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

COUNTY OF RIVERSIDE
MAY 9, 1893

ITEM: 2.9
(ID # 18354)
MEETING DATE:
Tuesday, March 08, 2022

FROM : HUMAN RESOURCES:

SUBJECT: HUMAN RESOURCES: County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan Annual Audit Report for the year ending on June 30, 2020. Internal Control Report June 30, 2020; Financial Reporting Standards; Statement on Auditing Standard 114 Letter (SAS 114); and Management Letter dated February 26, 2021, All Districts. [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the Independent Auditors Report: County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan Annual Financial Report as of June 30, 2020 (Attachment A); and
2. Receive and file the Internal Control Report over Financial Reporting and other matters on the County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan Management Letter as of June 30, 2020 (Attachment B); and
3. Receive and file the Statement on Auditing Standard 114 Letter (SAS 114) dated June 30, 2020 (Attachment C); and
4. Receive and file the Management Representation Letter for June 30, 2020 (Attachment D); June 30, 2020.

ACTION:Consent

Brenda Diederichs
Brenda Diederichs, Assistant CEO / Human Resources Director 2/16/2022

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes:	Jeffries, Spiegel, Washington, Perez and Hewitt
Nays:	None
Absent:	None
Date:	March 8, 2022
xc:	HR

Kecia R. Harper
Clerk of the Board
By: [signature]
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$ 0	$ 0	$ 0	$ 0
NET COUNTY COST	$ 0	$ 0	$ 0	$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: 18/19	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

The County's Part-Time and Temporary Employees' Retirement Plan (the Plan) was audited by Brown Armstrong, a certified public accounting firm. The audit consisted of auditing the financial statements for the Plan for year ending June 30, 2020. Brown Armstrong issued their finalized reports on February 4, 2022. The Plan audit provides assurance that the financial statements are presented fairly, in all material respects, and the fiduciary net position of the Plan as of June 30, 2020 is reflected.

The external auditors also report through the management letter on internal control over financial reporting, compliance and other matters, and the Plan's response to findings.

Finally, the external auditors must communicate, with those charged with governance, matters related to the financial statement audit that in the auditor's opinion are significant and relevant. The SAS 114 report is attached and delineates these items.

Impact on Residents and Businesses

There is no impact on the residents or businesses of the County.

Attachments:

Attachment A - 2020 Financial Statements Final
Attachment B - 2020 Report to the Board and Internal Control Report Final
Attachment C - 2020 Management Representation Letter

Meghan Hahn

Meghan Hahn, Senior Management Analyst 2/24/2022

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES'
401(a) RETIREMENT PLAN

FINANCIAL STATEMENTS

JUNE 30, 2019

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES'
401(a) RETIREMENT PLAN
JUNE 30, 2019

TABLE OF CONTENTS

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan) as of June 30, 2019, the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2019, and the changes in its fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 19, 2021

BASIC FINANCIAL STATEMENTS

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019

	2019
Assets	
Cash and Cash Equivalents	$ 482,545
Contributions Receivable	251,699
Investments, at Fair Value	
Mutual Funds	42,840,446
Total Assets	$ 43,574,690
Fiduciary Net Position Restricted for Pension Benefits	$ 43,574,690

The accompanying notes are an integral part of these financial statements.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	2019
Additions	
Contributions	
Employer's Contributions	$ 831,825
Members' Contributions	1,701,351
Total Contributions	2,533,176
Net Investment Income	
Net Depreciation in	
Fair Value of Investments	(254,574)
Realized Gain	1,253,262
Interest and Dividends	940,511
Net Investment Income	1,939,199
Total Additions	4,472,375
Deductions	
Benefit Payments	2,222,152
Administrative and Other Expenses	
General Administrative Expenses	100,000
Trust Fees	151,508
Total Administrative and Other Expenses	251,508
Total Deductions	2,473,660
Changes in Fiduciary Net Position	1,998,715
Fiduciary Net Position Restricted for Pension Benefits	
Beginning of Year	41,575,975
End of Year	$ 43,574,690

The accompanying notes are an integral part of these financial statements.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION

Plan Description

The County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan) is the public employee retirement system established by the County of Riverside (County) to provide retirement benefits to eligible employees as a substitute for benefits under social security. The Plan is an Internal Revenue Service (IRS) Section 401(a) defined benefit plan. This Plan is self-funded and self-administered. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank (the Trustee) as the Plan's investment consultant, investment manager, and trustee. The County also developed the County of Riverside Deferred Compensation Advisory Committee (the Committee) to oversee the Plan and the Trustee. Contributions made to the Plan are deposited with U.S. Bank, who maintains the responsibility of investing contributions in a diversified portfolio and reporting at fair value.

