board of Commissioners and management of the El Dorado Local Agency Formation Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Fechter + Company

Fechter & Company
Certified Public Accountants

EL DORADO
LOCAL AGENCY FORMATION COMMISSION

ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Annual Financial Report
June 30, 2023

TABLE OF CONTENTS

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
El Dorado Local Agency Formation Commission
Placerville, California

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of the El Dorado Local Agency Formation Commission (EDLAFCo), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the LAFCo's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of EDLAFCo, as of June 30, 2023, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EDLAFCo and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EDLAFCo's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

3445 American River Drive, Suite A | Sacramento, California 95864
phone 916-333-5360 | fax 916-333-5370 | www.fechterpa.com

To the Commissioners
El Dorado Local Agency Formation Commission
Placerville, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the El Dorado Local Agency Formation Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the El Dorado Local Agency Formation Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Commissioners
El Dorado Local Agency Formation Commission
Placerville, California

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions to the Pension Plan, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2024 on our consideration of EDLAFCo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EDLAFCo's internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants

Fechter + Company

Sacramento, California
January 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This discussion and analysis of the financial performance of the El Dorado Local Agency Formation Commission (EDLAFCo) provides an overview of the financial activities in the 2022-2023 fiscal year. It should be read in conjunction with the financial statements included in this report.

LAFCO FUNCTIONS AND ACTIVITIES

The following general information is presented to strengthen the reader's understanding of EDLAFCo's functions and activities, which define the context of its financial performance.

Local Agency Formation Commissions (LAFCos) are independent public agencies created by the California Legislature; there is one in each County. They exercise quasi-legislative authority under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code, Sections 56000-57550). EDLAFCO has the oversight authority over two cities, 47 special districts, and six County Service Areas (CSAs).

Summarized briefly, a LAFCo's responsibilities include the following:

1. Encouraging orderly growth and development.
2. Encouraging the logical formation and determination of boundaries.
3. Ensuring that affected populations receive adequate, efficient, and effective governmental services.
4. Preventing premature conversion of open space and prime agricultural land.

EDLAFCo activities, other than internal administrative operations, occur in three main functional areas:

Processing Proposals

LAFCos oversee actions that change boundaries of local agencies such as cities and special districts. Such actions include annexation of territory to, or its detachment from, cities and special districts; formation of districts and incorporation of cities; dissolution of districts and disincorporation of cities; and consolidation of districts. In addition, LAFCos also have authority (within statutory limits) over provision of services by local public agencies within LAFCo purview, of which courts and schools are not. LAFCo approval is required for an agency to provide services outside its boundaries (by entering into "out-of-agency" service contracts) or to initiate one or more new services authorized by its enabling statute, but not previously provided ("latent power activation").

The actions listed above are typically initiated by a local agency's submission of its Resolution of Application supporting and endorsing a LAFCo application prepared by an individual or firm. The LAFCo then oversees a process of review and documentation that assures the proposal's compliance with relevant laws and regulations. which will be reflected in changes to property tax allocation.

LAFCO FUNCTIONS AND ACTIVITIES (Continued)

Processing Proposals (Continued)

When a proposal is approved, the LAFCo notifies the county auditor and assessor, as well as the State Board of Equalization, regarding the boundary change, When a proposal is approved, the LAFCo notifies the county auditor and assessor, as well as the State Board of Equalization, regarding the boundary change, LAFCos collect fees in the form of initial deposits and subsequently bill charges based upon staff time and costs incurred to process proposals. The LAFCo fee schedule provides for inclusion of an overhead recovery rate as part of staff costs. Special studies (e.g., cost or fiscal impact analyses of different service provision options and environmental impact reviews) are occasionally undertaken with financial support provided by other agencies via contract. Standard indemnification agreements also provide for project applicants to reimburse the LAFCo for costs it may incur in any litigation or administrative proceeding in which the LAFCo is named as a party in connection with processing that applicant's proposal. From time to time, such arrangements can be significant sources of expenses offset by reimbursements.

Sphere of Influence (SOI) Plans

Another major area of a LAFCo's responsibilities is the establishment of Sphere of Influence Plans (SOI Plans) for cities and districts. An SOI Plan delineates the probable physical boundaries of an agency's territory over a 20-year period and includes an intermediate near-term "horizon" that encompasses territory expected to be annexed within the next five years. It also outlines the agency's capabilities and plans for providing services by incorporating data and determinations from the relevant Municipal Service Reviews (MSR), updated as necessary because of elapsed time. These plans provide the foundation for approval of annexations and other boundary-change actions, assuring congruence between an agency's geographical area of responsibility and its ability to provide adequate, efficient, and effective services.

SOI Plans typically are developed by the agency and LAFCo staff working together, though EDLAFCo may contract for consulting assistance to assure proper resources, timeliness, or to obtain special expertise. LAFCo law requires that SOI Plans be reviewed for update every five years. EDLAFCo updated its SOI policies on December 2022 to "Spheres of Influence of districts not providing municipal services including, but not limited to, roads, parks, recreation, hospital, resource conservation, cemetery, and airport shall be updated as necessary. As necessary shall include concerns such as, but not limited to, long-term viability, active Board, etc." This new policy enables the agency to perform the SOI updates for the 24 special districts that provide municipal services every five years and the 34 special districts that provide non-municipal services as necessary. LAFCo's expenses associated with developing and updating SOI Plans are funded from its annual appropriations (see "LAFCo Funding" on pg. 6).

