



Honorable Members of the Board of Supervisors  
County of Mendocino  
Ukiah, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Mendocino as of and for the year ended June 30, 2022, and have issued our report thereon dated December 4, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our engagement letter dated August 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 Mendocino are described in Note 1 to the financial statements.

As described in Note 1, the entity changed accounting policies related to Leases by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, Leases, in 2022.

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 solid waste landfill closure and post-closure liability is based on an engineering estimate approved by the California Integrated Waste Management Board. We evaluated the key factors and assumptions used to develop the solid waste landfill closure and post-closure 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 is based on actuarial valuation reports prepared by outside specialists. 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 allowance for doubtful accounts is based on historical experience. No allowance has been recorded because management believes that receivables are fully

collectible. 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.

**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***

The completion of our audit was delayed due to financial information not being prepared timely by the County.

***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:

- Expense is understated in the amount of \$1,129,362 in the Governmental Activities opinion unit due to assets being capitalized in the current year for which costs were incurred in a prior period.
- Receivables and revenue are understated in the amount of \$142,651 in the Governmental Activities opinion unit and the Road Fund receivables balances not recorded.
- Receivables and fund balance are projected to be overstated in the amount of \$487,705 in the Governmental Activities opinion unit and the General Fund for outstanding receivable balances collected in a prior period.
- Revenues are overstated in the amount of \$145,754 in the Governmental Activities opinion unit and the General Fund for revenues not recorded in a prior period.
- Contributions to private purpose trust are overstated by \$1,476,750 in Private Purpose Trust Funds for contributions not included in a prior period.

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***

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management:

Accounts payable/receivable adjustments:

- Prior period adjustment to beginning net position in Governmental Activities of \$665,023 was recorded to recognize revenues earned in a prior year.
- Audit adjustment of \$494,123 was recorded to accrue accounts payable and expenditures in the General Fund. This also resulted in an audit adjustment to accrue \$494,123 as due from other governments and intergovernmental revenue.
- Audit adjustment of \$172,528 to accrue accounts payable and expenditures in the Miscellaneous Grants Fund. This also resulted in an audit adjustment to accrue \$172,528 as due from other governments and intergovernmental revenue.
- Audit adjustment of \$122,781 to accrue accounts payable and expenditures in the General Liability Insurance Internal Service Fund.
- Adjustment to reverse negative revenues and receivables recorded in the current year of \$4,231,294 resulting from a duplicate journal entry recording the reversal of hazard mitigation grant funding in the Disaster Recovery Fund.

Unemployment insurance adjustment:

- Prior period adjustment to beginning net position in the Unemployment Insurance Fund and Governmental Activities of \$769,858 was recorded for the over accrual of unemployment insurance liabilities.

Capitalization of fixed assets and depreciation adjustments:

- Audit adjustment of \$73,343 was recorded to capitalize software purchased in the Software Acquisition Fund.
- Audit adjustment of \$207,289 in the Software Acquisition Fund and \$65,683 in the Vehicle Replacement Fund to record current year depreciation in Internal Service Funds.

Misclassification adjustment:

- Audit adjustment of \$357,434 to reclassify intergovernmental revenues recorded as other revenues in the Mental Health Services Fund.

GASB 87 – Leases Adjustments:

- Adjustment to correct for overstatement of lease receivables and deferred inflows of resources in the amount of \$248,209 in the General Fund and Governmental Activities.
- Adjustment to correct for overstatement of right-to-use lease assets and lease liability in the amount of \$218,882 in Governmental Activities.

GASB 84 – Fiduciary Activity Adjustments:

- Adjustments to reclassify cash and activities as follows:
  - General fund cash and revenues understated by \$101,970.
  - Road fund cash and revenues overstated by \$8,762.
  - Special Districts Other fund cash overstated by \$487,348, revenues overstated by \$78,035 and transfers out understated by \$409,313.
  - Miscellaneous Grants fund revenues overstated by \$409,313 and transfers in understated by \$409,313.
  - Investment Trust fund cash and contributions to pooled investments understated by \$1,079,482.
  - Custodial fund cash and due to other governments overstated by \$685,342.

Additional Cash, Revenue Adjustments:

- Adjustments to record additional cash and revenues as follows:
  - General fund cash and revenues understated by \$104,028.

Private Purpose Trust Fund Adjustments:

- Adjustments to record cash and private purpose trust fund activity as follows:
  - Private purpose cash understated by \$1,394,282, contributions to private purpose trust understated by \$3,900,430, distributions from private purpose trust understated by \$2,506,148.

***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. No such disagreements arose during our audit.

***Circumstances that affect the form and content of the auditors' report***

As previously communicated to you, the report was modified for the following reasons:

***Emphasis-of-Matters***

*The following paragraph was added for the prior period adjustments:*

***Restatements of Net Position***

As disclosed in Note 8 to the financial statements, the County's beginning net position was restated for the correction of errors in prior year financial statements. Our opinion is not modified with respect to this matter.

Additionally, as a result of the significance of new accounting principles adopted during the fiscal year ended June 30, 2022, the following paragraph was added to our auditors' opinion on the financial statements:

*Change in Accounting Principle*

As discussed in Note 1 to the financial statements, effective July 1, 2021, the County adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated December 4, 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 to be a fraud risk.

We have provided a separate communication to you dated December 4, 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 other budgetary schedules and the combining and individual fund financial 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 December 4, 2023.

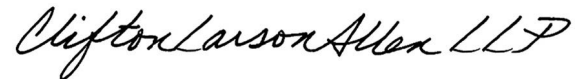
**Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the Introductory and Statistical Sections. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion

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or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

This communication is intended solely for the information and use of the Members of the Board of Supervisors and management of County of Mendocino 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  
December 4, 2023