



CliftonLarsonAllen LLP
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Honorable City Council
City of Santa Ana
Santa Ana, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Ana (the City) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 8, 2021. We have previously communicated to you 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. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements.

As described in Notes 1.E and 4.I, the City implemented the Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in fiscal year 2020-2021 by reclassifying agency funds to custodial funds and moving funds that did not meet the criteria of a fiduciary fund to appropriate funds. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Changes in Fiduciary Net Position as an increase in net position of \$11,836,011 and in the Statement of Revenues, Expenditures and Changes in Fund balances as an increase in fund balances of General Fund and Capital Projects Streets Construction Fund of \$251,850 and \$11,584,161, respectively.

We noted no transactions entered into by the entity 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 estimates affecting the financial statements were:

- The annual required contributions, pension expense, net pension liability, and corresponding deferred outflows of resources and deferred inflows of resources for the City's agent multiple employer defined benefit pension plans are based on actuarial valuations provided by California Public Employee Retirement System actuaries and for the City's single employer defined benefit pension plan are based on an actuarial valuation provided by a third-party actuary.

- The other postemployment benefits (OPEB) expense and total OPEB liability, and corresponding deferred outflows of resources and deferred inflows of resources for the City's OPEB plan are based on an actuarial valuation provided by a third-party actuary.
- The claims liability for workers' compensation and general liabilities are based on certain actuarial assumptions and methods prepared by an outside consultant.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement 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.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the 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 auditors' report. No such disagreements arose during our audit. ***Management representations***

We have requested certain representations from management that are included in the management representation letter dated December 8, 2021.

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 entity's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the combining and individual non-major fund financial statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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 or the reasons for such changes, 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 have issued our report thereon dated December 8, 2021.

The introductory and statistical sections accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

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



CliftonLarsonAllen LLP

Irvine, California
December 8, 2021

City of Santa Ana					
Uncorrected Misstatements					
June 30, 2021					
	DEBIT (CREDIT)				
DESCRIPTION	ASSET	LIABILITY	NET POSITION	REVENUE	EXPENSE
General Fund					
<i>To accrue invoices to proper period</i>					
Expense					413,923
Accounts payable		(413,923)			
	-	(413,923)	-	-	413,923
Water Fund					
<i>To adjust deposit liability</i>					
Deposit payable		130,379			
Revenue					(130,379)
	-	130,379	-	-	(130,379)