

March 17, 2026

Board of Commissioners
El Dorado Local Agency Formation Commission
1190 Suncastr Lane, Suite 11
El Dorado Hills, CA 95762

We have audited the financial statements of El Dorado Local Agency Formation Commission (the LAFCo) for the year ended June 30, 2025. 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 August 15, 2025. 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 the LAFCo are described in Note 1 to the financial statements. During the year, the LAFCo implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, which establishes a unified recognition and measurement model for liabilities related to compensated absences and distinguishes between short-term and long-term portions of those liabilities. The implementation of GASB Statement No. 101 resulted in an increase in the LAFCo's total compensated absences liability and the calculation of a current portion of that liability. However, this change in accounting principle did not have a material impact on the estimated balance as of June 30, 2024, thus requiring no opening balance adjustment.

We noted no transactions entered into by the LAFCo 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 estimates affecting the Commission's financial statements were:

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.

Additionally, management's estimate of the compensated absences liability is based on historical usage and benefits policies and has been updated to be consistent with GASB 101, starting this fiscal year. We considered this estimate particularly sensitive because reasonably possible changes in the underlying assumptions (such as leave utilization rates or policy changes) which could have a material effect on the recorded liability. We evaluated the methods, assumptions, and data 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. We did, however, have difficulties in dealing with reconciling opening balances and identifying areas of the accounting records that were not appropriately closed, in accordance with GAAP.

Discussions with management revealed that there has been turnover within the outsourced bookkeeping firm that has interrupted the typical processes and accounting entries.

We also took additional time to review GASB 101 with management and to apply management-derived estimates in applying this new accounting standard.

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.

- Reconcile beginning balances and restate FYE 2024 values in accordance with previously audited financial statements.
- Remove gross-up of payables and prepaids.
- Record accounts receivable for fees owed to the Commission but not yet collected.
- Reclassify credit card charges as prepaids for those expenses that covered FY26 activity.
- Adjust CalTRUST cash balance to include unrealized gains.
- Expense items left as capitalized in prepaid expenses that should have been amortized throughout the fiscal year.
- Record the payroll accruals for wages earned in June but are physically paid in July.
- Update the equity in pooled cash with County Treasury.
- Reclassify overpayment booked as a transfer out by CalPERS to prepaid expense.
- Implement GASB 101 and update compensated absences liability.
- Record GASB 87 lease activity.
- Write-off old and fully depreciated capital assets.

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 March 17, 2026.

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.

During this year’s audit, we noted problems in how prepaid items and other year-end accruals were recorded, as well as departures from generally accepted accounting principles in how leases and compensated absences were recorded. We determined that these issues were primarily caused by the lack of a formal year-end financial statement close process at the LAFCo and the fact that the outsourced bookkeeping firm is not assisting with this process. As a result, additional time was required to recalculate and reconcile previously audited amounts, our planned audit procedures were delayed, and we had to perform additional work to obtain sufficient appropriate audit evidence to support our opinion. These matters are described in Finding 2025-01 in the Schedule of Findings and Responses and are referenced in this year’s 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.

We recommend that the LAFCo closely monitors any outsourced accounting services performed on its behalf and ensure that individuals with appropriate skills, knowledge, and experience are designated to take responsibility for the financial statements, collectively with management. Strengthening oversight and the year-end close process will help improve the quality and timeliness of financial reporting and support an efficient and independent audit.

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.

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.

Board of Commissioners
El Dorado Local Agency Formation Commission
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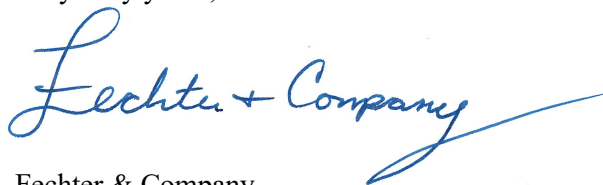
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2026 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.

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,

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

Fechter & Company
Certified Public Accountants



El Dorado Local Agency Formation Commission

Annual Financial Report
With
Independent Auditor's Report

June 30, 2025

El Dorado Local Agency Formation Commission

Annual Financial Report
June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of El Dorado Local Agency Formation Commission (EDLAFCo), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise EDLAFCo'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 major fund of EDLAFCo, as of June 30, 2025, 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, and for 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.

