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March 16, 2012

To the Chair and Members of the
Yolo County Local Agency Formation Commission
Woodland, California

We have audited the financial statements of the governmental activities and the major fund of Yolo County Local Agency Formation Commission (the LAFCO) as of and for the years ended June 30, 2011, 2010 and 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated November 23, 2011. 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 LAFCO are described in Note A to the financial statements. Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011 and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented during the year ended June 30, 2010. We noted no transactions entered into by the LAFCO 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 LAFCO's financial statements were the other postemployment benefits (OPEB) liability and compensated absences. Management's estimate of the OPEB liability was based on the contribution as a percentage of payroll in the County of Yolo OPEB Plan valuation multiplied by the LAFCO's payroll and management's estimate of the compensated absences liability was based on payroll information provided by the County of Yolo.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, the accounting records for all of the years under audit were not readily available, which affected audit efficiency.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one audit adjustment posted during the year ended June 30, 2009 to remove consulting expenses incurred during the previous fiscal year and reduce fund balance as of July 1, 2008 and to reclassify accrued payroll during the year ended June 30, 2009 and retirement contributions to CalPERS during the years ended June 30, 2010 and 2009 to report the amounts on the proper line for reporting in the financial statements. Management has corrected all such misstatements.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as 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 and the Board that are included in the management representation letter dated March 16, 2012.

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 LAFCO'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 LAFCO'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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Commissioners, management and member agencies and is not intended to be and should not be used by anyone other than these specified parties.

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