

LAFCO

Santa Barbara Local Agency Formation Commission

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January 6, 2022 (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 fiscal years ending June 30, 2021 & 2022

Dear Members of the Commission

RECOMMENDATION

It is recommended that the Commission consider and approve an Engagement Letter Agreement with Bartlett, Pringle and Wolf, LLP to perform audits of financial statements for Santa Barbara LAFCO for the fiscal years ending June 30, 2021 & 2022.

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, 2021 & 2022. The fees for audits would be \$9,000 for 2021 and \$10,000 for 2022.

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

2014-15	\$5,600
2015-16	\$5,600
2016-17	\$5,800
2017-18	\$6,000
2018-19	\$7,000
2019-20	\$7,200

Commissioners: Roger Aceves ♦ Cynthia Allen ♦ Jay Freeman ♦ Craig Geyer ♦ Joan Hartmann ♦ Steve Lavagnino
Holly Sierra ♦ Shane Stark ♦ Etta Waterfield, Chair ♦ Vacant, Vice-Chair ♦ Das Williams **Executive Officer:** Mike Prater

Proposed:
2020-21 \$9,000
2021-22 \$10,000

OPTIONS AVAILABLE TO THE COMMISSION

It has been pointed out over the years starting since 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 2020-21 audit will begin in the next couple of months. This does not leave much time to consider other firms. Historically Bartlett, Pringle and Wolf, LLP has been able to keep the fees reasonable and even below market. However, staffing costs have gone up considerably over the past few years and significantly recently, so the proposed audit fees reflect the higher costs. This will likely be the same case for other firms.

In addition, Bartlett, Pringle and Wolf, LLP has done a great 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.

Attachments

Attachment A - Engagement Letter

Please contact the LAFCO office if you have any questions.

Sincerely,



Mike Prater
Executive Officer



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

December 17, 2021

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.

Audit Services

We will audit the statement of net position of Santa Barbara Local Agency Formation Commission (the Commission) as of June 30, 2021 and 2022 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.

Accounting standards generally accepted in the United States of America call for certain required supplementary information (RSI) to accompany the basic financial statements. The Governmental Accounting Standards Board also considers this information a necessary part of financial reporting as it provides perspective to the basic financial statements. Therefore, as part of this engagement, we will apply limited procedures to the Commission's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will primarily consist of inquiries of management regarding their methods of measurement and presentation. However, we will not express an opinion or provide any assurance on this RSI as our limited procedures do not provide us with sufficient evidence to do so under our professional standards. Consequently, the financial statements we present to you will include the following required RSI that will not be audited and, as such, our report will disclaim an opinion on this RSI:

- 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.

Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the additional supplementary information referred to above when considered in relation to the financial statements taken as a whole.

Our audit will be conducted in accordance with GAAS. Our professional standards as defined by GAAS require that we plan and perform the audit 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.

Audit Procedures

Our audit 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 professional judgment as auditors and will be based, in part, on our assessment of the risks of material misstatement of the financial statements, whether from errors, fraudulent financial reporting, misappropriations of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. 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 we deem it appropriate, our procedures will also include tests of documentary evidence supporting the transactions recorded in the accounts, may include tests of the physical existence of inventories, and will include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals and third parties (e.g., creditors or 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. These representations will include acknowledging our assistance with the preparation of your financial statements, the supplementary information, and notes accompanying these documents, and that you have reviewed and approved these documents, approved their release, and that you have accepted responsibility for them.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements 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 the Commission'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 internal control. In accordance with our professional standards, we will communicate in writing to the appropriate level of management and those charged with governance matters concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the Commission's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion. Management maintains the responsibility for identifying and ensuring that the Commission complies with applicable laws, regulations, contracts, and other agreements.

As this engagement is not designed to be a fraud audit, management understands and accepts the inherent limitations of the audit services described in this agreement.

Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

Tracey Solomon is the engagement partner for the audit services specified in this letter. Her 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 and Those Charged with Governance

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, the management of the Commission acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America remains with you. This responsibility includes the financial statements, all accompanying information, and the representations that accompany them. As such, the management of the Commission 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.

Management is also responsible for the preparation and fair presentation of the supplementary information in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). You agree that you will confirm your understanding of your responsibilities with respect to the supplementary information in your representation letter. You further agree to include our report on the supplementary information in any document that contains and indicates that we have reported on such supplementary information. In addition, you also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

By your signature below, you also acknowledge that the management of the Commission is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements, and all accompanying information, that are free from material misstatement, whether due to fraud or error. This responsibility includes the fair presentation in the financial statements of the respective financial position of the Commission and the respective changes in financial position and where applicable, cash flows, in conformity with accounting principles generally accepted in the United States of America. In addition, management is also responsible for having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization that involves management, employees who have significant roles in internal control, regulators, and others where fraud could have a material impact on the financial statements. The management of the Commission is 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 and for taking timely and appropriate actions to remedy any fraud, illegal acts, or violations of contracts and agreements. You agree that you will confirm your understanding of your responsibilities as defined in this letter to us in your representation letter.