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

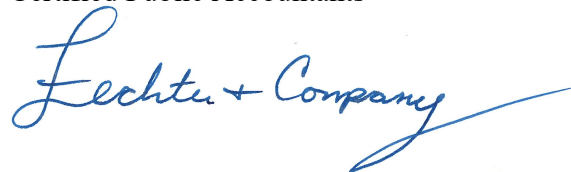
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information, as listed under the 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 March 17, 2026 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 and Company
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Sacramento, California
March 17, 2026

**Management's Discussion and Analysis
(Unaudited)**

El Dorado Local Agency Formation Commission

**Management's Discussion and Analysis (Unaudited)
June 30, 2025**

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 2025 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 impact the 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.

El Dorado Local Agency Formation Commission

**Management's Discussion and Analysis (Unaudited)
June 30, 2025**

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. 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 21 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" starting on pg. 6).

El Dorado Local Agency Formation Commission

Management’s Discussion and Analysis (Unaudited)
June 30, 2025

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 EDLAFCo’s 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, 2025, and June 30, 2024, the allocations to agencies supporting EDLAFCo increased by ~5% and are shown in the following table:

Agencies	Dollar Amount		Allocation Distribution
	2025	2024	
El Dorado County	\$ 191,666	\$ 181,703	1/3 of total allocation (33.34%)
Cities (2)	191,667	181,649	1/3 (33.33%) of total allocation, apportioned in proportion to each city’s total revenues, pursuant to §56381(b)(1)(C)
Special Districts (55)	\$ 191,667	\$ 181,649	1/3 (33.33%) of total allocation, apportioned in proportion to each city’s total revenues, pursuant to §56381(b)(1)(C)

El Dorado Local Agency Formation Commission

**Management's Discussion and Analysis (Unaudited)
June 30, 2025**

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.

The 2025 total net position (i.e., total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is only comprised of unrestricted; there is no remaining net investment in capital assets.

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 9.

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. 19) 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, 2025

BUDGETARY ANALYSIS (Continued)

The following includes key budgetary analysis matters for Fiscal Year 2025:

- Total revenues were over the budget projection due to project fees being ~\$27,000 over expectations.
- Interest revenues were approximately \$6,500 greater than the budget due to better performance in the CalTRUST investment and Money Market accounts.
- Salaries and Benefits were lower (almost \$60,000 or 12% less) than the budget due to agency operating with two full time staff.
- Services and Supplies were ~\$70,000 lower than the budget due to streamlining and efficiencies with the operations.
- EDLAFCo reviewed a 5-year budget projection in May 2025 to help with smoothing future agency contributions and project deliveries.

The following table presents the condensed comparison of actual revenues and expenditures to budget provisions for the current and previous fiscal years:

	<u>2025 Actuals</u>	<u>2025 Budget</u>	<u>2024 Actuals</u>	<u>2024 Budget</u>
Revenues:				
Agency Payments	\$ 575,000	\$ 575,000	\$ 545,000	\$ 545,000
Filing fees and other	42,293	15,000	3,568	15,000
Reserves Fund - accrued	-	30,000	-	60,000
Interest	6,581	-	9,143	-
Total Revenues	<u>623,874</u>	<u>620,000</u>	<u>557,711</u>	<u>620,000</u>
Expenses:				
Salaries and benefits	343,335	400,000	298,092	400,000
Services and supplies	148,713	220,000	171,347	220,000
Total Expenses	<u>492,048</u>	<u>620,000</u>	<u>469,439</u>	<u>620,000</u>
Change in Fund Balance	<u>\$ 131,826</u>	<u>\$ -</u>	<u>\$ 88,272</u>	<u>\$ -</u>