Benefits Provided

Retirement benefits are determined as 2% of the employee's compensation and payable as a single life annuity. The eligible retirement age is 65. Participants are immediately 100% vested in the Plan upon enrollment. Benefits are payable for the life of the employee only. The normal retirement benefit is accrued to the date of termination. A lump sum distribution is paid if the actuarial equivalent benefit is less than $5,000. Actuarial Equivalence for this purpose is based on the greater of the factor produced under the UP1984 unisex mortality table at 6% or the applicable mortality table and interest rate under 417(e).

Membership Summary

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	321
Inactive employees entitled to but not yet receiving benefits	7,488
Active employees	1,503
Total	9,312

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are presented on the accrual basis of accounting. Employer and employee contributions that should have been made in the fiscal year based on the actuarially determined contribution rates or amounts are recognized as revenues of that fiscal year. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Reporting Entity

The Plan, governed by the County Board of Supervisors and considered as an independent entity, is a blended component unit of the County in accordance with Statement No. 14, as amended by Statement No. 39 and amended further by Statement No. 61, of the Governmental Accounting Standards Board (GASB). The Plan's annual financial statements are included in the County's financial reports as a pension trust fund.

NOTE 2 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Cash Equivalents

The Plan's cash and short-term investments are managed by U.S. Bank.

Method Used to Value Investments

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table:

Investments	Source
Publicly traded mutual funds with equity and and fixed income strategies	Most recent sales price as of the fiscal year-end. International securities reflect currency exchange rates in effect at June 30, 2019.

Securities Transactions and Related Investment Income

Securities transactions are accounted for on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities.

Realized gains and losses, along with unrealized gains and losses on investments, are reported as "net appreciation/(depreciation) in fair value of investments."

The realized gain/(loss) on the sale of securities was computed as the difference between the proceeds of sale in 2019 and the carrying cost of the securities at June 30, 2019, or the original cost of the securities when acquired. The calculation of realized gains/(losses) is independent of the calculation of net appreciation/(depreciation) in fair value of investments. Unrealized gain/(loss) on investments sold in the current year that had been held for more than one year were included in the net appreciation/(depreciation) reported in prior years and the current year.

Contribution Receivable

County and member contributions made in the following year for the current year were accrued in accordance with accounting principles generally accepted in the United States of America.

Implementation of Current Accounting Standards

GASB Statement No. 83 – *Certain Asset Retirement Obligations.* The requirements of this statement are effective for reporting periods beginning after June 15, 2018. There was no effect of the implementation of this statement on the Plan's financial statements.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2018. There was no effect of the implementation of this statement on the Plan's financial statements.

Future Accounting Standards

GASB Statement No. 84 – *Fiduciary Activities.* The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Plan has elected not to early implement this statement.

GASB Statement No. 87 – *Leases.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Plan has elected not to early implement this statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Standards (Continued)

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Plan has elected not to early implement this statement.

GASB Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61.* The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Plan has elected not to early implement this statement.

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The Plan has elected not to early implement this statement.

GASB Statement No. 92 – *Omnibus 2020.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Plan has elected not to early implement this statement.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Plan has elected not to early implement this statement.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Plan has elected not to early implement this statement.

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* The requirements of this statement are effective immediately in fiscal year 2020. The Plan has elected not to early implement this statement.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Plan has elected not to early implement this statement.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Plan has elected not to early implement this statement.

NOTE 3 – CASH AND CASH EQUIVALENTS

The carrying value of cash and cash equivalents at June 30, 2019, consists of the following:

	2019 Amount
Cash	$ 30,152
Money Market Fund	452,393
Total Cash and Cash Equivalents	$ 482,545

NOTE 4 – INVESTMENTS

The Plan owned the following investments at June 30, 2019:

	2019 Fair Value
Investments-Categorized	
Mutual Funds	
Equity	$ 30,334,221
Fixed Income	12,506,225
Total Investments-Categorized	$ 42,840,446

GASB Statement No. 40, *Deposits and Investments Risk Disclosures,* establishes and modifies disclosure requirements related to the following:

- Credit risk
- Custodial credit risk
- Concentration of credit risk
- Interest rate risk
- Foreign currency risk

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan is limited to credit risk due to the nature of the investments in mutual funds.

