

# LAFCO

---

**Santa Barbara Local Agency Formation Commission**  
105 East Anapamu Street ♦ Santa Barbara CA 93101  
805/568-3391 ♦ FAX 805/647-7647  
www.sblafco.org ♦ lafco@sblafco.org

July 1, 2010 (Agenda)

Local Agency Formation Commission  
105 East Anapamu Street, Room 403  
Santa Barbara CA 93101

## **Approval of Proposal for Annual Audit for Fiscal Year Ending June 30, 2010**

Dear Members of the Commission:

### RECOMMENDATION

It is recommended the Commission approve the enclosed proposal from Bartlett, Pringle & Wolf, to prepare a financial audit for Fiscal Year 2009-2010 at a cost not to exceed \$5,000.

It is further recommended the staff be authorized to solicit bids from accounting firms to prepare audits for Fiscal Year 2010-2011 and thereafter.

### DISCUSSION

#### Background

From the time it was created in 1963 the Santa Barbara LAFCO was included within the County General Fund. Its financial procedures and records were audited by the County Auditor.

Due to changes in its enabling statute via AB 2686 – Hertzberg, the Commission in 2001 began to be funded by the County, cities and independent special districts. As a consequence LAFCO is no longer within the County General Fund and is a separate operating fund. This change resulted in the need for separate, independent financial audits.

In the galaxy of local agencies LAFCO's financial program is not large or complex; nevertheless the fee for annual audits is significant. The audit for the year ending June 30, 2009 cost \$5,000. An identical fee is proposed to prepare the audit for the year ending June 30, 2010.

The Commission's approach has been to select and retain a qualified firm to prepare audits for more than one year and to solicit proposals for audits from several firms during the final year of the audit being prepared by the selected firm.

---

**Commissioners:** Bob Short, Chair ♦ Lupe Alvarez ♦ Joe Centeno ♦ Jeff Moorhouse ♦ Bob Orach ♦ Cathy Schlottmann  
Janet Wolf ♦ Joe Armendariz ♦ Doreen Farr ♦ John Fox ♦ Roger Welt      **Executive Officer:** Bob Braitman

**AGENDA ITEM NO.** 7

Local Agency Formation Commission  
July 1, 2010 (Agenda)  
Page 2

The firm Moss, Levy & Hartzheim prepared annual audits for four years. In its final year the staff was directed to solicit bids from other accounting companies. Proposals were requested from five firms: Bartlett, Pringle and Wolf, MacFarlane; Faletti & Company; Glenn, Burdette, Phillips & Bryson; and Nasif, Hicks, Harris & Company.

Bartlett, Pringle & Wolf was selected by the Commission in November 2006 to prepare audits and has done so for the past three years. It is recommended its letter of engagement be approved and the firm authorized to conduct the audit for the year ending June 30, 2010.

It is further recommended that the staff be authorized to solicit bids from accounting firms who would be interested in preparing audits for Fiscal Year 2010-2011 and thereafter.

Please contact the LAFCO office if you have any questions.

Very truly yours,



BOB BRAITMAN  
Executive Officer

cc: John J. Britton, Bartlett, Pringle & Wolf, LLP  
Bob Geis, County Auditor Controller (with report)



BARTLETT, PRINGLE & WOLF, LLP  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

June 1, 2010

Bob Braitman  
Santa Barbara Local Agency Formation Commission  
105 East Anapamu Street  
Santa Barbara, CA 93101

Dear Bob:

Enclosed please find the engagement letter to perform the audit of the financial statements of Santa Barbara Local Agency Formation Commission for the year ended June 30, 2010. I am proposing the same fee as in the previous engagement. I look forward to working with you and your organization again.

Sincerely,

**BARTLETT, PRINGLE & WOLF, LLP**  
*Certified Public Accountants and Consultants*



John Britton  
Partner

JB/vrs  
Enclosures



BARTLETT, PRINGLE & WOLF, LLP  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

June 1, 2010

Board of Directors  
Santa Barbara Local Agency Formation Commission  
105 East Anapamu Street  
Santa Barbara, CA 93101

Dear Board Members:

Bartlett, Pringle & Wolf, LLP ("BPW") appreciates the opportunity to work with you. To minimize the possibility of a misunderstanding between us, we are setting forth pertinent information about the services we will perform for you.

We will perform an audit of Santa Barbara Local Agency Formation Commission's (the Commission) financial statements as of and for the year ended June 30, 2010. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our report.

An audit of financial statements also includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the board of directors any significant deficiencies or material weaknesses that become known to us during the course of the audit.

If circumstances arise relating to the condition of the Commission's records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us

from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

As you know, management is responsible for (1) the preparation of the Commission's financial statements, (2) establishing and maintaining effective internal control over financial reporting and safeguarding assets, and for informing us of all significant deficiencies in the design or operation of such controls of which it has knowledge, (3) properly recording transactions in the records, (4) identifying and ensuring that the Commission complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations, (5) the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements, (6) informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, regulators, or others, (7) making all financial records and related information available to us and (8) for adjusting the financial statements to correct material misstatements. At the conclusion of our audit, we will request certain written representations from management about the financial statements and matters related thereto. We will also require that management affirm to us that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The board of directors is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity. We will also determine that certain matters related to the conduct of the audit are communicated to the board of directors, including (1) fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential), (3) disagreements with management and other serious difficulties encountered in performing the audit, and (4) various matters related to the entity's accounting policies and financial statements.

The Commission hereby indemnifies Bartlett, Pringle & Wolf, LLP and its partners, principals and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of the Commission's management, regardless of whether such person was acting in the Commission's interest. This indemnification will survive termination of this letter.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. The Commission will determine that all such data, if necessary, will be so reflected. Accordingly, the Commission will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Company personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with you. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report. We understand that your employees will type all confirmations we request and will locate any documents or invoices selected by us for testing.

We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you.

It is agreed by the Commission and Bartlett, Pringle & Wolf, LLP or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the Commission shall be asserted more than two years after the date of the last audit report issued by Bartlett, Pringle & Wolf, LLP.

Our fees are based on the time required by the individuals assigned to the engagement, plus direct expenses. Individual hourly rates vary according to the degree of responsibility involved and the skill required. However, they might also include other factors deemed relevant, including: the difficulty of the questions and the skill required to perform properly the accounting, tax, or other services, time limitations imposed either by you or the circumstances, the nature and length of the professional relationship between us, and the experience, reputation and ability of the accountant or accountants assigned to the engagement.

The fee for the audit will be \$5,000. That estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. All other provisions of this letter will survive any fee adjustment.

Billings are due upon presentation. Billings become delinquent if not paid within 30 days of the invoice date. If billings are past due in excess of 90 days, we may stop all work until your account is brought current, or withdraw from this engagement. You acknowledge and agree that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event we stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to you for any damages which occur as a result of our ceasing to render services.

In the event we are requested or authorized by the Commission or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Commission, the Commission will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

June 1, 2010

Page 4

If any dispute arises among the parties hereto, they agree to try first in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Rules for Professional Accounting and Related Services Disputes. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

This letter constitutes the complete and exclusive statement of agreement between Bartlett, Pringle & Wolf, LLP and the Commission, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

If the foregoing arrangements meet with your approval, please sign this original letter and return it to us in the enclosed envelope. We have enclosed a copy for your files.

We appreciate this opportunity to serve you and your understanding of the need to document the terms of our relationship.

Very truly yours,

**BARTLETT, PRINGLE & WOLF, LLP**  
*Certified Public Accountants and Consultants*



John Britton  
Partner

JB/vrs  
Enclosures

Approved:

---

Signature

---

Date