El Dorado Local Agency Formation Commission

Management's Discussion and Analysis (Unaudited)
June 30, 2025

CONDENSED COMPARATIVE GOVERNMENT-WIDE STATEMENTS

Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Assets				
Current assets	\$ 612,235	\$ 497,854	\$ 114,381	23%
Non-current and other assets	185,179	149,435	35,744	24%
Total Assets	<u>797,414</u>	<u>647,289</u>	<u>150,125</u>	23%
Liabilities				
Current liabilities	135,110	44,953	90,157	201%
Non-current and other liabilities	231,822	236,815	(4,993)	-2%
Total Liabilities	<u>366,932</u>	<u>281,768</u>	<u>85,164</u>	30%
Net Position				
Investment in capital assets	-	506	(506)	-100%
Unrestricted	449,616	365,015	84,601	23%
Total Net Position	<u>\$ 449,616</u>	<u>\$ 365,521</u>	<u>\$ 84,095</u>	23%

Condensed Statements of Activities

	<u>2025</u>	<u>2024</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Revenues				
Agency funding	\$ 575,000	\$ 545,000	\$ 30,000	6%
Filing fees and other	42,293	3,568	38,725	1085%
Investment gains (losses)	6,581	9,143	(2,562)	-28%
Total Revenues	<u>623,874</u>	<u>557,711</u>	<u>66,163</u>	7%
Expenses				
Salaries and benefits	354,885	294,942	59,943	20%
Services and supplies	163,966	216,213	(52,247)	-24%
Depreciation and amortization	20,928	19,379	1,549	8%
Total Expenses	<u>539,779</u>	<u>530,534</u>	<u>9,245</u>	2%
Change in Net Position	84,095	27,177	56,918	209%
Net Position, Beginning of Year	<u>365,521</u>	<u>338,344</u>	<u>27,177</u>	8%
Net Position, End of Year	<u>\$ 449,616</u>	<u>\$ 365,521</u>	<u>\$ 84,095</u>	23%

El Dorado Local Agency Formation Commission

**Management's Discussion and Analysis (Unaudited)
June 30, 2025**

COST OF DELIVERY OF SERVICES

As mentioned briefly in the discussion of EDLAFCo's functions above, administrative expenses associated with the conducting 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 2025. 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 2025, EDLAFCo processed the application for annexation of EL Dorado County and Diamond Springs Fire Protection Districts. In addition, staff worked closely with the EL Dorado Hills Community Services District for their application for Incorporation of EL Dorado Hills.

EDLAFCO will actively be working with the applicants for the EL Dorado Hills cityhood project in fiscal year 26. In addition, EDLAFCO is working closely with the small Fire Protection Districts to achieve efficiencies by using shared services and possible reorganization to provide better fire service in rural areas of the County.

FINANCIAL POLICIES

Most recently updated February 2023, the EDLAFCo's key financial and reserves policies are as follows:

Policy 2.1.11 - Carryover/Fund Balance Amounts: For purposes of this section and Policies 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, EDLAFCo Executive Officer must report the carryover/fund balance amount to the Commission and to EDLAFCo'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 EDLAFCo Executive Officer shall deposit these funds consistent with Policy 2.10.

El Dorado Local Agency Formation Commission

Management's Discussion and Analysis (Unaudited)
June 30, 2025

FINANCIAL POLICIES (Continued)

Policy 2.10.5(c) - Assigned: An "Emergency Reserve" fund set at a minimum of 15% and maximum of 25% of EDLAFCo'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, 2025, was \$132,375. This fund is invested in the CalTRUST account. The prior account balance as of June 30, 2024 was \$126,252. The account has grown by \$6,123 during the fiscal year 2025, which is an approximate 4.8% yield.

Policy 2.10.5(d) - Unassigned: An "Operating Reserve" fund set at 30% of EDLAFCo'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.

Operations

EDLAFCo completed its office relocation in September 2024. Additionally, EDLAFCo changed their IT consultant during their office move to EL Dorado Hills in August 2024. The new provider has improved the IT infrastructure for EDLAFCo including cyber security. In addition, staff are required to take monthly online training to improve their understanding of cyber security and be proactive for malicious cyber-attacks. This has enabled the agency to take advantage of the cyber security grants that are offered by SDRMA insurance provider in FY 2025.

