

# **Attachment C**

**Required Communication Letter Pursuant to SAS No. 114**



August 28, 2020

To the Honorable Board of Supervisors  
County of Santa Barbara, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California (County) as of and for the year ended June 30, 2020, and have issued our report thereon dated August 28, 2020

We are currently performing the audit of the County's federal award programs (Single Audit) and anticipate issuing our reports thereon prior to March 31, 2021.

Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*, and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated February 28, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the County's major federal program compliance, is to express an opinion on the compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we consider internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the County adopted GASB Statements No. 95, *Postponement Of The Effective Dates Of Certain Authoritative Guidance*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Net pension and net other postemployment benefits (OPEB) liabilities, disclosures, and related deferred inflows/outflows and expenses are based on actuarial valuations which include assumptions adopted by the Santa Barbara County Employees' Retirement System (SBCERS) and the County;
- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity and;
- Self-insured claims liabilities are based on actuarial studies performed by the County's independent actuaries.

We evaluated the key factors and assumptions used to develop these estimates and determined that they were reasonable in relation to the basic financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to:

- Pension and OPEB liabilities in Notes 19 and 20, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 19 and 20, a 1% increase or decrease in the discount rate has a significant effect on the pension and OPEB liabilities.
- Estimated liabilities for self-insurance claims in Note 11 are based on actuarial valuations.
- Landfill closure and postclosure costs in Note 13 are based on management's analysis.
- Commitments and contingencies described in Note 12.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

<u>Entity-wide Statements: Governmental Activities</u>	
Overstatement of Deferred Housing Loan Payments	\$6,036,000
Understatement of Income	1,752,000
Understatement of Beginning Net Position	4,284,000

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to County’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated August 28, 2020

**Management’s Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County’s auditors.

**Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the County’s audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we will review the information inputted into the data collection form and will consider whether such information, or the manner of its presentation, is materially consistent with the financial statements.

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



Rancho Cucamonga, California