



November 24, 2015

To the Board of Directors  
Solano County Water Agency  
810 Vaca Valley Parkway #203  
Vacaville, California 95688

We have audited the financial statements of the governmental activities and each major fund of Solano County Water Agency (the Agency) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Agency changed accounting policies related to pension liabilities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by [Name of Governmental Unit] during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were depreciation, the estimate for other post-employment benefits (OPEB) liability, and the estimate for the net pension liability. Management's estimate of depreciation was based on the Agency's capitalization policy. Management's estimate of the OPEB and net pension liabilities were based on actuarial valuations. We evaluated the key factors in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attachment A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The material misstatements in Attachment B were detected as a result of audit procedures and were corrected by management.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 24, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the budgetary comparison schedules, pension schedules, and schedule of funding progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the 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.

Very truly yours,



Mann, Urrutia, Nelson CPAs & Associates LLP

**SOLANO COUNTY WATER AGENCY  
SUMMARY OF PASSED AUDIT ADJUSTMENTS  
June 30, 2015**

<b>Description</b>	<b>Effect - Increase (Decrease)</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Revenue</b>	<b>Expenses</b>
<u>Current Year Differences</u>					
Projected unrecorded liabilities		\$ (34,582)			\$ (34,582)
<b>Total Income Statement Effect</b>				<u>\$ -</u>	<u>\$ (34,582)</u>
<b>Balance Sheet Effect</b>	<u>\$ -</u>	<u>\$ (34,582)</u>	<u>\$ -</u>		

**SOLANO COUNTY WATER AGENCY  
SUMMARY OF AUDIT ADJUSTMENTS  
June 30, 2015**

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expenses
Reclass deferral of long-term receivable		\$ 457,629	\$ (538,870)	\$ 81,241	
To record prepaid water purchase	\$2,359,062				\$2,359,062)
To record net pension liability and related accounts in accordance with GASB 68	\$ 312,320	\$ 987,887	\$ (722,080)		\$ (46,513)
<b>Total Income Statement Effect</b>				<u>\$ 81,241</u>	<u>\$(2,405,575)</u>
<b>Balance Sheet Effect</b>	<u>\$2,671,382</u>	<u>\$1,445,516</u>	<u>\$1,260,950)</u>		