EDLAFCo is planning to address the website accessibility for visually impaired in accordance with Title II of the Americans with Disabilities Act, government agencies' public web content must comply with Web Content Accessibility Guidelines (WCAG) 2.1 Level AA by April 26, 2027. This will be a multi-year project for our agency and requires additional outsourcing.

El Dorado Local Agency Formation Commission

**Management's Discussion and Analysis (Unaudited)
June 30, 2025**

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, 1190 Suncoast Lane, El Dorado Hills, California 95762.

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

Government-Wide Financial Statements

El Dorado Local Agency Formation Commission

Statement of Net Position
June 30, 2025

Assets	
Current assets:	
Cash and investments	\$ 570,857
Accounts receivable	19,134
Prepaid expenses	41,378
Total current assets	<u>631,369</u>
Non-current assets:	
Right-to-use leased assets, net of amortization	<u>80,591</u>
Total Assets	711,960
Deferred Outflows of Resources	
Pension	104,588
Liabilities	
Current liabilities	
Accounts payable	13,635
Salaries and benefits payable	10,700
Current portion of compensated absences	5,355
Current portion of lease liability	16,930
Total current liabilities	<u>46,620</u>
Non-current liabilities	
Lease liability, net of current portion	68,194
Compensated Absences, net of current portion	20,296
Net pension liability	192,623
Total non-current liabilities	<u>281,113</u>
Total Liabilities	327,733
Deferred Inflows of Resources	
Pension	39,199
Net Position	
Unrestricted	<u>449,616</u>
Total Net Position	<u><u>\$ 449,616</u></u>

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, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	
Governmental Activities:				
General Government	\$ 539,779	\$ 617,293	\$ -	\$ 77,514
Total Governmental Activities	<u>539,779</u>	<u>617,293</u>	<u>-</u>	77,514
General Revenues:				
				<u>6,581</u>
				<u>6,581</u>
				84,095
				<u>365,521</u>
				<u>\$ 449,616</u>

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

Fund Financial Statements

El Dorado Local Agency Formation Commission

Balance Sheet
Governmental Fund
June 30, 2025

Assets	
Cash and investments	\$ 570,857
Accounts receivable	19,134
Prepaid expenses	<u>41,378</u>
Total Assets	<u><u>\$ 631,369</u></u>
Liabilities	
Accounts payable	\$ 13,634
Salaries and benefits payable	<u>10,700</u>
Total Liabilities	<u>24,334</u>
Fund Balance	
Nonspendable	41,378
Assigned: Emergency Reserve	132,375
Unassigned	<u>433,282</u>
Total Fund Balance	<u>607,035</u>
Total Liabilities and Fund Balance	<u><u>\$ 631,369</u></u>

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, 2025

Total fund balances - governmental funds	\$ 607,035
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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. Non-current assets and deferred inflows of resources included:

Right-to-use leased assets, net of amortization	80,591
Deferred outflows of resources - pension plan	104,588

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	(25,651)
Operating lease liability	(85,125)
Net pension liability	(192,623)
Deferred inflows of resources - pension plan	(39,199)
	(39,199)

Net position of governmental activities	\$ 449,616
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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, 2025

Revenues	
Agency funding	\$ 575,000
Filing fees and other	42,293
Investment income	6,581
	<hr/>
Total Revenues	623,874
	<hr/>
Expenditures	
Salaries and benefits	343,335
Professional services	58,870
Rents and leases	22,931
Insurance	25,177
Utilities	6,477
Information services	20,048
Transportation and travel	1,948
Memberships	6,275
Cellular and telephone services	2,169
Office expenses	3,972
Publications and subscriptions	846
	<hr/>
Total Expenditures	492,048
	<hr/>
Change in Fund Balance	131,826
	<hr/>
Fund Balance, Beginning of Year	475,209
	<hr/>
Fund Balance, End of Year	\$ 607,035
	<hr/> <hr/>

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
June 30, 2025**

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

Net change in fund balance	\$	131,826
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Loss on disposal of capital assets are not reported in governmental funds	(507)
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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 deferred inflows and outflows associated with it. Finally,

Change in compensated absences liability	(11,550)
Change in lease liabilities and lease assets	(1,775)
Change in net pension asset/liability and deferred outflows/inflows of resources for pensions	(33,899)

Change in net position of governmental activities	\$	<u>84,095</u>
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The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

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 the LAFCo. 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 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 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.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

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.