LAFCO FUNCTIONS AND ACTIVITIES (Continued)

Municipal Service Reviews (MSRs)

SOI Plans must be based upon thorough analyses of how essential services are provided in defined geographical areas. This need is satisfied by Municipal Service Reviews (MSRs) that enable EDLAFCo to make determinations about infrastructure needs or deficiencies; growth and population projections for the affected area; financing constraints and opportunities; cost avoidance opportunities; opportunities for rate restructuring; opportunities for sharing of facilities; government structure options, including advantages and disadvantages of consolidation or reorganization of service providers; evaluation of management efficiencies; and local accountability and governance.

MSRs must be conducted prior to, or in conjunction with, SOI Plan updates. As is the case with SOI Plans, EDLAFCo may contract with consulting firms to collect and analyze data for MSRs. Said consultants may develop draft reports which, following review by staff of EDLAFCo and affected agencies, are submitted to EDLAFCo for preliminary review and approval for public release. Upon conclusion of the public review period and completion of any resulting corrections or revisions, the reports are presented to EDLAFCo once more for final review and approval. No fees are charged for conducting MSRs. These costs are funded from the EDLAFCo annual appropriations (see "LAFCo Funding" below).

LAFCO FUNDING

The Cortese-Knox-Hertzberg Act of 2000 requires the net operating expenses (defined as costs less revenues, interest, and uncommitted fund balances carried from one fiscal year to the next) of each LAFCo to be allocated among the local agencies. The funding allocation is charged one-third to cities, one-third to the county, and one-third to independent special districts if the LAFCo in question has special district members. Otherwise, the funding is shared equally by the cities and county. Other arrangements are made in some counties by agreement among the funding agencies. The allocation of cost to each agency is based on its revenues as reported to the State Controller. The county auditor computes the LAFCo allocation and collects the correct amount from each agency. For the fiscal years ended June 30, 2023, and June 30, 2022, the allocations to agencies supporting EDLAFCo increased by ~9.5% and are shown in the following table:

	Dollar Amount		
Agencies	2023	2022	Allocation Distribution
El Dorado County	$ 168,741	$ 154,636	1/3 of total allocation (33.34%)
Cities (2)	168,690	154,590	1/3 (33.33%) of total allocation, apportioned in proportion to each city's total revenues, pursuant to §56381(b)(1)(C)
Special Districts (47)	$ 168,690	$ 154,590	1/3 (33.33%) of total allocation, apportioned in proportion to each city's total revenues, pursuant to §56381(b)(1)(C)

LAFCO FUNDING (Continued)

The financial statements included in this report display assets and liabilities using the accrual basis of accounting, as Governmental Accounting Standards Board (GASB), Statement No. 34, requires. That is, revenues are recorded when earned and expenses are recorded when incurred.

As shown in the Statement of Net Position (page 14), EDLAFCo concluded the 2022-23 fiscal year with assets and deferred outflows of resources totaling $608,508, an increase of $72,319 from the previous year. Liabilities and deferred inflows of resources this year totaled $270,164, an increase of $162,499 from the previous year. Note that the total liability for fiscal year 2022-2023 includes EDLAFCo's net pension liability of $165,657, pursuant to the requirements of GASB 68 and as reported by CalPERS. At the close of the previous fiscal year, there was a net pension asset of $46,575.

The 2022-23 total net position is comprised of (i.e., total assets and deferred outflows of resources less total liabilities and deferred inflows of resources), $3,548 in net investment in capital assets and $334,796 was unrestricted.

The outstanding liabilities shown in the Statement of Net Position represent accounts payable, accrued payroll liability, vacation liabilities, net pension liability, and lease obligations.

Condensed comparative financial statements are presented on page 10.

BUDGETARY ANALYSIS

Because the quantity and nature of LAFCo work is quite variable, and because the agency is a governmental entity largely funded by appropriations from other agencies, financial analyses appropriate for a profit-making enterprise are of little relevance. Also, because most of EDLAFCo's funding is transferred into its account early in each fiscal year from resources of other local governmental agencies, there is no readily available source of funds to cover unanticipated expenses.

LAFCo law permits, but does not obligate, a county to lend funds to its LAFCo in the event of shortfalls. However, such a loan would have to be repaid from next year's funds (as required by LAFCo law). Thus, LAFCo's financial management must be evaluated chiefly in terms of consistency with budgetary planning. However, surpluses can be applied to anticipated expenses of the next fiscal year and are more likely to have a positive impact (rather than negative one) on the funding agencies over the long term. EDLAFCo has created an "Operating Reserve" policy (see "Financial Policies" starting on pg. 11) that will help the agency with unforeseen shortfalls and large outsourcing projects.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis (Unaudited)
June 30, 2023

BUDGETARY ANALYSIS (Continued)

The following includes key budgetary analysis matters for Fiscal Year 2022-2023:

- Total revenues were slightly below the budget projection due to project fees being ~$12,000 under expectations.
- Interest revenues were ~$500 less than the budget due to lower interest rates for the bank savings account.
- Salaries and Benefits were significantly lower (~$111,000) than the budget due to the hiring of the Executive Officer and other savings with the administrative staff.
- The Information Services was ~$10,000 less than the budget due to the hiring of the Executive Officer and staff expertise.
- Accounting services and Payroll processing expenses were significantly higher (~$13,000 and ~28%) than the budget due to the new management expectations of the CPA firm.
- The General Liability Insurance continues to be significantly under budget (~$14,000) due to no claims for the agency.
- Professional Services expenses were below budget due to the long-term planning for the agency and performing the tasks and projects by staff.
- The operating contingency provision was budgeted based on the usual 10% of the operating budget. The operating contingency was used for $350 and remained almost untouched at the end of the fiscal year.
- EDLAFCo reviewed a 5-year budget projection in May 2023 to help with smoothing future agency contributions and project deliveries.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis (Unaudited)
June 30, 2023

