

**BROWN
ARMSTRONG**

**CERTIFIED
PUBLIC
ACCOUNTANTS**

BROWN ARMSTRONG

Certified Public Accountants

**REQUIRED COMMUNICATION IN ACCORDANCE
WITH PROFESSIONAL STANDARDS (SAS 114)**

To the Budget and Finance Committee,
Honorable Mayor, and
Members of the City Council of the
City of Bakersfield
Bakersfield, California

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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bakersfield (the City) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, 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 April 17, 2020. 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 the City are described in Note 1 to the financial statements. During the fiscal year ended June 30, 2020, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Guidance*. We noted no transactions entered into by the City 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 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 City's financial statements were:

Management's estimates in establishing allowances for accounts receivable, estimated date of collection to comply with period of availability for certain revenues, estimated net pension liability and related pension expense and deferred inflows of resources and outflows of resources, and establishing the net other post-employment benefits (OPEB) liability and related OPEB expense and deferred inflows of resources and outflows of resources, and management's estimate over self-insurance claims liabilities. In addition, management estimates for the determination of fair value of investments and the estimated useful lives of capital assets, which are derived by various methods as detailed in the notes. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the 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 financial statements were:

- Note 2 - Cash and Investments
- Note 5 - Capital Assets
- Note 12 - Pledged Revenues
- Note 13 - Deferred Inflows of Resources
- Note 16 - Employment Retirement Benefits
- Note 17 - Other Post-Employment Benefits (OPEB)
- Note 19 - Risk Management
- Note 20 - Commitments and Contingencies
- Note 23 - Prior Period Adjustments

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 detected no such misstatements during our audit.

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 January 25, 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 City'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 City'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 Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison Schedules for the General Fund and Major Special Revenue Funds, the City's Retirement Plans' Schedules of Changes in the Net Pension Liability and Related Ratios, the Schedules of Pension Contributions, the Other Post-Employment Benefit (OPEB) Plan - Schedule of Changes in the City's Net OPEB Liability and Related Ratios, and the Schedule of OPEB Contributions, which are required supplementary information (RSI) that supplement 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 Expenditures of Federal Awards, Combining and Individual Major and Nonmajor Fund Financial Statements and Schedules, Schedule of Long-Term Debt Recorded in the Private Purpose Trust Fund, and other supplementary information which accompany the financial statements but are not RSI. 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 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 the Budget and Finance Committee, Honorable Mayor, City Council, and management of the City of Bakersfield and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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Bakersfield, California
January 25, 2021