



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

January 11, 2024

Board of Directors
Summerland Sanitary District
P.O. Box 417
Summerland, CA 93067

We are pleased to present this letter related to our audit of the financial statements of Summerland Sanitary District (the District) for the year ended June 30, 2023. This letter is to inform the Board of Directors about significant matters related to the conduct of our audit so that it can appropriately discharge its oversight responsibility, and we can comply with professional responsibilities.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated August 3, 2023, which includes communication regarding the planned scope and timing of our audit and our identification of and planned audit response to significant risks of material misstatement. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

The following is a list of the matters, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's financial statements:

Useful Lives of Capitalized Assets and Depreciation

The District assigns useful lives to capital assets of between 5 and 50 years. The District depreciates the assets on a straight-line basis. The actual useful lives of these assets could differ from the assigned lives.

Other Postemployment Benefits

In accordance with GASB Statement No. 75, each participating cost-sharing employer is required to report its proportionate share of the collective net OPEB liability, OPEB expense, and deferred outflows/inflows of resources. SBCERS actuaries calculated these amounts in accordance with the parameters of GASB 75.

Net Pension Liability

In accordance with GASB Statement No. 68, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/inflows of resources. SBCERS actuaries calculated these amounts in accordance with the parameters of GASB 68.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the District are noted below. Audit adjustments for this purpose, do not include those adjustments resulting from bookkeeping assistance that management has requested we provide in connection with the audit.

The following adjustments were recorded after the initial trial balance was provided:

- \$29,198 to include cash accounts not recorded by the County.
- \$11,488 to accrue accounts payable at year end.
- \$1,274 to correct prior journal entry posted to compensated absences.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For Bartlett, Pringle and Wolf, LLP (BPW) to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors, and BPW each play an important role.

Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. BPW is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The District's Responsibilities

- Timely inform BPW, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - New beneficial owners of the District's which have significant influence.
 - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the District and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with BPW.
- Not entering into relationships resulting in close family members of BPW covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the District.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the District, including the draft representation letter to be dated January 11, 2024 and provided to us by management, are attached as Exhibit A.

Conclusion

This report is intended solely for the information and use of the Board of Directors and management it is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Summerland Sanitary District.

Very truly yours,

Bartlett, Pringle & Wolf, LLP

BARTLETT, PRINGLE & WOLF, LLP

Certified Public Accountants and Consultants

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Exhibit A

January 11, 2024

Bartlett, Pringle & Wolf, LLP
1123 Chapala Street
Santa Barbara, CA 93101

Dear Sir or Madam:

This representation letter is provided in connection with your audits of the basic financial statements of Summerland Sanitary District (the District) which comprise the statement of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of January 11, 2024 the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 3, 2023 for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take. No subsequent events have occurred that would require adjustment to the estimate and related disclosures included in the financial statements.

5. Related party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the District include:
 - a. Those with jointly governed organizations in which the District participates.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
9. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.
10. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
11. The government has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88.
12. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
13. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
14. The following have been properly recorded and or disclosed in the financial statements:
 - a. Net positions and fund balance classifications.
 - b. The fair value of investments.
 - c. All significant estimates and material concentrations known to management which are required to be disclosed.

- d. Deposits and investment securities categories of risk.
 - e. Environmental clean-up obligations.
 - f. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
15. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
- a. The District has no significant amounts of idle property and equipment or permanent excess plant capacity.
 - b. The District has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.
 - c. Provision has been made to reduce all other investments and other assets that have permanently declined in value to their realizable values.
 - d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. For uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2023 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2023.
 - b. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2023.
 - c. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any service commitments.
 - d. For environmental clean-up obligations.
17. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency that are not recorded in the financial

statements. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination other than what is disclosed in the financial statements.

- b. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standard Codification.
- d. Related-party transactions required to be disclosed in the financial statements.
- e. Guarantees, whether written or oral, under which the District is contingently liable.
- f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
- g. Line of credit or similar arrangements.
- h. Security agreements in effect under the Uniform Commercial Code.
- i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- j. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- k. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- l. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- m. Debt issue provisions.
- n. Authorized but unissued bonds and or notes.
- o. Risk financing activities.
- p. Derivative financial instruments.

- q. Special and extraordinary items.
 - r. Impairments of capital assets.
18. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, or to special assessment bond holders.
19. The District has satisfactory title to all owned assets.
20. We have compiled with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
21. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

22. We have provided you with:
- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District for whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
25. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those

risks, and the controls that we have designed and implemented in response to those risks.

26. We have no knowledge of allegations of fraud or suspected fraud, affecting the District's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements received in communications from employees, former employees, or others.
28. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
29. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements, and have determined that no material impact is expected. Accordingly, no loss accrual is recorded in the financial statements.
30. We have disclosed to you the identity of the District's related parties and all the related-party relationships and transactions of which we are aware.
31. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the District's ability to record, process, summarize, and report financial data.
32. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
33. We are responsible for compliance with laws and regulations applicable to the District including adopting, approving, and amending budgets.
34. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated Plan benefits for the Pension and OPEB Plans are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Pension or OPEB Plan's actuary.

35. We believe that the information obtained from the audited financial statements of and other participant information provided by SBCERS and the actuary is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the Pension or OPEB Plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plans or its auditor.

Supplementary Information

36. With respect to the Management's Discussion and Analysis, the Schedule of Summerland Sanitary District's Proportionate Share of Net Pension Liability, the Schedule of Summerland Sanitary District's Contributions, and the Schedule of Summerland Sanitary District's Changes in the Net OPEB Liability and Related Ratios as required by Governmental Accounting Standards Board to supplement the financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.

37. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

38. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Summerland Sanitary District

Signature: _____

Marjon Souza, District Administrative Manager

Signature: _____

David Lewis, Operations Manager