COMPARISON OF EXPERIENCE TO BUDGET

The following table compares actual revenues and expenses to budget provisions:

	2023 Actuals	2023 Budget	2022 Actuals	2022 Budget
Revenues:				
Fees	$ 3,013	$ 15,000	$ 7,500	$ 1,705
Agency Payments	506,123	506,123	463,817	463,817
Reserves Fund - accrued	-	-	107,165	-
Revenue from reserve	-	-	-	5,000
Interest	21	500	23	500
Total Revenues	509,158	521,623	578,505	471,022
Expenses:				
Fees	105	-	135	-
Salaries and benefits	284,446	403,988	217,028	207,159
Workers comp insurance	4,798	1,725	4,925	1,480
General liability insurance	12,571	26,530	11,890	26,530
Information services	13,753	23,760	13,413	23,760
Environmental doc filing fee	50	625	-	625
Accounting services	13,832	7,188	11,833	11,188
Annual audit	350	8,450	7,316	8,450
Cell and telephone services	3,218	3,840	3,813	3,840
Copies	243	480	578	480
GIS maps	-	180	-	180
Lease payment - building	25,018	24,527	24,289	24,141
Legal notices	313	726	270	726
Legal services	22,265	22,000	31,495	39,000
Meals	40	-	-	-
Memberships	1,814	1,850	1,756	1,850
Memberships - CALAFCO	3,857	3,677	3,677	3,677
Office expense	3,039	1,485	1,716	1,485
Operating contingency	350	14,567	747	13,687
Postage	225	800	21	800
Professional services	43,545	50,000	51,968	142,833
Payroll processing expenses	6,200	-	-	-
Publications	238	387	351	387
Rental vehicles	-	-	-	-
Equipment rental/leases	2,328	2,136	2,285	2,136
Utilities	2,054	2,040	1,766	2,040
Staff development	6,437	9,000	(720)	838
Transportation	3,108	4,260	1,487	2,260
Bank charges	95	-	50	-
Total Expenses	$ 454,291	$ 614,221	$ 392,089	$ 519,552

CONDENSED COMPARATIVE GOVERNMENT-WIDE STATEMENTS

Condensed Statements of Net Position

	2023	2022	Variance ($)	Variance (%)
Assets				
Current assets	$ 397,728	$ 348,695	$ 49,033	14%
Non-current and other assets	210,780	187,494	23,286	12%
Total Assets	608,508	536,189	72,319	13%
Liabilities				
Current liabilities	48,463	47,395	1,068	2%
Non-current and other liabilities	221,701	60,270	161,431	268%
Total Liabilities	270,164	107,665	162,499	151%
Net Position				
Investment in capital assets	3,548	6,590	(3,042)	-46%
Unrestricted	334,796	421,935	(87,139)	-21%
Total Net Position	$ 338,344	$ 428,525	$ (90,181)	-21%

Condensed Statements of Activities

	2023	2022	Variance ($)	Variance (%)
Revenues				
Agency funding	$ 506,123	$ 463,817	$ 42,306	9%
Filing fees and other	4,856	7,500	(2,644)	-35%
Total Revenues	510,979	471,317	39,662	8%
Expenses				
Salaries and benefits	290,861	200,425	90,437	45%
Services and supplies	154,755	163,876	(9,121)	-6%
Depreciation and amortization	19,379	22,617	(3,238)	-14%
Total Expenses	464,996	386,918	78,078	20%
Net Program Income	45,983	84,399	(38,416)	-46%
General Revenues (Expenses)				
Investment gains (losses)	2,814	(1,885)	4,699	-249%
Revenue (expense) from pension adjustment	(138,979)	178,089	(317,068)	-178%
Net Revenues (Expenses)	(136,164)	176,204	(312,369)	-177%
Change in Net Position	(90,181)	260,604	(350,785)	-135%
Net Position, Beginning of Year	428,525	167,921	260,604	155%
Net Position, End of Year	$ 338,344	$ 428,525	$ (90,180)	-21%

COST OF DELIVERY OF SERVICES

As mentioned briefly in the discussion of EDLAFCo's functions above, administrative expenses associated with conduct of MSR and SOI studies, of which staff salaries and benefits together with costs of professional services comprise the largest portion, are paid from appropriated funds. Project proposals and special studies are subject to recovery of direct costs.

LOOKING FORWARD

EDLAFCO completed their planning process in fiscal year 2022-23. This road map combined with the 5-year budget projection has given the agency the ability to properly plan for future revenue and expenses and to avoid large peaks in the annual appropriations acquired from LAFCo's supporting agencies.

During fiscal year 2022-23, EDLAFCo initiated work on the Sphere of Influence and MSR Updates for the City of Placerville, City of South Lake Tahoe, and Cameron Park Community Services District by hiring a consultant to prepare the Study. The funding for this work was approved in the FY 2021-22 budget. EDLAFCo staff completed the MSR/SOI study for the Greenstone Country Community Services District.

For the FY 2023-24, EDLAFCo anticipates exploring the Sphere of Influence update as needed for the following non-municipal services districts: Arroya Vista CSD, Knolls CSD, Lakeview CSD, Rising Hill Road CSD, and Sierra Oaks CSD. In addition, staff is working with the Fire Districts for possible annexations and an ultimate Fire Summit.