Custodial Credit Risk – The custodial credit risk represents the risk that, in the event of the failure of the counterparty of a transaction, the Plan will not be able to recover the value of deposits and investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Plan's name, and held by the counterparty. The Plan's investment securities are not exposed to custodial credit risk because all securities are held by the Plan's custodial bank in the Plan's name, or by other qualified third party administrator trust accounts.

Concentration of Credit Risk – This risk represents the potential loss attributable to the magnitude of the Plan's investments in a single issuer. As of June 30, 2019, the Plan did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. The Plan is not subject to interest rate risk as the Plan is not invested directly in any fixed income portfolios.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. The Plan may invest in global mutual funds but they are still traded on the U.S. stock market in U.S. dollars in accordance with their investment guidelines pertaining to these types of investments.

Summary of Investment Policy

The Committee established an Investment Policy in accordance with applicable local, State, and Federal laws. The Committee exercises authority and control over the management of the Plan's assets by setting policy which the Trustee executes either internally or through the use of external prudent experts. The Committee oversees and guides the Plan subject to the following basic fiduciary responsibilities:

Maintain an appropriate asset allocation based on a total return policy that is compatible with the County's policies, while still having the potential to produce positive real returns.

NOTE 4 – INVESTMENTS (Continued)

Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets;
Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
Level 3: Investments reflect prices based upon unobservable sources.

The Plan has the following recurring fair value measurements as of June 30, 2019:

		Fair Value Measurements Using		
Investments by Fair Value Level	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds-Equity	$ 30,334,221	$ 30,334,221	$ -	$ -
Mutual Funds-Fixed Income	12,506,225	12,506,225	-	-
	42,840,446	42,840,446	-	-
Total Investments Measured at Fair Value	$ 42,840,446	$ 42,840,446	$ -	$ -

NOTE 5 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The funding objective of the Plan is to establish contribution rates that, over time, are likely to remain as a level percentage of payroll unless Plan benefit provisions are changed. Actuarial valuations involve estimates and make assumptions about the probability of events far into the future, therefore actuarially determined rates are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Contribution rates are calculated by the actuary using the Entry Age Normal Funding Method (Cost Method) and the Market Value of Assets Valuation Method. The required contribution rates are expressed as a percentage of covered payroll. The 2019 contribution rates were determined using the actuarial valuations performed as of July 1, 2018.

Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the July 1, 2018 valuation, the County's current required contribution rate is 0.5%, however, the County elected to contribute 1.66% of payroll in order to obtain a 90% target funded ratio within 5 years. The Plan's current funded ratio is 76.6%. The Plan's actuary annually calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

NOTE 6 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS

Net Pension Liability

The Plan is a single-employer pension plan with a reporting date of June 30, 2019. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2019, and the Total Pension Liability as of the valuation date, July 1, 2018, updated to June 30, 2019. There were no significant events between the valuation date and the measurement date so the updated procedures only include the addition of service cost and interest cost offset by benefit payments. Beginning of the year measurements are also based on the actuarial valuation as of July 1, 2018. Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year.

The net pension liability (i.e., the pension plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below:

	Increase (Decrease)		
Plan	**Total Pension Liability (a)**	**Pension Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balance at June 30, 2018	$ 45,797,809	$ 41,575,975	$ 4,221,834
Changes for the Year:			
Service cost	1,082,026	-	1,082,026
Interest	2,747,097	-	2,747,097
Changes of benefits	-	-	-
Changes of assumptions	2,985,149	-	2,985,149
Differences between expected and actual experience	2,732,087	-	2,732,087
Contributions - employer	-	831,825	(831,825)
Contributions - employee	-	1,701,351	(1,701,351)
Net investment income	-	1,939,447	(1,939,447)
Benefit payments, including refunds of employee contributions	(2,222,152)	(2,222,152)	-
Administrative expenses	-	(251,756)	251,756
Net Changes	7,324,207	1,998,715	5,325,492
Balance at June 30, 2019	$ 53,122,016	$ 43,574,690	$ 9,547,326

Actuarial Methods and Significant Assumptions

The Plan retains an independent actuarial firm to conduct actuarial valuations of the pension plan to monitor the Plan's funding status and to establish the contribution rate requirements for the pension plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include Plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status), and changes in Plan provisions or applicable law. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employers and Plan members) and include the types of benefits provided at the time of each

NOTE 6 – **NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS** (Continued)

Actuarial Methods and Significant Assumptions (Continued)

valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67.