Net Position: The government-wide financial statements present 3 categories of net position.

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.

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.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (continued)

Fund Balance (continued):

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 with prior approval of the Commission.

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.

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.

Prepaid Items/Expenses: Certain payments to vendors reflect costs applicable to future accounting periods. 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 generally 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 retired assets are removed from the Statement of Net Position, and the resulting gain or loss on disposal is reported. Capital assets are depreciated over the following useful lives: office equipment 5 to 7 years, computers 3 to 5 years, and leasehold improvements 15 years.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (continued)

Leases: The government accounts for leases in accordance with GASB Statement No. 87, *Leases*. Under this standard, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. At the commencement of the lease term, EDLAFCo (as lessee) recognizes an intangible right-to-use lease asset and a corresponding lease liability, both measured at the present value of expected lease payments over the lease term. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities are reduced as payments are made, with interest expense recognized over the lease term.

Compensated Absences: Employees are granted vacation, sick leave, and other compensated absences in accordance with EDLAFCo policy. EDLAFCo recognizes a liability for compensated absences attributable to services already rendered that accumulate and are more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, in accordance with GASB Statement No. 101. The liability is measured at employees' pay rates as of the financial statement date and includes applicable salary-related payments. A short-term and long-term portion is estimated

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the financial statements include separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting periods, while deferred inflows of resources represent an acquisition of net position related to future periods. These items will be recognized as expenses or revenues, respectively, in the periods to which they relate once the underlying earning or consumption activity occurs.

For EDLAFCo, deferred outflows and deferred inflows primarily relate to pension amounts reported under GASB Statement No. 68, as further described in Note 6. In the governmental fund financial statements, unavailable revenue is reported when a potential revenue source is both measurable but not yet available for recognition in the current period under the modified accrual basis of accounting.

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.

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.

El Dorado Local Agency Formation Commission

**Notes to the Basic Financial Statements
June 30, 2025**

Note 1: Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits: 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.

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, 2025:

Deposits with financial institutions	\$	284,571
Deposits in County Treasury		153,911
 Total Cash		 438,482
 Investments in Investment Trust of California (CalTRUST)		 132,375
 Total Cash and Investments	 \$	 570,857

Investments: EDLAFCo’s investment policy permits investments in other California State programs including Investment Trust of California (CalTRUST) and the El Dorado County Treasury, in addition to deposits with financial institutions.

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		Total
	0-2 Years	1-3 Years	
Investment in CalTRUST	\$ -	\$ 132,375	\$ 132,375

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.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 2: Cash and Investments (continued)

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, 2025, all of EDLAFCo's deposits were covered federal depository insurance or collateralized by the financial institution as required by the State of California.

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, 2025, EDLAFCo's investment in CalTRUST was \$132,375. Ratings were not available for the CalTRUST pools at June 30, 2025.

Note 3: Operating Lease

EDLAFCo leases office space to conduct its operations. One operating lease expired during the fiscal year, on October 31, 2024. EDLAFCo then relocated to a different space with under a new agreement, which commenced August, 2024. The current 62-month lease started with a 2-month abatement, calls for fixed monthly payments that increase each 12-month period by 5%, and is expected to terminate in September, 2029. The present value of future lease payments for the lease term was discounted using an estimated 4.50% borrowing rate, corresponding to a US 5-year Treasury Rate effective at the start of the lease term.

Variable utility payments are excluded from the calculated lease liability under GASB 87. Additionally, there are no residual value guarantees, related-party lease arrangements, or any other lease incentives or termination penalties impacting the calculated right-of-use asset and corresponding liability.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 3: Operating Lease Asset and Liability (continued)

The changes in the right-to-use lease assets for the year ended June 30, 2025 are as follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Building lease asset	\$ 54,455	\$ 96,070	\$ (54,455)	\$ 96,070
Accumulated amortization	(49,006)	(20,928)	54,455	(15,479)
	<u>\$ 5,449</u>	<u>\$ (16,337)</u>	<u>\$ -</u>	<u>\$ 80,591</u>

Total amortization expense for the year ended June 30, 2025 was \$20,928, of which \$5,449 was attributed to the completed lease, and \$15,479 for the newly-leased office space.

