

**EL DORADO
LOCAL AGENCY FORMATION COMMISSION**

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Annual Financial Report
June 30, 2021

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the El Dorado Local Agency Formation Commission (LAFCo), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the LAFCo's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the El Dorado Local Agency Formation Commission as of June 30, 2021, 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.

Other Matters

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.

The LAFCo has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022 on our consideration of the LAFCo'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.

Fechter & Company
Certified Public Accountants



Sacramento, California
April 5, 2022

EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Statement of Net Position
June 30, 2021**

ASSETS	
Current Assets:	
Cash and investments	\$ 258,137
Prepaid items/expenses	12,550
Total Current Assets	270,687
Noncurrent Assets:	
Capital assets depreciated, net	12,875
TOTAL ASSETS	283,562
 DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	65,745
 LIABILITIES	
Current Liabilities:	
Accounts payable	13,123
Salaries and benefits payable	7,680
Compensated absences	27,680
Total Current Liabilities	48,483
Noncurrent Liabilities:	
Net pension liability	103,325
TOTAL LIABILITIES	151,808
 DEFERRED INFLOWS OF RESOURCES	
Pension plan	29,578
 NET POSITION	
Investment in capital assets	12,875
Unrestricted	155,046
TOTAL NET POSITION	\$ 167,921

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

Statement of Activities
For the Year Ended June 30, 2021

REVENUES	
Agency funding	\$ 464,503
Filing fees and other	<u>24,032</u>
TOTAL REVENUE	<u>488,535</u>
EXPENSES	
Salaries and benefits	308,484
Professional services	124,203
Rents and leases	25,781
Insurance	21,296
Utilities	657
Information services	12,036
Transportation and travel	1,710
Memberships	5,282
Cellular and telephone services	3,830
Office expenses	2,949
Operating contingency	1,385
Publications and subscriptions	351
Depreciation	<u>6,802</u>
TOTAL EXPENSES	<u>514,766</u>
NET PROGRAM EXPENSES	<u>(26,231)</u>
GENERAL REVENUES	
Investment earnings	<u>329</u>
CHANGE IN NET POSITION	(25,902)
Net Position, Beginning of Year	<u>193,823</u>
NET POSITION, END OF YEAR	<u><u>\$ 167,921</u></u>

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

EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Balance Sheet
Governmental Fund
June 30, 2021**

ASSETS	
Cash and investments	\$ 258,137
Prepaid items/expenses	12,550
TOTAL ASSETS	\$ 270,687
 LIABILITIES	
Accounts payable	\$ 13,123
Salaries and benefits payable	7,680
TOTAL LIABILITIES	20,803
 FUND BALANCE	
Nonspendable	12,550
Assigned:	
Operating contingency	13,687
Fund balance appropriated in fiscal year 2021-22 budget	48,530
Unassigned	175,117
TOTAL FUND BALANCE	249,884
TOTAL LIABILITIES AND FUND BALANCE	\$ 270,687

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, 2021**

Total fund balances - governmental funds	\$ 249,884
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In governmental funds, only current assets are reported.
In the statement of net position, all assets are reported,
including capital assets and accumulated depreciation.

Capital assets at historical cost, net of accumulated depreciation	12,875
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Deferred outflows of resources - pensions	65,745
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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	(27,680)	
Net pension liability	(103,325)	
Deferred inflows of resources	(29,578)	(160,583)

Net position of governmental activities	<u>\$ 167,921</u>
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EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021**

REVENUES	
Agency funding	\$ 464,503
Filing fees and other	24,032
	488,535
 TOTAL REVENUE	
 EXPENSES	
Salaries and benefits	274,211
Professional services	124,203
Rents and leases	25,781
Insurance	21,296
Utilities	657
Information services	12,036
Transportation and travel	1,710
Memberships	5,282
Cellular and telephone services	3,830
Office expenses	2,949
Operating contingency	1,385
Publications and subscriptions	351
Capital outlay	12,167
	485,858
 TOTAL EXPENDITURES	
 EXCESS OF REVENUES OVER EXPENDITURES	
	2,677
 GENERAL REVENUES	
Investment earnings	329
	3,006
 CHANGE IN FUND BALANCE	
Fund Balance, Beginning of Year	246,878
	249,884
 FUND BALANCE, END OF YEAR	
	\$ 249,884

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, 2021**

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	\$ 3,006
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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.