FINANCIAL POLICIES

On February 2023, EDLAFCo updated their financial and reserves policies as follows:

Policy 2.1.11 - Carryover/Fund Balance Amounts: For purposes of this section and Polices and Guidelines Section 2.10, the carryover/fund balance amount is defined as the amount left over at the end of each fiscal year after all outstanding payments for that fiscal year have been made. The carryover/fund balance amount will be calculated at the close of the books for a fiscal year. After it has been calculated, the LAFCo Executive Officer must report the carryover/fund balance amount to the Commission and to LAFCo's auditors. The carryover/fund balance amount will be used as a revenue source for the fiscal year beginning on July 1 immediately after the carryover/fund balance amount has been calculated. The LAFCo Executive Officer shall deposit these funds consistent with Policy 2.10.

FINANCIAL POLICIES (Continued)

Policy 2.10.5(c) - Assigned: An "Emergency Reserve" fund set at a minimum of 15% and maximum of 25% of the LAFCo's current year operating budget for the purposes of funding non-budgeted legal expenses that may occur from time-to-time; unexpected catastrophic expenses; or an unexpected drop in revenues. Expenditure of "Emergency Reserve" funds must receive prior approval of the Commission; however, an emergency expense can be authorized from the "Emergency Reserve" with approval of the Executive Officer and either Commission Chair or Vice Chair for an amount totaling less than $10,000 during a monthly period. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. Upon the time the "Emergency Reserve" fund is fully funded in accordance with this policy, the application of any excess carryover monies will be applied per Policies & Guidelines Section 2.7.5. The Executive Officer shall make recommendations to the Commission during adoption of the annual budget for replenishing this fund.

The accumulated emergency reserve as of June 30, 2023, was $119,911. This fund is invested in the CALTRUST account. The account balance as of June 30, 2022 was $117,118. The account has grown by $2,793 during the fiscal year 2022-23, which is ~2.3% yield.

Policy 2.10.5(d) - Unassigned: An "Operating Reserve" fund set at 30% of LAFCo's current year operating budget for the purpose of cash flow management with the timing of agency contribution reimbursement from El Dorado County. Disbursement of the "Operating Reserve" is at the discretion of the Executive Officer. Replenishment of the "Operating Reserve" for disbursement made in the same fiscal year is at the discretion of the Executive Officer. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. The Executive Officer makes recommendations to the Commission during adoption of the annual budget for replenishing this fund.

The Operating Reserve balance was not established as of June 30, 2023.

Operations

EDLAFCo is in the process of relocating their office by October 2024.

EDLAFCo moved their payroll processing to County of El Dorado on April 1, 2023. The service is provided by the County as part of the administration fees that are already collected. The payroll processing expenses by the CPA are ongoing savings for the agency. Also, checks and balances have been put into place to prevent errors and fraud.

REQUESTS FOR INFORMATION

This analysis is intended to provide a general summary of EDLAFCo's finances for the benefit of interested parties. Questions concerning any of the information provided or requests for additional information may be directed to the Executive Officer, El Dorado LAFCo, 550 Main Street Suite E, Placerville, California 95667.

EDLAFCo also maintains a web site http://edlafco.us from which policies, MSRs, SOI Plans, audit documents, budgets, and other materials may be accessed.

BASIC FINANCIAL STATEMENTS

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Statement of Net Position
June 30, 2023

Assets	
Current Assets:	
Cash and investments	$ 346,372
Prepaid items/expenses	51,356
Total Current Assets	397,728
Non-current Assets:	
Right-to-use leased assets, net of amortization	21,786
Capital assets, net of depreciation	3,548
Total Non-current Assets	25,334
Total Assets	423,062
Deferred Outflows of Resources	
Pension plan	185,446
Liabilities	
Current Liabilities:	
Accounts payable	5,136
Salaries and benefits payable	5,655
Compensated absences	17,251
Current portion of lease liability	20,421
Total Current Liabilities	48,463
Non-current Liabilities:	
Lease liability, net of current portion	8,207
Net pension liability	165,657
Total Non-current Liabilities	173,864
Total Liabilities	222,327
Deferred Inflows of Resources	
Pension plan	47,837
Net Position	
Investment in capital assets	3,548
Unrestricted	334,796
Total Net Position	$ 338,344

The accompanying notes are an integral part of these financial statements.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Statement of Activities
For the Year Ended
June 30, 2023

Revenues	
Agency funding	$ 506,123
Filing fees and other	4,856
Total Revenues	510,979
Expenses	
Salaries and benefits	290,861
Professional services	86,650
Equipment rental	2,328
Insurance	17,369
Utilities	2,054
Information services	13,753
Transportation and travel	3,108
Memberships	5,671
Cellular and telephone services	3,218
Office expenses	20,018
Operating contingency	350
Publications and subscriptions	238
Amortization of leased assets	16,337
Depreciation	3,042
Total Expenses	464,996
Net Program Income	45,983
General Revenues (Expenses)	
Investment gains	2,814
Net expense from pension adjustment	(138,979)
Net General (Expenses)	(136,164)
Change in Net Position	(90,181)
Net Position, Beginning of Year	428,525
Net Position, End of Year	$ 338,344

The accompanying notes are an integral part of these financial statements.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Balance Sheet
Governmental Fund
June 30, 2023

