



March 29, 2023

Board of Supervisors
County of El Dorado
Placerville, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of El Dorado as of and for the year ended June 30, 2022, and have issued our report thereon dated March 29, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit in our engagement letter dated April 15, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of El Dorado are described in Note 1 to the financial statements.

As described in Note 1, the County changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*, in 2022. Accordingly, the cumulative effect of the accounting change has been applied to the beginning of the period of adoption.

We noted no transactions entered into by the entity 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

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 financial statements were:

- Management's estimate of the allowance for doubtful accounts related to ambulance billings is based on historical fees, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the claims liability is based on actuarial reports obtained from experts. We evaluated the key factors and assumptions used to develop the claims liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the net pension liability and related deferred inflows and outflows are based on actuarial reports obtained from experts. We evaluated the key factors and assumptions used to develop the net pension liability and related deferred inflows and outflows in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the OPEB liability and related deferred inflows and outflows are based on actuarial reports obtained from experts. We evaluated the key factors and assumptions used to develop the OPEB liability and related deferred inflows and outflows in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the landfill closure / post closure liability is based on estimates developed by engineering experts. We evaluated the key factors and assumptions used to develop the landfill closure / post closure liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- Decrease to Net Investment in Capital Assets and increase to Restricted Net Position in Governmental Activities of \$1,212,184 to remove retention payable and accounts payable from Net Investment in Capital Assets.
- Increase to Advances to Other Funds and Fund Balance in the Roads Fund of \$58,028 and decrease to Accounts Payable of \$873,150, increase to Advances from Other Funds of \$163,343 and decrease to Fund Balance of \$709,807 to record advances made to the General Fund for Unemployment Insurance.
- Increase to Expenses and amounts Due to Other Funds of \$7,187 for Business-Type Activities to allocate the internal-service fund loss to Business-Type Activities.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. The following disagreement arose during the audit:

- Based on Uniform Guidance CLA has determined that \$6,080,056, related to Assistance Listing Number 10.766 – Community Facilities Loans and Grants, should not be included in the Schedule of Expenditures of Federal Awards (SEFA). The advance received on the loan was not used for eligible program costs. Instead it was drawn down and repaid at the request of the awarding agency as a means to close-out the unused portion of the loan. County Management disagreed and has included the \$6,080,056 in the SEFA for the year ended June 30, 2022. As such, CLA modified our opinion on the in-relation to opinion on the SEFA and reported a material weakness in internal control related to financial reporting in a separate communication to you dated March 29, 2023, communicating internal control related matters identified during the audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2023.

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 entity's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

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

Other audit findings or issues

The following describes findings or issues arising during the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process:

- During the audit we identified the following significant risk of material misstatement that has not previously been communicated to you:
 - Management override of controls is considered a fraud risk.

We have provided a separate communication to you dated March 29, 2023, communicating internal control related matters identified during the audit.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated March 29, 2023.

With respect to the combining fund statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has

not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated March 29, 2023.

This communication is intended solely for the information and use of the Board of Supervisors and management of County of El Dorado and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Roseville, California
March 29, 2023