

Attachment C

Required Communication Letter Pursuant to SAS No. 114

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, California (the County) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and, where applicable, the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We communicated such information in our planning letter dated May 5, 2025. 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. The County adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures* during the current year; the application of other existing policies was not changed. We noted no transactions entered into by the County during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized 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) liabilities and related deferred outflows and inflows of resources; year-end estimates of accruals for accounts payable; the estimate for self-insurance liability; estimates for housing-loan receivables and deferred housing-loan payments; estimates associated with public-private and public-public partnership (P3) arrangements; estimates for leased/Subscription Based Information Technology Arrangements (SBITA) right-to-use assets and related liabilities; and the estimate of contingent-settlement liability with the State of California for Behavioral Health services.

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 by and provided by an independent third-party actuary. Management's estimate of the year-end payables is based on information received from individual departments; we evaluated those payables and accruals for reasonableness 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 provided by an independent actuary. In addition, we reviewed management's analysis and supporting documentation relating to the housing-loan receivables and deferred housing-loan payments. We assessed the assumptions and

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methodologies used in estimating the fair value of P3 arrangements to ensure consistency with the principles outlined in GASB Statement No. 94. We also evaluated the key factors and assumptions used to develop the estimate of the discount rate for calculating the leased/SBITA right-to-use assets and related liabilities. Furthermore, we reviewed management's analysis and supporting documents relating to the contingent-settlement liability with the State of California and Behavioral Health services, and we determined that those estimates are reasonable and conservative.

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

- Note 5 – Receivables
- Note 7 – Public Private and Public-Public Partnerships (P3)
- Note 9 – Leases and Subscription Based Information Technology Arrangements (SBITAs)
- Note 11 – Risk Management
- Note 12 – Commitments and Contingencies
- Note 13 – Landfill closure and Postclosure
- Note 18 – Pensions
- Note 19 – 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. No such misstatements were noted.

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 October 13, 2025.

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 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,

the 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 the 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, 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

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Bakersfield, California
October 13, 2025