The changes in the corresponding lease liability for the year ended June 30, 2025 are as follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Current Portion
Lease Liability	<u>\$ 8,207</u>	<u>\$ 96,070</u>	<u>\$ (19,153)</u>	<u>\$ 85,124</u>	<u>\$ 16,930</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 16,930	\$ 3,488	\$ 20,418
2027	18,749	2,690	21,439
2028	20,705	1,806	22,511
2029	22,805	832	23,637
2030	5,935	45	5,980
	<u>\$ 85,124</u>	<u>\$ 467</u>	<u>\$ 8,674</u>

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 4: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Disposals	Balance June 30, 2025
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	(30,356)	-	30,356	-
Leasehold improvements	(6,400)	-	6,400	-
Total accumulated depreciation	(44,367)	-	44,367	-
Capital assets, net	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ (506)</u>	<u>\$ -</u>

Depreciation expense for the fiscal year ended June 30, 2025 totaled \$0. The District no longer has any material inventoried capital assets with a remaining net book value or estimated future useful life.

Note 5: Compensated Absences Liability

EDLAFCo recognizes a liability for compensated absences in accordance with Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This liability includes amounts attributable to services already rendered by employees, which accumulate and are more likely than not to be used or paid. EDLAFCo does not recognize liabilities for types of leave that do not accumulate, are dependent on special or future events, or are converted to postemployment benefits. Additionally, there are no salary-related payments that are directly and incrementally associated with leave payouts, and the opening balance at June 30, 2024 was not materially impacted by the implementation of this GASB pronouncement.

EDLAFCo provides paid time off for holidays, vacation, and sick time, along with other non-accruing leave benefits. Sick leave may be paid out based on a respective employee's tenure, with longevity milestones providing for the cash out of 20%, 40%, 70%, and 100% of available sick hours upon reaching 5, 10, 15, and 20+ continuous years of service.

Under GASB 101, EDLAFCo calculates the compensated absences liability to include vacation and an estimated portion of sick leave that will either be used or is eligible for cash out. There are no amounts estimated to be used or paid within 60 days from the date of the financial statements, and therefore no related activity is reported on the governmental fund statements. The liability is measured using the pay rates in effect as of the financial statement date.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 5: Compensated Absences Liability (continued)

The change in compensated absences liability for the fiscal year ended June 30, 2025 was as follows:

	<u>June 30, 2024</u>	<u>Net Change</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
Compensated absences liability	\$ 14,101	\$ 11,550	\$ 25,651	\$ 5,355

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 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.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 6: Pension Plan (continued)

The Rate Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan
	Prior to January 1, 2013	On or After January 1, 2013
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%

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, 2025, the employer contributions were \$34,173.

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

As of June 30, 2025, EDLAFCo reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$192,623.

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, 2024, 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, 2023 rolled forward to June 30, 2024 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.

El Dorado Local Agency Formation Commission

**Notes to the Basic Financial Statements
June 30, 2025**

Note 6: Pension Plan (continued)

EDLAFCo's proportionate share of the net pension liability for the Plan as of June 30, 2025 and 2024 were as follows:

Proportion - June 30, 2024	0.00393%
Proportion - June 30, 2025	0.00398%
Change - Increase (Decrease)	0.00005%

For the year ended June 30, 2025, EDLAFCo recognized a pension expense of \$68,072 for the Plan. At June 30, 2025, 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	\$ 4,950	\$ -
Differences between actual and expected experience	16,654	650
Differences between projected and actual investment earnings	11,089	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	38,549
Change in employer's proportion	37,722	-
Pension contributions made subsequent to measurement date	34,173	-
Total	\$ 104,588	\$ 39,199

The \$34,173 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
2026	\$ 18,864
2027	18,878
2028	(2,726)
2029	(3,800)
	\$ 31,216

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

Note 6: Pension Plan (continued)

Actuarial Assumptions: The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
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 underlying mortality assumptions was based on the results of a 2021 actuarial experience study. For more details, please refer to the 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.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

