



Management Letter  
For Fiscal Year Ended June 30, 2021  
**County of Solano, California**



To the Board of Supervisors  
County of Solano, California

In planning and performing our audit of the financial statements of the County of Solano, California (County), as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

During our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses that are opportunities for strengthening internal controls and operating efficiency. The observations and recommendations are summarized below. This letter does not affect our report dated January 31, 2022 on the financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

## **CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS**

### **Solano County Fair**

#### **OBSERVATION:**

During our audit of the Solano County Fair (Fair), we found that the Fair was unable make a required debt service payment fiscal year ended June 30, 2021. Based on our inquiries with management, this was due to insufficient cash held by the Fair in order to make the required payment.

This is a recurring observation from prior year.

#### **RECOMMENDATION:**

We recommend that management conduct an analysis of the financial condition of the Fair to determine whether the Fair has sufficient resources to meet its obligations when they become due.

**MANAGEMENT'S RESPONSE:**

The referenced debt service payment reflects a long-term liability that is not due immediately and does not impact Solano County Fair Association (SCFA) operations in the next 12 months. The SCFA board and management have reported considerable improvement in SCFA's financial condition. The SCFA Board and County agreed on the rate for the pension bonds and the SCFA has been paying the agreed-upon rate. On December 14, 2021, the Solano County Board approved the extension of the agreement with SCFA through June 30, 2022.

**Information Technology Business Continuity Plan**

**OBSERVATION:**

One of the best controls in avoiding Information Technology (IT) security risk is to have a unified, defined approach to security which should be addressed in a written formal IT security policy. Based on our procedures over the evaluation of the design on the County's IT control environment as it relates to financial reporting, we noted that the County does not have a formal documented contingency or business continuity plan in place. Failing to have a formally documented plan or policy in place can lead to further business disruptions in the event that recovery would need to be carried out.

**RECOMMENDATION:**

Based upon the observations identified above, we recommend management develop and document a Business Continuity Plan based upon organizational risks and business operations interruption tolerances.

**MANAGEMENT'S RESPONSE:**

The Solano County IT Management Team concurs with the recommendation. A current and up to date disaster recovery and business continuity plan would mitigate unforeseen risks to the operations of the County. Solano County IT dedicated a senior staff level position to focus on disaster recovery and business continuity planning and testing. The recruitment process to find a successful candidate for this difficult to hire skill set has taken over a year to conclude. Currently we are expecting this new staff member to start in early February which will enable us to begin to fill this unmet need.

**PRIOR YEAR MANAGEMENT LETTER COMMENTS**

**Solano County Fair**

Status: See current year observations.

## NEW FINANCIAL REPORTING STANDARDS INFORMATIONAL ONLY

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 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; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021.

**GASB Statement No. 89** – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2020.

**GASB Statement No. 91** – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021.

**GASB Statement No. 92** – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021.

**GASB Statement No. 93** – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021.

**GASB Statement No. 94** – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

**GASB Statement No. 96** – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022.

**GASB Statement No. 97** – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**GASB Statement No. 98** – In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Statement is effective for periods beginning after December 15, 2021.

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Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
January 31, 2022