Capital outlay expenditures are therefore added back to fund balances	12,167
Depreciation expense not reported in governmental funds	(6,802)

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	(4,371)
Change in net pension liability and deferred outflows/inflows of resources for pensions	<u>(29,902)</u>

Change in net position of governmental activities	<u><u>\$ (25,902)</u></u>
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EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the El Dorado Local Agency Formation Commission (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 the LAFCo are described below.

Nature of Activities: The LAFCo was formed in 1963. LAFCo 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. LAFCo 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 LAFCo. LAFCo 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 (the LAFCo). These statements include the financial activities of the LAFCo.

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 the LAFCo 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 the LAFCo's governmental activities. Direct expenses are those that are specifically associated with the LAFCo. Program revenues include agency funding and filing fees as well as contributions that are restricted to meeting the operational requirements of the LAFCo. 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 the LAFCo 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.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

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, the LAFCo 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 the LAFCo's policy to use restricted resources first, then unrestricted resources as they are needed.

The LAFCo's only major governmental fund is the General Fund. The General Fund is the general operating fund of the LAFCo and accounts for revenues collected to provide services and finance the fundamental operations of the LAFCo. 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 the Agency's office space and prepaid insurance at June 30, 2021.

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 expensed 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.

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

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the LAFCo's pension plan under GASB 68 as described in Note E. Unavailable revenue in governmental funds arises when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period. LAFCo had no unavailable revenue at June 30, 2021.

Compensated Absences: The LAFCO accrues unpaid vacation, sick leave, floating holidays, and management 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). LAFCO 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. LAFCo'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, or 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 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. The LAFCo has no committed fund balance.

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. The LAFCo has a 10% operating contingency fund that is appropriated as part of the subsequent year expenditure budget. The operating contingency fund may be used by the Executive Officer at his discretion for unbudgeted expenditures. The LAFCo also appropriates existing fund balance to eliminate any subsequent year projected budget deficit, which meets the definition of an assignment of fund balance under paragraph 16 of GASB 54.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

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. The LAFCo’s fund balance policy includes a 5% emergency expense fund that may be used to fund non-budgeted legal expenses, unexpected catastrophic expenses, or an unexpected drop in revenues. Use of the emergency reserve fund must be approved by the Commission. The policy approves use of any excess funds after the emergency reserve fund is fully funded to pay down any unfunded CalPERS pension plan liability. The emergency expense fund 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.

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. The LAFCo does not have any restricted net position.

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

Budget: LAFCo’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), LAFCo 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.

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 the LAFCo’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.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Notes to Basic Financial Statements
June 30, 2021**

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.

NOTE 2: CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2021:

Deposits with financial institutions	\$	139,111
Total Cash		139,111
Investments in Investment Trust of California (CalTRUST)		119,026
Total Investments		119,026
Total Cash and Investments	\$	258,137

Investments: The LAFCo’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.

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 the LAFCo’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the LAFCo’s investments by maturity:

	Total	Remaining Maturity	
		12 Months Or Less	25-60 Months
Investment in CalTRUST	\$ 119,026	\$ 74,912	\$ 44,114

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 the LAFCo 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 LAFCo investments.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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).

At June 30, 2021, the carrying amount of the Commission's deposits was \$139,111 and the balance in financial institutions was \$139,300, all of which was covered by federal depository insurance.

Investment in Investment Trust of California (CalTRUST): The LAFCo 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, 2021, the LAFCo's investment in CalTRUST was \$119,026, of which \$74,912 was invested in the short-term pool with an average maturity of approximately 9 months and \$44,114 in the medium-term pool with an average maturity of approximately 27 months. 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, 2021.