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

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

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)	\$ 396,990	\$ 192,623	\$ 24,399

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 the Basic Financial Statements
June 30, 2025

Note 7: Risk Management

EDLAFCo 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. EDLAFCo 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 8: Subsequent Events

EDLAFCo's management has evaluated subsequent events through March 17, 2026, which is the date the basic financial statements were available to be issued. Based upon this evaluation, 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 to Actual - General Fund
For the Year Ended
June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Adjustment to GAAP Basis	Actual Amounts (GAAP Basis)	Variance with Final Budget (Budgetary Basis)
	Original	Final				
Revenues						
Agency funding	575,000	575,000	575,000	-	575,000	-
Filing fees and other	15,000	15,000	42,293	-	42,293	27,293
Investment income	-	-	6,581	-	6,581	6,581
Total Revenues	590,000	590,000	623,874	-	623,874	33,874
Expenditures						
Salaries and benefits	400,000	400,000	343,335	-	343,335	56,665
Professional services	94,000	94,000	58,870	-	58,870	35,130
Rents and leases	30,000	30,000	22,931	-	22,931	7,069
Insurance	32,000	32,000	25,177	-	25,177	6,823
Utilities	3,000	3,000	6,477	-	6,477	(3,477)
Information services	20,000	20,000	20,048	-	20,048	(48)
Transportation and travel	6,500	6,500	1,948	-	1,948	4,552
Memberships	6,000	6,000	6,275	-	6,275	(275)
Cellular and telephone services	2,000	2,000	2,169	-	2,169	(169)
Office expenses	5,000	5,000	3,972	-	3,972	1,028
Publications and legal notices	1,500	1,500	846	-	846	654
Operating contingency	20,000	20,000	20,000	(20,000)	-	-
Total Expenditures	620,000	620,000	512,048	(20,000)	492,048	107,952
Change in Fund Balance	(30,000)	(30,000)	111,826	20,000	131,826	(74,078)
Fund Balance, Beginning of Year			475,209		475,209	
Fund Balance, End of Year			587,035		607,035	

Notes:

"Operating contingency" is included as an expenditure on the budgetary basis, but is not recognized as an expenditure under GAAP, so it is subtracted in the adjustment column.

The "Actual Amounts (GAAP Basis)" column reflects the actual results after adjusting for non-GAAP items.

The "Variance with Final Budget" column is calculated using the budgetary basis amounts, as required.

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, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Proportion of the net pension liability	0.00097%	0.00116%	0.00157%	0.00141%	0.00191%
Proportionate share of the net pension liability	\$ 26,691	\$ 40,369	\$ 61,790	\$ 53,075	\$ 76,482
Covered-employee payroll	\$ 185,009	\$ 191,684	\$ 186,189	\$ 178,662	\$ 244,633
Proportionate share of the net pension liability as a % of its covered-employee payroll	14.43%	21.06%	33.19%	29.71%	31.26%
Plan's fiduciary net position as a % of its total pension liability	96.40%	94.87%	93.09%	94.67%	92.60%
Discount rate used in accounting valuation	7.65%	7.65%	7.15%	7.15%	7.50%
	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
Proportion of the net pension liability	0.00141%	0.00611%	0.00630%	0.00627%	0.00629%
Proportionate share of the net pension liability	\$ 103,325	\$ (46,575)	\$ 165,657	\$ 196,753	\$ 192,623
Covered-employee payroll	\$ 182,583	\$ 159,240	\$ 92,789	\$ 126,698	\$ 211,619
Proportionate share of the net pension liability as a % of its covered-employee payroll	56.59%	-29.25%	178.53%	155.29%	91.02%
Plan's fiduciary net position as a % of its total pension liability	90.85%	90.18%	84.70%	77.97%	83.15%
Discount rate used in accounting valuation	7.65%	7.15%	6.90%	6.90%	6.90%

