

LAFCO

Santa Barbara Local Agency Formation Commission

105 East Anapamu Street ♦ Santa Barbara CA 93101

805/568-3391 ♦ FAX 805/568-2249

www.sblafco.org ♦ lafco@sblafco.org

September 10, 2015 (Agenda)

Local Agency Formation Commission

105 East Anapamu Street

Santa Barbara CA 93101

Engagement Letter with Bartlett Pringle and Wolf to Perform Audits of the Santa Barbara Local Agency Formation Commission's Financial Statements for the Years Ending June 30, 2015, 2016, and 2017

Dear Members of the Commission

RECOMMENDATION

It is recommended that the Commission Consider Approval of an Engagement Letter with Bartlett Pringle and Wolf to Perform Audits of the Santa Barbara Local Agency Formation Commissions Financial Statements for the years ending June 30, 2015, 2016, and 2017 and Authorize the Chair to Sign.

DISCUSSION

For the past six years, the accounting firm of Bartlett, Pringle and Wolf, LLP, has audited Santa Barbara LAFCO's financial statements. The firm has sent an engagement letter to the Commission proposing a continuation of the current arrangement for arrange for the years ending June 30, 2015, 2016, and 2017. The fees for the audits will be \$5,600 for 2015 (same as 2014), \$5,800 for 2016, and \$6,000 for 2017.

In working with the firm for the past two years, I find that they do an excellent job. They are easy to work with and thorough in their analysis and presentations.

Please contact the LAFCO office if you have any questions.

Sincerely,



PAUL HOOD

Executive Officer

Commissioners: Doreen Farr, Chair ♦ Roger Aceves ♦ Bob Short ♦ Craig Geyer ♦ Jeff Moorhouse ♦ Bob Orach ♦ Janet Wolf ♦ John Fox ♦ Steve Lavagnino ♦ Jim Richardson ♦ Roger Welt ♦ **Executive Officer:** Paul Hood

BUSINESS ITEM NO. 4



July 8, 2015

Members of the Commission
Santa Barbara Local Agency Formation Commission
105 East Anapamu Street
Santa Barbara, CA 93101

Dear Members of the Commission:

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 audits of Santa Barbara Local Agency Formation Commission's (the Commission) financial statements as of and for the years ended June 30, 2015, 2016 and 2017. 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits 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 members of the Commission any significant deficiencies or material weaknesses that become known to us during the course of the audits.

If circumstances arise relating to the condition of the Company'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 audits 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 audits, 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 members of the Commission are responsible for informing us of their views about the risks of fraud within the entity, and their knowledge of any fraud or suspected fraud affecting the entity. We will also determine that certain matters related to the conduct of the audits are communicated to the members of the Commission, 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 audits, 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 Commission personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with you. The timely and accurate completion of this work is an essential condition to our completion of the audits 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.

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. The fees for the audits will be \$5,600 for 2015, \$5,800 for 2016 and \$6,000 for 2017. 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.

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.

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.

It is our policy to keep records related to this engagement for seven years. However, Bartlett, Pringle & Wolf, LLP does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the seven-year period Bartlett, Pringle & Wolf, LLP shall be free to destroy our records related to this engagement.

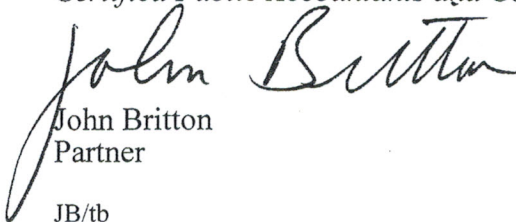
This letter constitutes the complete and exclusive statement of agreement between Bartlett, Pringle & Wolf, LLP and Santa Barbara Local Agency Formation Commission, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

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/tb
Enclosure

Approved:

Signature