Assets		
Cash and investments	$	346,372
Prepaid expenses		51,356
Total Assets	$	397,728
Liabilities		
Accounts payable	$	5,136
Salaries and benefits payable		5,655
Total Liabilities		10,791
Fund Balance		
Nonspendable		51,356
Assigned:		
Emergency Reserve		119,911
Unassigned		215,670
Total Fund Balance		386,937
Total Liabilities and Fund Balance	$	397,728

The accompanying notes are an integral part of these financial statements.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	$ 386,937
In governmental funds, only current assets are reported. In the Statement of Net Position, all assets are reported, including capital assets and accumulated depreciation. Non-current assets included:	
Capital assets at historical cost, net of accumulated depreciation	3,548
Right-to-use leased assets, net of amortization	21,786
Net pension liability	(165,657)
Deferred outflows of resources - pensions	185,446
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:	
Accrued compensated absences	(17,251)
Operating lease liability	(28,628)
Deferred inflows of resources	(47,837)
Net position of governmental activities	$ 338,344

The accompanying notes are an integral part of these financial statements.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended
June 30, 2023

Revenues	
Agency funding	$ 506,123
Filing fees and other	4,856
Total Revenues	510,979
Expenditures	
Salaries and benefits	284,551
Professional services	86,650
Rents and leases	27,346
Insurance	17,369
Utilities	2,054
Information services	13,753
Transportation and travel	3,108
Memberships	5,671
Cellular and telephone services	3,218
Office expenses	9,985
Operating contingency	350
Publications and subscriptions	238
Capital outlay	-
Total Expenditures	454,292
Excess of Revenues over Expenditures	56,687
General Revenues	
Investment gains	2,814
Change in Fund Balance	59,502
Fund Balance, Beginning of Year	327,435
Fund Balance, End of Year	$ 386,937

The accompanying notes are an integral part of these financial statements.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2023**

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balance	$	59,502
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. Intangible right-of-use assets are amortized over their estimated contractual obligation.		
Capital outlay expenditures are therefore added back to fund balances		-
Depreciation expense not reported in governmental funds		(3,042)
Amortization expense not reported in governmental funds		(16,337)
Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities. In addition, the change in the net pension liability may increase or decrease the long-term liabilities associated with it.		
Change in compensated absences liability		(6,310)
Principal reduction in operating lease liability		14,985
Change in net pension asset/liability and deferred outfows/inflows of resources for pensions		(138,979)
Change in net position of governmental activities	$	(90,181)

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the El Dorado Local Agency Formation Commission (EDLAFCo) (the LAFCo) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of EDLAFCo are described below.

Nature of Activities: EDLAFCo was formed in 1963 and has four missions: 1) the orderly formation of local governments, 2) the efficient provision of government services, 3) the preservation of agricultural and open space resources, and 4) the prevention of urban sprawl. EDLAFCo is an independent agency of the state of California pursuant to the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

The County of El Dorado, the cities of Placerville and South Lake Tahoe, and 47 independent special districts located within the boundaries of the County of El Dorado provide funding for EDLAFCo. EDLAFCo charges fees for various proceedings such as annexations, special district formations, and mergers or dissolutions.

Basis of Presentation – Government-wide Financial Statements: The government-wide Statement of Net Position and Statement of Activities display information about the non-fiduciary activities of the primary government (EDLAFCo). These statements include the financial activities of EDLAFCo.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which EDLAFCo gives (or receives) value without directly receiving (or giving) equal value in exchange, including agency funding from member districts, are recognized when all eligibility requirements are met.

The Statement of Activities presents a comparison between direct expenses and program revenues for EDLAFCo's governmental activities. Direct expenses are those that are specifically associated with LAFCo operations. Program revenues include agency funding and filing fees as well as contributions that are restricted to meeting the operational requirements of EDLAFCo. Revenues that are not classified as program revenues, including interest income, are presented as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Governmental Funds: The accounts of EDLAFCo are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. The governmental fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Major individual funds are reported as separate columns in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, EDLAFCo considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Grant funds and exchange revenue earned but not received are recorded as a receivable. Grant funds and exchange revenue received before the revenue recognition criteria have been met are reported as deferred inflows or unearned revenues, respectively.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term liabilities, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital assets are reported as capital outlay expenditures in governmental funds.

When both restricted and unrestricted resources are available, it is EDLAFCo's policy to use restricted resources first, then unrestricted resources as they are needed.

EDLAFCo's only major governmental fund is the General Fund. The General Fund is the general operating fund which accounts for revenues collected to provide services and finance the fundamental operations of EDLAFCo. The fund is charged with all costs of operations.

Prepaid Items/Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide financial statements and prepaid items in the fund financial statements. In the governmental fund financial statements, prepaid items are reported as nonspendable fund balance to indicate they do not constitute current resources available for appropriation. The consumption method is used to recognize prepaid items. Prepaid items consist of prepaid rent for EDLAFCo's office space and prepaid insurance at fiscal year-end.

Capital Assets: Capital assets are stated at cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly transaction at the acquisition date. Capital assets are defined as assets with a useful life of five years and a value of $1,500 or more. Maintenance and repair costs are expended as incurred unless they extend the useful life of the asset. Purchases of capital assets are reported as capital outlay expenditures in governmental funds, and proceeds from sales of capital assets are reported as other financing sources. In the government-wide statements, the cost and accumulated depreciation of assets retired is removed from the Statement of Net Position, and the resulting gain or loss on disposal is reported. Capital assets were depreciated over the following useful lives: office equipment 5 to 7 years, computers 3 to 5 years, and leasehold improvements 15 years.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to EDLAFCo's pension plan under GASB 68 as described in Note 6. Unavailable revenue in a governmental fund arises when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period.