El Dorado Local Agency Formation Commission

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

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Actuarially required contribution (employer's fiscal year - actuarially determined)	\$ 18,188	\$ 15,757	\$ 16,568	\$ 21,193	\$ 24,360
Contributions in relation to the actuarially determined contributions	<u>(18,188)</u>	<u>(15,757)</u>	<u>(16,568)</u>	<u>(21,193)</u>	<u>(24,360)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 185,009	\$ 191,684	\$ 186,189	\$ 178,662	\$ 244,633
Contribution as a % of covered-employee payroll	9.83%	8.22%	8.90%	11.86%	9.96%
	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
Actuarially required contribution (employer's fiscal year - actuarially determined)	\$ 25,447	\$ 20,541	\$ 30,515	\$ 21,807	\$ 34,173
Contributions in relation to the actuarially determined contributions	<u>(25,447)</u>	<u>(20,541)</u>	<u>(30,515)</u>	<u>(21,807)</u>	<u>(34,173)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 182,583	\$ 159,240	\$ 92,789	\$ 126,698	\$ 211,619
Contribution as a % of covered-employee payroll	13.94%	12.90%	32.89%	17.21%	16.15%

Other Reporting Required by Government Auditing Standards

**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, 2025, and the related notes to the financial statements, which collectively comprise EDLAFCo's basic financial statements, and have issued our report thereon dated March 17, 2026.

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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2025-01, that we consider to be a significant deficiency.

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

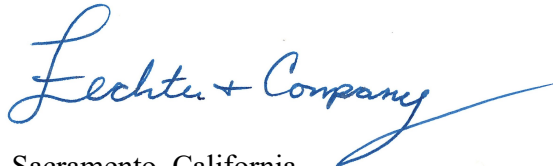
Compliance and Other Matters

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 an opinion 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

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Sacramento, California
March 17, 2026

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2025-01

Significant Audit Adjustments and Management Turnover

Criteria

There was a significant number of audit adjustments needed to produce GAAP-compliant financial statements. Additional procedures were necessary to address the risk of misstatement and obtain the necessary supporting documentation and calculations for fiscal year-end closing balances and to apply recent accounting pronouncements including Governmental Accounting Standards Board (GASB) Statement No.’s 87, *Leases*; and 101, *Compensated Absences*.

Condition

Closing entries were needed to report governmental fund activities on a modified accrual basis, and the government-wide statements on a full accrual basis, in compliance with GAAP. This required adjustment of most balances found on the Statement of Net Position and the Governmental Fund Balance Sheet. Additionally, additional procedures were necessary to reconcile beginning balances to previously audited financial statements.

Context

Management relies on the outsourcing of bookkeeping services to maintain EDLAFCo’s accounting records. These bookkeeping services are assigned to an individual that records entries under request of management, but does not provide reconciliations, reviews of balances, or guidance on the application of generally accepted accounting principles. There has been some turnover in the assigned roles within this bookkeeping agency, and there has been a lack of guidance and oversight, using the necessary skills, knowledge, and experience necessary to take full responsibility for the financial statements, to monitor the performance of this agency and assess the accounting records for compliance with GAAP.

El Dorado Local Agency Formation Commission

Notes to the Basic Financial Statements
June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS, CONTINUED

Cause

There is no documented process for formally closing the books and reviewing year-end balances for compliance with GAAP. Previously closed books are not locked from continued entry and changes.

Effect of condition

Adjustments were needed to correct cash, investments, accounts receivable, prepaid expenses, capital assets, right-of-use leased assets and liabilities, compensated absences, and the related revenues and expenditures in addition to the typical entries for pension. There were delays in completion of certain fieldwork procedures until beginning fund balances could be reconciled to previously issued financial statements.

Recommendation

We recommend the District develop a formal set of year-end closing procedures that incorporates year-end balance review and reconciliation to underlying records and reports. We also recommend that the performance of the outsourced bookkeeping services is closely monitored, and evaluated against the current needs to collectively maintain the skills, knowledge, and experience within the local government to apply GAAP-compliant accounting.

Views of responsible officials and planned corrective actions

The Commission has contacted the principal at the current CPA/bookkeeping firm to discuss discrepancies with the accounting services provided and how to avoid issues with future audits. The Commission is also exploring options for alternative bookkeeping firms.

SECTION III - STATUS OF PRIOR YEAR FINDINGS

None noted.