Notes to Basic Financial Statements
June 30, 2021

NOTE 3: OPERATING LEASE AGREEMENT

LAFCo leases office space under an operating lease that currently expires on October 31, 2022. The lease contains four additional two-year option periods with minimum yearly rental increases of the lesser of 3% or the change in the Consumer Price Index. Rent expense related to the office lease amounted to \$23,688 for the year ended June 30, 2021. Minimum future rental payments under the noncancelable operating lease were as follows at year-end:

Year Ending June 30	
2022	\$ 24,289
2023	<u>8,421</u>
	<u>\$ 32,710</u>

NOTE 4: CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets being depreciated:				
Office equipment	\$ 7,611	-	-	\$ 7,611
Computers and servers	30,701	12,167	(12,006)	30,862
Leasehold improvements	6,400	-	-	6,400
Total capital assets being depreciated	44,712	12,167	(12,006)	44,873
Less accumulated depreciation:				
Office equipment	(6,643)	(528)	-	(7,171)
Computers and servers	(24,159)	(6,274)	12,006	(18,427)
Leasehold improvements	(6,400)	-	-	(6,400)
Total accumulated depreciation	(37,202)	(6,802)	12,006	(31,998)
Capital assets, net	\$ 7,510	\$ 5,365	\$ -	\$ 12,875

NOTE 5: COMPENSATED ABSENCES LIABILITY

The change in compensated absences liability for the fiscal year ended June 30, 2021 was as follows:

	July 1, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
Compensated absences liability	\$ 23,309	\$ 16,630	\$ (12,259)	\$ 27,680	\$ 27,680

EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Notes to Basic Financial Statements
June 30, 2021**

NOTE 6: PENSION PLAN

General Information about the Pension Plan

Plan Description: All qualified permanent and probationary employees are eligible to participate in the LAFCo’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. The Commission 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 Commission 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, 2021, are summarized as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan
	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	6.908%	6.500%
Required employer contribution	11.031%	0.000%

EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Notes to Basic Financial Statements
June 30, 2021**

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, 2021, the contributions recognized as part of pension expense were \$25,447.

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

As of June 30, 2021, the LAFCo reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$103,325.

The LAFCo’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, 2020, 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, 2019 rolled forward to June 30, 2020 using standard update procedures. The LAFCo’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. The LAFCo’s proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2020 were as follows:

Proportion - June 30, 2020	0.001910%
Proportion - June 30, 2021	0.002450%
Change - Increase (Decrease)	0.000540%

EL DORADO LOCAL AGENCY FORMATION COMMISSION

**Notes to Basic Financial Statements
June 30, 2021**

NOTE 6: PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the LAFCo recognized pension expense of \$55,349 for the Plan. At June 30, 2021, the LAFCo reported deferred outflows of resources and deferred inflows of resources for the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	737
Differences between actual and expected experience	5,325	-
Differences between projected and actual investment earnings	3,069	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	28,841
Change in employer's proportion	31,904	-
Pension contribution subsequent to measurement date plan investments	25,447	-
Total	<u>\$ 65,745</u>	<u>\$ 29,578</u>

The \$25,447 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:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 5,382
2023	2,021
2024	1,845
2025	1,472
	<u>\$ 10,720</u>

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

NOTE 6: PENSION PLAN (CONTINUED)

Actuarial Assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level percentage of payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	3.2% - 12.20% (1)
Investment Rate of Return	7.15%
Mortality	Derived from CalPERS membership data for all funds (2)

- 1) Depending on age, service and type of employment
- 2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15%. 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 7.15% 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.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

NOTE 6: PENSION PLAN (CONTINUED)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11- 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the LAFCo'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 <u>6.15%</u>	Discount Rate <u>7.15%</u>	1% Increase <u>8.15%</u>
District's proportionate share of the net pension plan liability (asset)	\$ 253,641	\$ 103,325	\$ (20,876)

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

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS PLAN

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires all other postemployment benefits (OPEB) that are in addition to pension benefits be recorded as an expense and a liability by the employer. LAFCo 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: NEW 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.

The LAFCo will fully analyze the impact of this new Statement prior to the effective date listed above.