Compensated Absences: EDLAFCo accrues unpaid vacation and sick leave that is payable when employees separate from employment as compensated absences. Unused vacation may be accumulated up to a specified maximum and is paid at the time of termination from employment. Upon retirement, unused sick leave may either be reported to CalPERS to earn additional retirement service credit or may be paid to the employee at specified percentages based on years of service at the discretion of the employee (not to exceed 500 hours at the employee's hourly pay rate). EDLAFCo assumed the sick leave would be paid at separation for purposes of the compensated absences liability at year-end. The cost of compensated absences is recorded in the period earned by employees in the government-wide statements. A liability is reported in the General Fund only if the liability has matured, for example, as a result of employee resignations or retirements.

Fund Balance: Governmental funds report nonspendable, restricted, committed, assigned, and unassigned balances.

> *Nonspendable Funds* – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances, which include prepaid expenses and long-term receivables, are not expected to be converted to cash within the next operating cycle. EDLAFCo's nonspendable fund balance is for prepaid items.
>
> *Restricted Funds* – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
>
> *Committed Funds* – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which in the case of a LAFCo, is a Resolution of the Commissioners. These amounts cannot be used for any other purpose unless the governing body modifies or removes the fund commitment with another Resolution. EDLAFCo has no committed fund balance.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued):

Unassigned Funds – Unassigned fund balance includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes. EDLAFCo fund balance policy includes establishing an operating reserve of 30% of the current year operating budget for disbursements issued at the discretion of the Executive Officer. The operating reserve is not reported as assigned or committed fund balance because the terms for use are not sufficiently detailed to meet the definition of assigned or committed under GASB Statement No. 54.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. EDLAFCo establishes an Emergency Reserve fund set at minimum of 15% and a maximum of 25% of the current-year operating budget. The Emergency Reserve may be used by the Executive Officer along with prior approval of the Commission.

Net Position: The government-wide financial statements present net position. Net position is categorized as the investment in capital assets, restricted and unrestricted.

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. EDLAFCo does not have any restricted net position.

Unrestricted Net Position – This category represents net position of EDLAFCo that is not restricted for any project or other purpose.

Budget: EDLAFCo's fiscal year is the 12-month period beginning July 1. In accordance with the provisions of Section 56381 of the government code of the state of California, commonly known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH), EDLAFCo adopts a proposed budget by May 1 and a final budget by June 15 of each fiscal year. The budget is prepared on the modified accrual basis of accounting, except that the budgetary fund balances from the prior year are considered as an inflow of amounts available; and encumbrances outstanding at year-end, if any, are considered as budgetary outflows. All changes to the budget during the year are reflected in these financial statements and require the approval of the Commissioners.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Recent Implementation of New Accounting Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, therefore EDLAFCo implemented this accounting pronouncement for all material leases effective for the fiscal year ended June 30, 2022. The activity and related disclosures are discussed in Note 3.

Pension Plan: For the purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of EDLAFCo's California Public Employees' Retirement System (CalPERS) plan (Plan) and addition to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2023:

Deposits with financial institutions	$ 226,461
Total Cash	226,461
Investments in Investment Trust of California (CalTRUST)	119,911
Total Investments	119,911
Total Cash and Investments	$ 346,372

Investments: EDLAFCo's investment policy allowed, in addition to bank deposits, investments in certificates of deposit, the Local Agency Investment Fund (LAIF) of the State Treasury, Investment Trust of California (CalTRUST), and the El Dorado County Treasury.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of EDLAFCo's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of EDLAFCo's investments by maturity:

	Remaining Maturity		
	0-2 Years	1-3 Years	Total
Investment in CalTRUST	$ 76,851	$ 43,060	$ 119,911

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. CalTRUST is not rated by a nationally recognized statistical rating organization.

Concentration of Credit Risk: The investment policy of EDLAFCo limits the amount that can be invested in any one issuer to the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total investments.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of governmental investment pools (such as the County's cash and investments pool).

As of June 30, 2023, all of EDLAFCo's deposits were covered federal depository insurance.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment in Investment Trust of California (CalTRUST): EDLAFCo is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2023, EDLAFCo's investment in CalTRUST was $119,911, of which $76,851 was invested in the short-term pool. Amounts that may be withdrawn from the short-term and medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool. Ratings were not available for the CalTRUST pools at June 30, 2023.

NOTE 3: OPERATING LEASE ASSET AND LIABILITY

LAFCo leases office space under an operating lease that currently expires on October 31, 2024, including the additional two-year option to extend the agreement. The lease provisions include minimum yearly base rent increases of the lesser of 3% or the change in the Consumer Price Index. Therefore, future projections of the lease payments assume a 3% annual increase. This lease obligation falls under the scope of GASB 87 as discussed in Note 1. Adoption required lessees to recognize operating and capital lease right-of-use assets and liabilities on the Statement of Net Position, with related amortization and interest expense on the Statement of Activities.

The changes in the right-to-use lease assets for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Building lease asset	$ 54,455	$ -	$ -	$ 54,455
Accumulated amortization	(16,332)	(16,337)	-	(32,669)
	$ 38,123	$ (16,337)	$ -	$ 21,786

Amortization expense for the year ended June 30, 2023 was $16,337.

