



MATSON  
& ISOM

SOLANO COUNTY WATER AGENCY

**Vacaville, California**

REPORT TO THE  
BOARD OF DIRECTORS

**June 30, 2013**



MATSON  
& ISOM

To the Board of Directors  
Solano County Water Agency  
Ukiah, California

We have audited the basic financial statements of Solano County Water Agency (the Agency) as of and for the year ended June 30, 2013, and have issued our report thereon dated February 26, 2014. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 28, 2013, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Safeguards have been implemented to reduce the threats on our independence. These safeguards include continuing education related to independence and ethics requirements; external review of our firm's quality control system; our firm's internal policies and procedures which are designed to monitor compliance with the independence requirements; the involvement of another firm partner who is responsible for completing a technical review of the financial statements; and your management's skill, knowledge, experience, and oversight.

## **Qualitative Aspects of the Agency's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2013. No matters have come to our attention that would require us, under professional standards, to inform you about: (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are listed below:

- Management's estimate of the annual required contributions for other postemployment benefit obligations is based on an actuarial determination using various actuarial assumptions, which are described in note 12 to the financial statements. We evaluated the key factors and assumptions used to develop the actuarial present value of accumulated plan benefits in determining that they are reasonable in relation to the financial statements taken as a whole.

## **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

**Disagreements With Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency’s financial statements or the auditors’ report. No such disagreements arose during the course of the audit.

**Representations Requested From Management**

We have requested certain written representations from management, which are included in the management representation letter dated February 26, 2014.

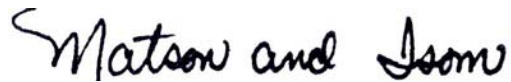
**Management’s Consultations With Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the Agency, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency’s auditors.

This report is intended solely for the information and use of the Board of Directors and management of Solano County Water Agency and is not intended to be and should not be used by anyone other than these specified parties.



February 26, 2014  
Redding, California

Client: **95948 - Solano County Water Agency**  
 Engagement: **2013-Solano County Water Agency - KC Local Government**  
 Period Ending: **6/30/2013**  
 Trial Balance: **TB - Annual Trial Balance - Audit**  
 Workpaper: **JER- 4 - Proposed JE Report**

Account	Description	W/P Ref	Debit	Credit
<b>Proposed JE # 4</b>		<b>GG- 1/2</b>		
Proposed to record asset addition at cost and reimbursement as revenue.				
1500-99	General Fixed Assets		25,461.00	
6390N	Capital outlay		25,461.00	
4930-99	O&M Full Accrual			25,461.00
6400-99N	GFAAG - Depreciation Expense			25,461.00
<b>Total</b>			<b><u>50,922.00</u></b>	<b><u>50,922.00</u></b>