



**SBCAG STAFF REPORT**

**SUBJECT:** FY 2019-20 Financial Reports

**MEETING DATE:** March 18, 2021

**AGENDA ITEM:** 4I

**STAFF CONTACT:** Martha Gibbs

**RECOMMENDATION:**

Receive and file SBCAG’s audited Annual Financial Report and Single Audit Report for FY 2019-20.

**SUMMARY:**

Moss, Levy & Hartheim LLP, Certified Public Accountants, have audited the financial statements of SBCAG for the fiscal year ending June 30, 2020. The resulting Annual Financial and Single Audit Reports are attached for the Board’s review. The audit showed no findings or material weakness as is indicated in the transmittal letter addressed to the Board of Directors.

**DISCUSSION:**

As a result of the audit, SBCAG received an unqualified opinion on its financial statements, which means “the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, enterprise fund and the aggregate remaining fund information of the Santa Barbara County Association of Governments as of June 30, 2020, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America”. The entire Independent Auditors’ Report can be found on page one of the Annual Financial Report.

As a part of their audit, Moss, Levy & Hartzheim LLP, tested SBCAG’s compliance with certain provisions of laws, regulations, contracts, and grants and considered SBCAG’s internal control over financial reporting. They also audited SBCAG’s compliance with requirements applicable to its largest federal grants (major programs). The results of these procedures are documented in the attached Single Audit Report.

*The recommended action is not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378 of the CEQA Guidelines.*

**ATTACHMENTS:**

- A. Transmittal Letter from Moss, Levy & Hartzheim LLP
- B. SBCAG Annual Financial Report (web posting only)
- C. Single Audit Report (web posting only)



December 28, 2020

To the Board of Directors  
Santa Barbara County Association of Governments,

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Barbara County Association of Governments as of and for the fiscal year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the OMB 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 June 25, 2020. 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 Santa Barbara County Association of Governments are described in Notes I and IV to the financial statements. We noted no transactions entered into by the governmental unit 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 Agency's financial statements were:

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other postemployment benefits (OPEB) liability and deferred inflows and outflows is based on the actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the OPEB liability and 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 net pension liability and deferred inflows and outflows related to pension are based on the SBCERS actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension 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. The most sensitive disclosure affecting the financial statements was:

The disclosure of various items such as the net pension liability, deferred compensation, and other-postemployment benefits in Note IV, Other Information to the financial statements.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *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 December 28, 2020.

### *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 governmental unit'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 governmental unit'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 required supplementary information accompanying the financial statements, 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.

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

Very truly yours,

*Moss, Kelly & Spaulding LLP*

Santa Maria, California