NOTE 10: COVID-19 CONSIDERATIONS

In January 2020, the virus SARS -CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent with transmission rates as yet unknown. The economic impact in the State of California and the County of El Dorado, as yet has not been determined and therefore any potential impact on LAFCo is not yet known.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Basic Financial Statements
June 30, 2021

NOTE 11: SUBSEQUENT EVENTS

LAFCo's management has evaluated subsequent events through April 5, 2022, 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, 2021

	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	\$464,503	\$464,503	\$464,503	\$ -	\$ -	\$464,503
Fund balance carryover	86,451	86,451	86,451	-	(86,451)	-
Filing fees and other	17,850	17,850	24,032	6,182	-	24,032
TOTAL REVENUE	568,804	568,804	574,986	6,182	(86,451)	488,535
EXPENSES						
Salaries and benefits	279,833	279,833	274,211	5,622	-	274,211
Professional services	102,700	102,700	124,203	(21,503)	-	124,203
Rents and leases	26,348	26,348	25,781	567	-	25,781
Insurance	23,030	23,030	21,296	1,734	-	21,296
Utilities	1,800	1,800	657	1,143	-	657
Staff development	3,000	3,000	-	3,000	-	-
Information services	22,311	22,311	12,036	10,275	-	12,036
Transportation and travel	3,246	3,246	1,710	1,536	-	1,710
Memberships	5,410	5,410	5,282	128	-	5,282
Cellular and telephone services	3,840	3,840	3,830	10	-	3,830
Change in compensated absences	19,411	19,411	4,371	15,040	(4,371)	-
Office expenses	2,945	2,945	2,949	(4)	-	2,949
Operating contingency	12,276	12,276	1,385	10,891	-	1,385
Publications and subscriptions	125	125	351	(226)	-	351
Capital outlay	-	-	12,167	(12,167)	-	12,167
TOTAL EXPENDITURES	506,275	506,275	490,229	16,046	(4,371)	485,858
EXCESS OF REVENUES OVER EXPENDITURES	62,529	62,529	84,757	22,228	(82,080)	2,677
GENERAL REVENUES						
Investment earnings	500	500	329	(171)	-	329
CHANGE IN FUND BALANCE	\$ 63,029	\$ 63,029	85,086	\$ 22,057	\$ (82,080)	3,006
			<u>246,878</u>			<u>246,878</u>
			<u>\$331,964</u>			<u>\$249,884</u>

Note: The LAFCo 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 for reporting under the GAAP basis.

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

EL DORADO LOCAL AGENCY FORMATION COMMISSION

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
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 percentage of its covered-employee payroll	17.00%	14.43%	21.06%	33.19%	29.71%
Plan's fiduciary net position as a percentage of its total pension liability	93.23%	96.40%	94.87%	93.09%	94.67%
Changes in assumptions: Change in discount rate used in accounting valuation	7.50%	7.65%	7.65%	7.15%	7.15%
	<u>June 30, 2020</u>	<u>June 30, 2021</u>			
Proportion of the net pension liability	0.001910%	0.001408%			
Proportionate share of the net pension liability	\$ 76,482	\$ 103,325			
Covered-employee payroll	\$ 244,633	\$ 182,583			
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.26%	56.59%			
Plan's fiduciary net position as a percentage of its total pension liability	92.60%	90.85%			
Changes in assumptions: Change in discount rate used in accounting valuation	7.15%	7.15%			

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 percentage of covered-employee payroll	8.75%	9.83%	8.22%	8.90%	11.86%
	June 30, 2020	June 30, 2021			
Actuarially required contribution (employer's fiscal year - actuarially determined)	\$ 24,360	\$ 25,447			
Contributions in relation to the actuarially determined contributions	(24,360)	(25,447)			
Contribution deficiency (excess)	\$ -	\$ -			
Covered-employee payroll	\$ 244,633	\$ 103,325			
Contribution as a percentage of covered-employee payroll	9.96%	24.63%			

Note: The 2016 covered payroll in the schedule of contributions to the pension plan were revised during the year ended June 30, 2017 to be consistent with the employer's fiscal year. During the year ending June 30, 2016, the LAFCo 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

**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, the major fund of the El Dorado Local Agency Formation Commission (the LAFCo), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the LAFCo’s basic financial statements, and have issued our report thereon dated April 5, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the LAFCo’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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LAFCo'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 the LAFCo'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



Sacramento, California
April 5, 2022