



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

January 5, 2017

Board of Directors  
Santa Barbara County Air Pollution Control District

We are pleased to present this letter related to our audit of the financial statements and compliance of Santa Barbara County Air Pollution Control District (the District) for the year ended June 30, 2016. This letter summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **The Respective Responsibilities of the Auditor and Management**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States have been described to you in our engagement letter dated February 3, 2015 which includes the planned scope and timing of our audit and we have discussed with you our identification of and planned audit response to significant risks of material misstatement. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Significant Accounting Policies and Practices**

#### *Preferability of Accounting Policies and Practices*

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

*Adoption of, or Change in, Accounting Policies*

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year.

Statement No. 72 *Fair Value Measurement and Application*. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement for pension plans that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. This Statement clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement will identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

*Significant or Unusual Transactions*

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Alternative Treatments Discussed with Management*

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

*Management's Judgments and Accounting Estimates*

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's financial statements:

Depreciation

Depreciation for fixed assets is taken on a straight-line basis over the expected life of each fixed asset. This method meets the generally accepted accounting principles requirement of being systematic and rational.

Other Post-Employment Benefits (Prepaid)

The cost of Other Post-Employment Benefits is calculated based on the annual required contribution of the employer. This amount is calculated by an actuary in accordance with the parameters of GASB 45 and the resulting contributions made to the plan were the key component of the prepaid other employment benefits asset on the balance sheet.

Net Pension Liability

In accordance with GASB Statement No. 68, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/inflows of resources. CalPERS actuaries calculated these amounts in accordance with the parameters of GASB 68.

### **Audit Adjustments**

In order to comply with GASB Statement No. 68, the following adjustment was proposed by us and recorded by the District:

- \$1,467,054 to record the current year annual activity related to the net pension liability and related deferred inflows and outflows, as required by GASB 68.

### **Uncorrected Misstatements**

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

### **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed with Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Significant Written Communications between Management and Our Firm**

In conjunction with the audit of the financial statements, we have been provided a letter of certain representations from management dated January 5, 2017.

### **Conclusion**

This letter is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified parties.

Santa Barbara County Air Pollution Control District  
January 5, 2017  
Page 5

We will be pleased to respond to any questions you have about the foregoing matters. We appreciate the opportunity to continue to be of service to the Santa Barbara County Air Pollution Control District.

Very truly yours,

A handwritten signature in cursive script that reads "Bartlett, Pringle & Wolf, LLP".

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