

**SONOMA COUNTY AGRICULTURAL PRESERVATION
AND OPEN SPACE DISTRICT**

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED
JUNE 30, 2018**

This Page Left Intentionally Blank

**SONOMA COUNTY AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2018

Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Control</i>	1
Schedule of Other Matters	3
Status of Prior Year Other Matters	5
<i>Required Communications</i>	7
Significant Audit Findings	7
Accounting Policies	7
Unusual Transactions, Controversial or Emerging Areas.....	7
Accounting Estimates.....	7
Disclosures	8
Difficulties Encountered in Performing the Audit.....	8
Corrected and Uncorrected Misstatements.....	8
Disagreements with Management.....	8
Management Representations	8
Management Consultations with Other Independent Accountants.....	9
Other Audit Findings or Issues	9
Other Information Accompanying the Financial Statements	9

This Page Left Intentionally Blank

MEMORANDUM ON INTERNAL CONTROL

Board of Directors
Sonoma County Agricultural Preservation and Open Space District
Santa Rosa, California

In planning and performing our audit of the basic financial statements of the Sonoma County Agricultural Preservation and Open Space District (District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.



Pleasant Hill, California
October 22, 2018

This Page Left Intentionally Blank

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2018-01 Upcoming Governmental Accounting Standards Board Pronouncements

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

This Page Left Intentionally Blank

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR OTHER MATTERS

2017-01 Review of County-Prepared Journal Entries

Journal entries are an important transaction cycle that affects all aspects of accounting and financial reporting. Prudent internal control concepts dictate that no single employee should process a transaction without the involvement of another employee. For journal entries, this typically takes the form of a second employee performing a review and approving the proposed entry prior to posting. Journal entries prepared, reviewed, and posted to the general ledger by Sonoma County personnel should be reviewed by the District for reasonableness. The review and approval should be documented by a reviewer signing and dating that their review has been completed and the entry is approved.

During our testing of internal controls of the District, it was noted that, although the general ledger is reviewed at year-end, and the County occasionally alerts the District of impending general ledger transfers, the District does not consistently review journal entries posted by the County.

Based on inquiries with District staff, it appears that unless notified by the County, the District relies on the County's accountant to ensure journal entries are accurate and reasonable. We recommend the District review the general ledger and journal entries posted by the County on a monthly basis to ensure entries are reasonable.

Current Status:

Implemented.

This Page Left Intentionally Blank

REQUIRED COMMUNICATIONS

Board of Directors
Sonoma County Agricultural Preservation and Open Space District
Santa Rosa, California

We have audited the basic financial statements of the Sonoma County Agricultural Preservation and Open Space District (the District) for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Audit Standards*.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The following Governmental Accounting Standards Board (GASB) pronouncement became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 1L to the financial statements

GASB Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*

GASB Statement No. 85 – *Omnibus 2017*

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the District 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

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 estimate(s) affecting the District's financial statements were:

Management's estimate of depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Accrued compensated absences is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Net pension liability is determined by the Actuary of the Sonoma County Employees' Retirement Association based on a December 31, 2017 measurement date. We evaluated the key factors and assumptions used to develop the net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Net other postemployment benefits liability is determined by the Actuary of the Sonoma County Employees' Retirement Association based on a June 30, 2018 measurement date. We evaluated the key factors and assumptions used to develop the net other postemployment benefits liability and determined that is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

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. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the District's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

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 a management representation letter dated October 22, 2018.

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 District’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 District’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 Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and 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 required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. 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 and Statistical Sections which accompany the financial statements, but are not required supplementary information. 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 them.

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



Pleasant Hill, California
October 22, 2018

This Page Left Intentionally Blank