

To the Board of Directors  
Rural Counties' Environmental Services  
Joint Powers Authority  
Sacramento, California

We are pleased to present this letter related to the conduct of the audit of the financial statements of Rural Counties' Environmental Services Joint Powers Authority (the "Authority") as of and for the year ended December 31, 2006. This letter is intended to inform the Board of Directors of Rural Counties' Environmental Services Joint Powers Authority about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Directors.

The following summarizes various matters that must be communicated to you under professional and regulatory standards.

### **The Auditor's Responsibility Under Generally Accepted Auditing Standards**

Our audit of the financial statements of the Authority for the year ended December 31, 2006 was conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

### **Accounting Policies and Alternative Treatments**

The Board of Directors and management have the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. Significant accounting policies are included in Note 1 to the financial statements. The Authority did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

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

### **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.

### **Accounting Estimates and Management Judgments**

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. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit.

We concluded that management's approach to these estimation processes is reasonable.

### **Significant Audit Adjustments**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

### **Uncorrected Misstatements**

We did not identify any uncorrected misstatements to the financial statements.

### **Other Information in Documents Containing Audited Financial Statements**

We are not aware of any documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Authority.

### **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.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

**Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

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We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Rural Counties' Environmental Services Joint Powers Authority.

This report 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.

*Perry-Smith LLP*

Sacramento, California  
August 24, 2007