The corresponding lease liability was measured using a discount rate of 2.25% based on the risk-free interest rate as of the effective date of implementation on July 1, 2021. The changes in the lease liability principal for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion
Lease Liability	$ 43,613	$ -	$ (14,985)	$ 28,628	$ 20,421

NOTE 3: OPERATING LEASE ASSET AND LIABILITY (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 20,421	$ 5,347	$ 25,768
2025	8,207	467	8,674
Total	$ 28,628	$ 5,814	$ 34,442

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets being depreciated:				
Office equipment	$ 7,611	$ -	$ -	$ 7,611
Computers and servers	30,862	-	-	30,862
Leasehold improvements	6,400	-	-	6,400
Total capital assets being depreciated	44,873	-	-	44,873
Less accumulated depreciation:				
Office equipment	(7,611)	-	-	(7,611)
Computers and servers	(24,272)	(3,042)	-	(27,314)
Leasehold improvements	(6,400)	-	-	(6,400)
Total accumulated depreciation	(38,283)	(3,042)	-	(41,325)
Capital assets, net	$ 6,590	$ (3,042)	$ -	$ 3,548

Depreciation expense for the fiscal year ended June 30, 2023 totaled $3,042.

NOTE 5: COMPENSATED ABSENCES LIABILITY

The change in compensated absences liability for the fiscal year ended June 30, 2023 was as follows:

	June 30, 2022	Additions	Retirements	June 30, 2023	Due Within One Year
Compensated absences liability	$ 10,941	$ 15,524	$ (9,214)	$ 17,251	$ 17,251

NOTE 6: PENSION PLAN

General Information about the Pension Plan

Plan Description: All qualified permanent and probationary employees are eligible to participate in EDLAFCo's cost-sharing, multiple employer defined benefit pension plan (the Plan or PERFC) administered by the California Public Employees' Retirement System (CalPERS). PERFC consists of Miscellaneous and Safety Risk Pools, which are comprised of a number of rate plans. EDLAFCo participates in the Miscellaneous Risk Pool and the following rate plans.

- Miscellaneous Plan
- PEPRA Miscellaneous plan

Benefit provisions under the Plan are established by State statute and EDLAFCo resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the 1959 Survivor Benefit level 4 or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Rate Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	One year	Three years
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution	6.910%	6.750%
Required employer contribution	10.880%	7.590%

NOTE 6: PENSION PLAN (CONTINUED)

The Miscellaneous Rate Plan is closed to new participants that were not CalPERS participants prior to January 1, 2013 under the Public Employees' Pension Reform Act of 2013 (PEPRA). Any new participants that were not previously CalPERS participants would be required to join the PEPRA Miscellaneous Rate Plan.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The LAFCo is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions recognized as part of pension expense were $30,515.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, EDLAFCo reported a net pension liability for its proportionate share of the net pension liability of the Plan of $165,657.

EDLAFCo's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. EDLAFCo's proportion of the net pension liability was based on a projection of the LAFCo's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. EDLAFCo's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2022 were as follows:

Proportion - June 30, 2022	-0.00245%
Proportion - June 30, 2023	0.00354%
Change - Increase (Decrease)	0.00599%

NOTE 6: PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, EDLAFCo recognized a pension expense of $165,657 for the Plan. At June 30, 2023, reported deferred outflows of resources and deferred inflows of resources for the Plan were comprised as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 16,975	$ -
Differences between actual and expected experience	3,326	2,228
Differences between projected and actual investment earnings	30,344	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	45,609
Change in employer's proportion	104,286	-
Pension contributions made subsequent to measurement date	30,515	-
Total	$ 185,446	$ 47,837

The $30,515 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 35,430
2025	33,183
2026	19,922
2027	18,559
	$ 107,094

NOTE 6: PENSION PLAN (CONTINUED)

Actuarial Assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level percentage of payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90%
Mortality	Derived from CalPERS membership data for all funds [1]

[1] The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the 6.90% discount rate used was adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 6: PENSION PLAN (CONTINUED)

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 [1, 2]
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management study

<u>Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>: The following presents EDLAFCo's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the LAFCo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
EDLAFCo's proportionate share of the net pension plan liability (asset)	$ 349,870	$ 165,657	$ 14,096

<u>Pension Plan Fiduciary Net Position</u>: Detailed information about Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS PLAN

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires all other post-employment benefits (OPEB) that are in addition to pension benefits be recorded as an expense and a liability by the employer. EDLAFCo has not granted any OPEB benefits to its employees.

NOTE 8: RISK MANAGEMENT

LAFCo obtained up to $10 million of general liability, auto liability, auto physical damage, public official's errors and omissions, elected officials' personal liability, employment practices and benefits, fidelity blanket bond, property coverage, boiler and machinery, and workers' compensation coverage from the Special District Risk Management Authority (SDRMA). SDRMA is organized as a joint powers authority, which is a pooled insurance fund. SDRMA provides coverage to certain maximum limits applied annually, per occurrence or per year. Separately issued financial statements can be requested from SDRMA. LAFCo has also chosen to purchase an additional $2 million of directors and officers and employment practices liability insurance coverage with a $10,000 deductible from Great American Insurance Company through Alliant Insurance Services. There have been no reductions in insurance coverage or payments in excess of insurance limits during the past three years.

