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**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



SUBMITTAL DATE:
January 4, 2010

FROM: Auditor-Controller

SUBJECT: Fiscal Year 2008-09 Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (Financial Highlights), and Report on Statement on Auditing Standards (SAS) 114 *The Auditors' Communication with those Charged with Governance.*

RECOMMENDED MOTION:

That the Board of Supervisors receive and file the attached Comprehensive Annual Financial Report, Financial Highlights, and Report on SAS 114 for the fiscal year ended June 30, 2009.

BACKGROUND:

The County's CAFR is hereby submitted in accordance with Section 25253 of the Government Code of the State of California.

(Continued)

Robert E. Byrd

ROBERT E. BYRD
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	-0-	In Current Year Budget:	No
	Current F.Y. Net County Cost:	-0-	Budget Adjustment:	No
	Annual Net County Cost:	-0-	For Fiscal Year:	

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

RECEIVE AND FILE

BY: *Rob Rockwell*
Rob Rockwell

County Executive Office Signature

- Dep't Recomm.: Consent Policy
- Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: | District: | Agenda Number:

2.2

Board of Supervisors

RE: Fiscal Year 2008-09 CAFR, Financial Highlights and SAS 114 Report

January 4, 2010

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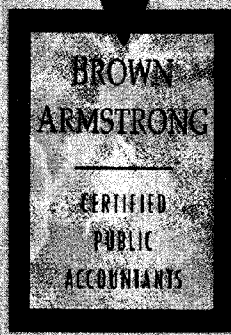
To facilitate the most expedient distribution of the CAFR to bond holders, rating agencies, and other interested parties, I request the Board receive and file the CAFR at this time prior to the receipt of the Management Letter.

The County's external auditors, Brown Armstrong Accountancy Corporation, are currently drafting the Management Letter, which we anticipate receiving shortly. SAS 112, *Communicating Internal Control Related Matters Identified in an Audit*, states that written communications should be made within 60 - 90 days following the CAFR release date. The Management Letter will be submitted in accordance with this Standard.

The Financial Highlights provides a 26 page recap of the County's financial information in an easy-to-read format. The financial information contained in this publication is derived from the County's 216 page CAFR for Fiscal Year 2008-09.

SAS 114 establishes a requirement for the external auditors to communicate with those charged with governance certain significant matters related to the audit. SAS 114 uses the term *those charged with governance* to refer to those with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the entity's financial reporting process. The attached Report on SAS 114 discloses those matters to the County's Board of Supervisors.

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Andrew J. Paulden, CPA
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To the Board of Supervisors
County of Riverside

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 engagement letter dated July 2, 2009. 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 County of Riverside are described in Note 1 to the financial statements. During the fiscal year 2009, County of Riverside adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. We noted no transactions entered into by the 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 financial statements was:

Management estimates were used in establishing allowances for accounts receivable, estimating date of collection to comply with period of availability for certain revenues, establishing self insurance reserves, estimating closure and post closure care costs, and valuations of certain infrastructure. We evaluated key factors and assumptions used in developing these estimates and they appeared reasonable in relation to the basic financial statements taken as a whole

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

- The disclosure of Restatement of Beginning Fund Balances/Net Assets in Note 4 to the financial statements.
- The disclosure of Other Post Employment Benefits (OPEB) in Note 20 to the financial statements.
- The disclosure of Commitments and Contingencies in Note 21 to the financial statements.
- The disclosure of Subsequent Events in Note 22 to the financial statements.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 that are included in the management representation letter dated December 9, 2009.

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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Supervisors and management of County of Riverside and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



By: Eric H. Xin

Bakersfield, California
December 9, 2009