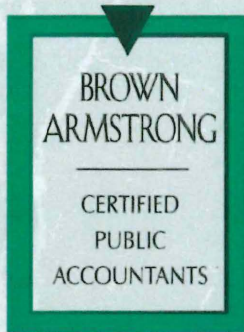


# **Attachment C**

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



# BROWN ARMSTRONG

*Certified Public Accountants*

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Barbara (the County) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* and the Uniform Guidance, 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 May 13, 2019. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Matters**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*; and GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, during the fiscal year ended June 30, 2019. We noted no transactions entered into by the County 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 County's financial statements were the year-end estimates of net pension liabilities and other postemployment benefits (OPEB) and related deferred outflows and inflows of resources, year-end estimates of accruals for accounts payable, estimate for self-insurance liability, estimates for housing loan receivables and deferred housing loan payments, and estimate of contingent settlement liability with the State of California and services provided relating to the Behavioral Health Fund.

We evaluated management's estimate of the net pension and OPEB liabilities and related deferred outflows and inflows of resources, which are based on actuarial reports prepared and provided by an independent third party. Management's estimate of the year-end payables is based on the information received from the individual departments. We evaluated the key factors and assumptions used to develop the estimate of payables in determining that it is reasonable in relation to the financial statements taken as a whole. We also evaluated the self-insurance liability as determined by the County using actuarial reports prepared and provided by an independent third party. Additionally, we reviewed management's analysis and supporting documents

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relating to the housing loan receivables and deferred housing loan payments. Furthermore, we reviewed management's analysis and supporting documents relating to the contingent settlement liability with the State of California and services provided relating to the Behavioral Health Fund and determined that it is reasonable and conservative.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 13 – Self-Insurance  
Note 14 – Commitments and Contingencies  
Note 15 – Landfill Closure and Postclosure  
Note 21 – Pensions  
Note 22 – OPEB

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.

*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. There were no such misstatements identified during the audit.

*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 August 28, 2019.

*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 County'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 County'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**

We applied certain limited procedures to the Management's Discussion and Analysis, the Santa Barbara County Employees' Retirement System Schedule of the County's Proportionate Share of the Net Pension Liability, the Santa Barbara County Employees' Retirement System Schedule of the County's Contributions, OPEB Plan Schedule of Changes in the County's Net OPEB Liability and Related Ratios, and the respective budgetary comparison for the General and Major Special Revenue Funds, which are required supplementary information (RSI) that supplement 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 engaged to report on Schedule of Expenditures of Federal Awards, the budgetary comparison for the Capital Projects Fund, and the Combining and Individual Nonmajor Fund Financial Statements and Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
August 28, 2019