NOTE 9: SUBSEQUENT EVENTS

EDLAFCo's management has evaluated subsequent events through January 12, 2024, which is the date the basic financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended
June 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Adjustment to GAAP Basis	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Agency funding	$506,123	$506,123	$506,123	$ -	$ -	$506,123
Fund balance carryover	92,598	92,598	92,598	-	(92,598)	-
Filing fees and other	15,000	15,000	4,856	(10,144)	-	4,856
Total Revenues	613,721	613,721	603,577	(10,144)	(92,598)	510,979
Expenditures						
Salaries and benefits	412,988	412,988	284,551	128,437	-	284,551
Professional services	88,364	88,364	86,650	1,714	-	86,650
Rents and leases	26,663	26,663	27,346	(683)	-	27,346
Insurance	28,255	28,255	17,369	10,886	-	17,369
Utilities	2,040	2,040	2,054	(14)	-	2,054
Information services	23,760	23,760	13,753	10,007	-	13,753
Transportation and travel	4,260	4,260	3,108	1,152	-	3,108
Memberships	5,527	5,527	5,671	(144)	-	5,671
Cellular and telephone services	3,840	3,840	3,218	622	-	3,218
Change in compensated absences	-	-	6,310	(6,310)	(6,310)	-
Office expenses	3,570	3,570	9,985	(6,415)	-	9,985
Operating contingency	14,567	14,567	350	14,217	-	350
Publications and subscriptions	387	387	238	149	-	238
Total Expenditures	614,221	614,221	460,602	153,619	(6,310)	454,292
Excess of Revenues Over (Under) Expenses	(500)	(500)	142,975	143,475	(86,288)	56,687
General Revenues						
Investment earnings	500	500	2,814	2,314	-	2,814
Change in Fund Balance	$ -	$ -	145,790	$ 145,790	$ (86,288)	59,502
Fund Balance, Beginning of Year			327,435			327,435
Fund Balance, End of Year			$473,225			$386,937

Note: EDLAFCo budgets fund balance carryover as a revenue source and budgets the change in compensated absences as an expenditure. Fund balance carryover is not a GAAP basis revenue and the change in compensated absences is not a General Fund expenditure. These amounts are removed under GAAP.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Schedule of the Proportionate Share of the Net Pension Liability - Miscellaneous Plan (Unaudited) Last 10 Years

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Proportion of the net pension liability	0.001230%	0.000973%	0.001162%	0.001567%	0.001408%
Proportionate share of the net pension liability	$ 30,279	$ 26,691	$ 40,369	$ 61,790	$ 53,075
Covered-employee payroll	$ 178,118	$ 185,009	$ 191,684	$ 186,189	$ 178,662
Proportionate share of the net pension liability as a % of its covered-employee payroll	17.00%	14.43%	21.06%	33.19%	29.71%
Plan's fiduciary net position as a % of its total pension liability	93.23%	96.40%	94.87%	93.09%	94.67%
Discount rate used in accounting valuation	7.50%	7.65%	7.65%	7.15%	7.15%

	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Proportion of the net pension liability	0.001910%	0.001408%	0.006110%	0.006300%
Proportionate share of the net pension liability	$ 76,482	$ 103,325	$ (46,575)	$ 165,657
Covered-employee payroll	$ 244,633	$ 182,583	$ 159,240	$ 92,789
Proportionate share of the net pension liability as a % of its covered-employee payroll	31.26%	56.59%	-29.25%	178.53%
Plan's fiduciary net position as a % of its total pension liability	92.60%	90.85%	90.18%	84.70%
Discount rate used in accounting valuation	7.50%	7.65%	7.15%	6.90%

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions to the Pension Plan
Miscellaneous Plan (Unaudited)
Last 10 Years

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Actuarially required contribution (employer's fiscal year - actuarially determined)	$ 15,582	$ 18,188	$ 15,757	$ 16,568	$ 21,193
Contributions in relation to the actuarially determined contributions	(15,582)	(18,188)	(15,757)	(16,568)	(21,193)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 178,118	$ 185,009	$ 191,684	$ 186,189	$ 178,662
Contribution as a % of covered-employee payroll	8.75%	9.83%	8.22%	8.90%	11.86%

	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Actuarially required contribution (employer's fiscal year - actuarially determined)	$ 24,360	$ 25,447	$ 20,541	$ 30,515
Contributions in relation to the actuarially determined contributions	(24,360)	(25,447)	(20,541)	(30,515)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 244,633	$ 199,055	$ 182,583	$ 188,079
Contribution as a % of covered-employee payroll	9.96%	12.78%	11.25%	16.22%

Note: The 2016 covered payroll in the schedule of contributions to the pension plan were revised during the year ended to be consistent with the employer's fiscal year. During the year ending June 30, 2016, EDLAFCo made a contribution in excess of required contributions of $34,587 for the purpose of reducing its unfunded liability in the Plan.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

FECHTER & COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

INDEPENDENT AUDITOR'S 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*

To the Commissioners
El Dorado Local Agency Formation Commission
Placerville, 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 the major fund of the El Dorado Local Agency Formation Commission (EDLAFCo), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise EDLAFCo's basic financial statements, and have issued our report thereon dated January 12, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EDLAFCo's internal control over financial reporting (internal control) to determine the 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 EDLAFCo's internal control. Accordingly, we do not express an opinion on the effectiveness of EDLAFCo'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 EDLAFCo'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

3445 American River Drive, Suite A | Sacramento, California 95864
phone 916-333-5360 | fax 916-333-5370 | www.fechterpa.com

To the Commissioners
El Dorado Local Agency Formation Commission
Placerville, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EDLAFCo's financial statements are free of 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 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide on the effectiveness of EDLAFCo'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.

Fechter & Company
Certified Public Accountants

Fechter + Company

Sacramento, California
January 12, 2024