

**SANTA BARBARA COUNTY EMPLOYEES'
RETIREMENT SYSTEM**

REPORT TO THE BOARD OF RETIREMENT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**SANTA BARBARA COUNTY EMPLOYEES'
RETIREMENT SYSTEM**

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**REQUIRED COMMUNICATION TO THE MEMBERS OF THE BOARD OF
RETIREMENT IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)**

To the Board of Retirement of
Santa Barbara County Employees' Retirement System
Santa Barbara, California

We have audited the basic financial statements of Santa Barbara County Employees' Retirement System (SBCERS), a component unit of the County of Santa Barbara, California, for the fiscal year ended June 30, 2024. 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*, 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 July 9, 2024. 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 SBCERS are described in Note 3 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2024. We noted no transactions entered into by SBCERS during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic 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 basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting SBCERS' basic financial statements were:

Management's estimate of the fair value of investments was derived by various methods as detailed in Note 3 – Summary of Significant Accounting Policies and Note 4 – Deposits and Investments to the basic financial statements. We evaluated the methods, assumptions, and data used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the basic financial statements taken as a whole.

The contribution amounts, net pension liability, and net other post-employment benefits (OPEB) liability as detailed in Note 3 – Summary of Significant Accounting Policies, Note 6 – Pension Plan Contributions, Note 7 – Net Pension Liability of Participating Employers, and Note 8 – OPEB Plan, which are based on the actuarially presumed interest rate and assumptions. We evaluated the methods, assumptions, and data used to develop the contribution amounts, net pension liability, and net OPEB liability in determining that they are reasonable in relation to the basic financial statements taken as a whole.

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

The disclosures of deposits and investments in Note 3 and Note 4 which were derived from SBCERS' investment policy. Management's estimate of the fair value of estimates was determined by various methods as detailed in the notes to the basic financial statements.

Additionally, the disclosures related to the funding policies, net pension liability, net OPEB liability, and actuarial methods and assumptions in Note 3, Note 6, Note 7, and Note 8, respectively, were derived from actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrences of future events.

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 misstatements were detected as a result of our audit procedures.

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 3, 2024.

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 SBCERS' basic 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 SBCERS' 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 (MD&A), Changes in Net Pension Liability and Related Ratios, Employer Pension Contribution History, Money-Weighted Rate of Return - Pension, and Money-Weighted Rate of Return - OPEB, which are required supplementary information (RSI) that supplements 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 Administration Expense – Pension, Schedule of Pension Investment Expense, Schedule of Consultant Payments – Pension, and the Schedule of Administration Expense – OPEB, which accompany the basic financial statements but are not RSI. With respect to this other 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 basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introduction, investment, actuarial, statistical, and glossary sections, which accompany the basic 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 Board of Retirement and management of SBCERS 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
December 3, 2024

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Retirement of
Santa Barbara County Employees' Retirement System
Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Santa Barbara County Employees' Retirement System (SBCERS), a component unit of the County of Santa Barbara, California, as of and for the fiscal year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise SBCERS' basic financial statements, and have issued our report thereon dated December 3, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered SBCERS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBCERS' internal control. Accordingly, we do not express an opinion on the effectiveness of SBCERS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SBCERS' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

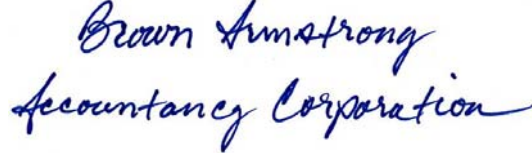
As part of obtaining reasonable assurance about whether SBCERS' basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the

basic financial statements. However providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SBCERS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBCERS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
December 3, 2024

**AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE
EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING
(MANAGEMENT LETTER)**

To the Board of Retirement of
Santa Barbara County Employees' Retirement System
Santa Barbara, California

In planning and performing our audit of the basic financial statements, we considered SBCERS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBCERS' internal control. Accordingly, we do not express an opinion on the effectiveness of SBCERS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SBCERS' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. There recommendation listed in this report summarizes our comment and suggestion regarding this matter.

We will review the status of this comment during our next audit engagement. We have already discussed the comment and suggestion with various SBCERS personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Current Year Findings and Recommendations

2024-1 – Overpayment of Benefit Payment

During our retiree participant testing, we noted one (1) out of forty (40) members tested received an overpayment of benefit payments. Upon retiring from SBCERS and going through payroll onboarding, the member elected a modified payment option under Option 4 but erroneously received monthly benefit payments under the unmodified benefit amount. The modified payment option was not properly applied in the system which caused a monthly overpayment of benefit payments to the member.

SBCERS has contacted the member and received a full reimbursement for the overpayment in the amount of \$4,682.28. SBCERS also recalculated the benefit for the member effective the 11/1/24 benefit payment.

Recommendation

We recommend SBCERS review its existing payroll onboarding process to ensure benefit payments are accurately processed in accordance with the member's elected payment option.

Management's Response

We concur with the finding. SBCERS has reviewed the past 5 years of Option 4 modified payment option onboardings to ensure that no other instances of error have occurred and determined that all were onboarded accurately. In response, SBCERS has added a required sign off from a second independent reviewer for requirement of Option 4 modified payment onboardings to our retirement onboarding checklist and workflow to ensure that they are accurately input.

Status of Prior Year Findings and Recommendations

No prior year findings or recommendations.

This information is intended solely for the information and use of Board of Retirement and management of SBCERS 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
December 3, 2024