Management's responsibilities also include designating qualified individuals with suitable skill, knowledge, and/or experience to be responsible and accountable for overseeing financial statement preparation 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. The Commission has agreed Mike Prater possesses suitable skill, knowledge, and experience and that the individual understands the services to be performed sufficiently to oversee 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.

The Commission agrees that it will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our permission. Any such request is also a matter for which separate arrangements will be necessary. After obtaining our permission, the Commission also agrees to provide us with printer's proofs or master of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Commission seeks our permission, we will be under no obligation to grant such permission or approval.

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 on the financial statements. 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.

Information Security

Bartlett, Pringle & Wolf, LLP is committed to the safe and confidential treatment of the Commission's proprietary information. Bartlett, Pringle & Wolf, LLP is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The Commission agrees that it will not provide Bartlett, Pringle & Wolf, LLP with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of the Commission's information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

In connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions, including password protecting confidential documents. However, as email can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom it is directed and only to such parties, we cannot guarantee or warrant that email from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of email transmitted by us in connection with the performance of this

engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

Other Matters

BPW and the Commission acknowledge that, at the time of the execution of this arrangement letter, federal, state and local governments, both domestic and foreign, have restricted travel and/or the movement of their citizens due to the ongoing and evolving situation around COVID-19. In addition, like many organizations and companies in the United States and around the globe, BPW has restricted its employees from travel and onsite work, whether at a client facility or BPW facility, to protect the health of both BPW's and its clients' employees. Accordingly, to the extent that any of the services described in this arrangement letter requires or relies on BPW's or the Commission's personnel to travel and/or perform work onsite, either at the Commission's or BPW's

facilities, including, but not limited to, maintaining business operations and/or IT infrastructure, BPW and the Commission acknowledge and agree that the performance of such work may be delayed, significantly or indefinitely, and thus certain services described herein may need to be rescheduled and/or suspended at either BPW's or the Commission's sole discretion. BPW and the Commission agree to provide the other with prompt written notice (email will be sufficient) in the event any of the services described herein will need to be rescheduled and/or suspended. BPW and the Commission also acknowledge and agree that any delays or workarounds due to the situation surrounding COVID-19 may increase the cost of the services described herein. BPW will obtain the Commission's prior written approval (email will be sufficient) for any increase in the cost of BPW services that may result from the situation surrounding COVID-19.

In accordance with the terms and conditions of this agreement, the Commission shall be responsible for the accuracy and completeness of all data, information and representations provided to us for purposes of this engagement. Because of the importance of oral and written management representations to the effective performance of our services, the Commission releases and indemnifies our firm and its personnel from any and all claims, liabilities, cost and expenses attributable to any misrepresentation by management and its representatives.

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 \$9,000 for 2021 and \$10,000 for 2022. 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.

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, Bartlett, Pringle & Wolf, LLP may, at its sole discretion, terminate this arrangement letter without further obligation to the Commission. Resumption of audit work following termination may be subject to our client acceptance procedures and, if resumed, will necessitate additional procedures not contemplated in this arrangement letter. Accordingly, the scope, timing and fee arrangement discussed in this arrangement letter will no longer apply. In order for Bartlett, Pringle & Wolf, LLP to recommence work, a new arrangement letter would need to be mutually agreed upon and executed.

Professional standards require us to be independent with respect to the Commission. Any discussions with our personnel regarding employment could pose a threat to our independence. Therefore, you agree to inform the engagement partner before having any such discussions so that we can implement appropriate safeguards to maintain our independence.

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.

Should any litigation or adverse action (such as audits by outside organizations and/or threatened litigation, etc.), by third parties arise against the Commission or its officers subsequent to this engagement, which results in the subpoena of documents from Bartlett, Pringle & Wolf, LLP and/or requires additional assistance from us to provide information, depositions or testimony, the Commission hereby agrees to compensate Bartlett, Pringle & Wolf, LLP (at our standard hourly rates then in effect) for additional time charges and other costs (copies, travel, etc.).

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 third party claims against the Commission or 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.

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.

If any term or provision of this arrangement letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign this letter and return it to us in the enclosed self-addressed envelope.

Very truly yours,

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



Tracey Solomon
Partner

TS/jf
Enclosures

Approved:

Signature