



BROWN ARMSTRONG

Certified Public Accountants

To Commissioners
Local Agency Formation Commission of San Luis Obispo County
San Luis Obispo, California

We have audited the accompanying financial statements of the Local Agency Formation Commission of San Luis Obispo County (the Commission) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, 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 31, 2017. Professional standards also require that we communicate to you the following information related to our audit.

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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 Commission are described in Note 1 to the financial statements. The Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. We noted no transactions entered into by the Commission 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 Commission's financial statements were:

Net pension liability (NPL) and related items are based on actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. We evaluated the key factors and assumptions used to develop the estimates of the NPL and related items in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were for the NPL and related items as described above.

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. Management has corrected all such misstatements. The attached schedule of material misstatements detected as a result of audit procedures 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 May 31, 2017.

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 Commission'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 Commission'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 Schedule of the Commission's Proportion of the Pension Trust's Proportionate Share of the Net Pension Liability, the Schedule of the Commission's Contributions, Management's Discussion and Analysis, and the Budgetary Comparison Schedule, 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 information and use of the Commissioners and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
May 31, 2017

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Adjusting Journal Entries JE # 1			
5001235	Vacation	\$ 45,279	\$ -
2550010	Long term accrued vacation/sick	-	45,279
Total		\$ 45,279	\$ 45,279

To recognize compensated absences (proposed by auditor)

Adjusting Journal Entries JE # 2

3350000	Fund Balance Available	\$ 46,391	\$ -
5001235	Vacation	-	46,391
Total		\$ 46,391	\$ 46,391

To record prior period adjustment for compensated absences

Adjusting Journal Entries JE # 3

3350000	Fund Balance Available	\$ 756,058	\$ -
9000001	Deferred Outflows	230,176	-
9000003	Pension Expense	23,664	-
9000000	Net Pension Liability	-	1,009,254
9000002	Deferred inflows	-	644
Total		\$ 1,009,898	\$ 1,009,898

To record net pension liability and related items