

LAFCO

Santa Barbara Local Agency Formation Commission
105 East Anapamu Street ♦ Santa Barbara CA 93101
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www.sblafco.org ♦ lafco@sblafco.org

September 6, 2018 (Agenda)

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

Engagement Letter Agreement with Bartlett, Pringle and Wolf, LLP to perform audits of financial statements for Santa Barbara LAFCO for the years ending June 30, 2018, 2019, 2020.

Dear Members of the Commission

RECOMMENDATION

It is recommended that the Commission Approve the Engagement Letter Agreement with Bartlett, Pringle and Wolf, LLP to perform audits of financial statements for Santa Barbara LAFCO for the years ending June 30, 2018, 2019, 2020.

DISCUSSION

Santa Barbara LAFCO has engaged the accounting firm of Bartlett, Pringle and Wolf, LLP to perform financial audits of financial statements for Santa Barbara LAFCO since 2005-06. The first year fee for 2005-06 was \$5,000.

The firm has prepared an engagement letter to perform this audits for the years ending June 30, 2018, 2019, 2020. The fees for audits would be \$6,000 for 2018, \$6,300 for 2019, and \$6,600 for 2020.

In recent year audit fees from Bartlett, Pringle and Wolf, LLP have been as follows:

2014-15	\$5,400
2015-16	\$5,600
2016-17	\$5,600
2017-18	\$5,800
<u>Proposed:</u>	
2018-19	\$6,000
2019-20	\$6,300
2020-21	\$6,600

Commissioners: Roger Welt, Chair ♦ Roger Aceves ♦ Craig Geyer ♦ Judith Ishkanian ♦ Steve Lavagnino ♦ Jim Richardson ♦ Janet Wolf ♦ Joan Hartmann ♦ David Seymour ♦ Shane Stark ♦ Etta Waterfield ♦ **Executive Officer:** Paul Hood

BUSINESS ITEM NO. 1

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OPTIONS AVAILABLE TO THE COMMISSION

It was pointed out in 2012 that many auditing firms, because of current workload, have decided not to focus on public agency audits. At that time the Commission decided to continue with Bartlett, Pringle and Wolf, LLP.

The Commission could consider issuing a Request for Proposal to look at other options. However, the timing is such that the 2017-18 audit will begin in the next couple of months. This does not leave much time to consider other firms.

In addition, Bartlett, Pringle and Wolf, LLP has done an exceptional job of reviewing Santa Barbara LAFCO's financial statements. I have found them to be thorough, very accessible, objective, and are able to produce an exceptional product in a timely manner.

Exhibits:

Exhibit A Engagement Letter

Please contact the LAFCO office if you have any questions.

Sincerely,



PAUL HOOD
Executive Officer



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

June 4, 2018

Paul Hood
Santa Barbara Local Agency Formation Commission
105 East Anapamu Street, Rm 407
Santa Barbara, CA 93101

Dear Paul:

Enclosed please find the engagement letter to perform the audits of the financial statements of Santa Barbara Local Agency Formation Commission for the years ended June 30, 2018, 2019 and 2020. I am proposing the same fee for 2018 as in the prior year and slight fee increases for 2019 and 2020. 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/tb
Enclosures

EXHIBIT A



June 4, 2018

Members of the Commission
Santa Barbara Local Agency Formation Commission
105 East Anapamu Street, Rm 407
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. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will audit the statement of net position of Santa Barbara Local Agency Formation Commission (the Commission) as of June 30, 2018, 2019 and 2020 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. Our audit will be conducted with the objective of our firm expressing an opinion on the financial statements. The statements we present to you will include the following additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- Management discussion and analysis

The statements we present to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements:

- Supplemental schedules of revenues, expenses and changes in net position – actual vs budget.

Audit Services

Our audits will be conducted in accordance with U.S. generally accepted auditing standards (GAAS). Our professional standards as defined by GAAS require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). As such, our audits will involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and will include tests of the accounting records of the Commission and other procedures we consider necessary. The procedures we determine necessary will depend on our "auditor's" judgment and will be based, in part, on our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

EXHIBIT A

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected by our firm, even though our audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you, or the appropriate level of management, of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

In making our risk assessments, we will consider internal controls relevant to the preparation and fair presentation of your entity's financial statements in order to design audit procedures that are appropriate in the circumstances. However, our audit procedures are not designed for the purpose of expressing an opinion on the effectiveness of your entity's internal control. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

John Britton is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Bartlett, Pringle & Wolf, LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Responsibilities of Management

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, management acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP remains with you. As such, management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter 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. Other management responsibilities include maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

By your signature below, you also acknowledge that you are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Commission that involves management, employees who have significant roles in internal control, and others where fraud could have a material impact on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Commission received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Commission complies with applicable laws and regulations. You agree that management will confirm its understanding of its responsibilities as defined in this letter to us in a management representation letter.

Management's responsibilities also include designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation, tax services, and any other non-attest services we perform as part of this engagement, as well as evaluating the adequacy and results of those services and accepting responsibility for them.

You further acknowledge and understand that management is responsible for providing us with access to all information management is aware of that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; for the accuracy and completeness of the information that is provided to us; and for informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements. This responsibility also includes providing us with any additional information that we may request from management for the purpose of the audit; as well as allowing us unrestricted access to individuals within the organization from whom we may determine it necessary to obtain audit evidence, including access to your designated employees who will type all confirmations we request.

Written Report

We expect to issue a written report upon completion of our audit of the Commission's financial statements. Our report will be addressed to the Members of the Commission of Santa Barbara Local Agency Formation Commission. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraphs, decline to express an opinion, or withdraw from the engagement.

Other Matters

Our fees for these services will be based on the actual time spent at our standard hourly rates. Billings become delinquent if not paid within 30 days of the invoice date. If billings are past due in excess of 90 days, at our election, we may stop all work until your account is brought current, or withdraw from this engagement. The Commission acknowledges and agrees that we are not required to continue work in the event of the Commission's failure to pay on a timely basis for services rendered as required by this engagement letter. The Commission further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of the Commission's failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services. The fees for the audits will be \$6,000 for 2018, \$6,300 for 2019 and \$6,600 for 2020. 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.

In addition, you further agree that in the event our firm or any of its employees or agents is called as a witness or requested to provide any information whether oral, written, or electronic in any judicial, quasi-judicial, or administrative hearing or trial regarding information or communications that you have provided to this firm, or any documents and workpapers prepared by Bartlett, Pringle & Wolf, LLP in accordance with the terms of this agreement, you agree to pay any and all reasonable expenses, including fees and costs for our time at the rates specified in our engagement letter, as well as any legal or other fees that we incur as a result of such appearance or production of documents.

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 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.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the American Arbitration Association, except that under all circumstances the arbitrator must follow the laws of California. Such arbitration shall be binding and final. 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

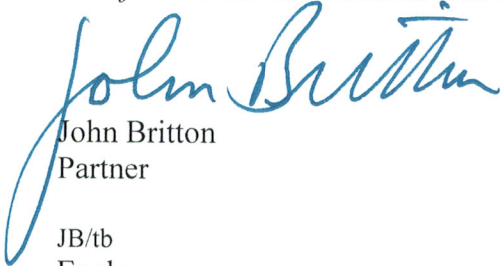
for resolution. The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

We will be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign this letter in the space provided and return it to us.

Very truly yours,

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



John Britton
Partner

JB/tb
Enclosures

Approved:

Signature

AuditGAAP