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GOVERNANCE LETTER

To the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

We have audited the financial statements of the Sacramento, Yolo, Yuba and Sutter Local Transportation Funds, the State Transit Assistance Fund and State of Good Repair Funds (the Funds) of the Sacramento Area Council of Governments (SACOG) for the year ended June 30, 2022 and have issued our reports thereon dated November 16, 2022. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audits. We have communicated such information in the engagement letter dated May 21, 2020, and to a member of the Board of Directors on October 6, 2022. 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 SACOG are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by SACOG during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate was the fair value adjustment on investments in each fund. Management's estimate of the fair value adjustment is based on the fair value percentage provided by the Treasurer's Department of each county. We evaluated the key factors and assumptions used to develop the fair value adjustment in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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 audits.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following adjustments were proposed as part of our audit:

- State of Good Repair (SGR): To accrue liabilities for SGR funds expended by the jurisdictions as of June 30, 2022, but not yet paid at year-end.
- Yuba County Local Transportation Fund (LTF): To accrue the fair value adjustment on the County investment pool.
- Yolo LTF: To reverse an estimate of the LTF sales tax receivable and record the final balance.
- Sutter LTF: To update the fair value adjustment to be based on the reconciled investment balance at year-end.

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 letters for each Fund dated November 16, 2022.

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 Funds 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 SACOG's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, as listed in the table of contents, 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, 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.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of SACOG's compliance with certain provisions of laws, regulations, contracts and grants, including the Transportation Development Act and California Code of Regulations. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of SACOG and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

November 16, 2022