The total pension liability for the pension plan was determined by an actuarial valuation as of July 1, 2018, and accepted actuarial procedures were applied to roll-forward the total pension liability to June 30, 2019. Key methods and assumptions used in the latest actuarial valuations as of July 1, 2018, are presented below:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-Dollar Projected Payroll
Remaining Amortization Period	20-year Amortization of Unfunded Liability, plus Normal Cost with interest and administrative expense, less expected Employee Contributions
Asset Valuation Method	Smoothed asset value, with differences between actual and expected earnings recognized over a 5 year period, subject to an 80% - 120% coordior around market value
Actuarial Assumptions:	
Discount Rate	6.00% (net of administrative expense)
Projected Salary Increases	2.75%
Salary Growth	2.75%
Mortality	Pub-2010 amount-weighted tables for General employees of all income levels, projected using improvement scale MP-2019 from 2010.

Changes in Assumptions and Methods Since the Prior Valuation

1) Lump sum conversion rate was updated from 5.00% to 4.00%.
2) Termination assumptions for actives who are accruing benefits were updated to reflect recent experience. Prior rates were based on age only and started at 65% for those under age 30, 60% for those age 30-49 and 50% for those age 50-64.
3) Base mortality assumptions were updated to reflect the most recent public mortality table, from RP-2006 and CalPERS 2017 Experience Study to Pub-2010 amount-weighted for General employees.
4) Mortality improvement scale was updated from MP-2018 to MP-2019.
5) Actuarial increases for retirees currently beyond normal retirement age are now directly valued through benefit adjustments determined by County. Previously this was estimated through a $200,000 load on liability.

NOTE 6 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
Global Equity	70.00%	4.80%
Fixed Income	28.88%	1.00%
Inlation Assets	0.00%	0.77%
Private Equity	0.00%	6.30%
Real Estate	0.00%	3.75%
Liquidity	1.12%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projected cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of June 30, 2019, calculated using the discount rate of 6.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.0%) or one percentage point higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
Total Pension Liability	$ 62,078,659	$ 53,122,016	$ 46,121,113
Pension Plan Fiduciary Net Position	43,574,690	43,574,690	43,574,690
Net Pension Liability Asset	$ 18,503,969	$ 9,547,326	$ 2,546,423
Fiduciary Net Position as a Percentage of the Total Pension Liability	70.2%	82.0%	94.5%

NOTE 6 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

Money-Weighted Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 9.66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 – SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through February 19, 2021, the date on which the financial statements were available to be issued. There are no pending subsequent events noted.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

Measurement Period	**June 30, 2019***	**June 30, 2018***	**June 30, 2017***	**June 30, 2016***	**June 30, 2015***	**June 30, 2014***
Total Pension Liability						
Service cost	$ 1,082,026	$ 1,299,918	$ 1,913,998	$ 1,717,422	$ 1,511,755	$ 1,556,594
Interest (includes interest on service cost)	2,747,097	2,547,913	2,358,408	2,186,254	1,983,322	1,800,053
Differences between expected and actual experience	2,732,087	1,620,937	1,456,980	1,524,469	795,023	1,146,168
Changes of assumptions	2,985,149	39,510	(746,218)	(594,082)	2,939,020	-
Benefit payments, including refunds of employee contributions	(2,222,152)	(1,726,399)	(1,757,166)	(1,506,614)	(1,511,284)	(1,761,676)
Net Change in Total Pension Liability	7,324,207	3,781,879	3,226,002	3,327,449	5,717,836	2,741,139
Total Pension Liability - Beginning	45,797,809	42,015,930	38,789,928	35,462,479	29,744,643	27,003,504
Total Pension Liability - Ending (a)	$ 53,122,016	$ 45,797,809	$ 42,015,930	$ 38,789,928	$ 35,462,479	$ 29,744,643
Fiduciary Net Position						
Contributions - employer	$ 831,825	$ 815,531	$ 1,341,340	$ 667,952	$ 606,694	$ 955,554
Contributions - employee	1,701,351	1,632,926	1,674,410	1,399,254	1,266,962	1,394,450
Net investment income (loss)	1,939,447	3,647,940	4,288,900	(116,967)	131,206	4,437,066
Benefit payments, including refunds of employee contributions	(2,222,152)	(1,726,399)	(1,757,166)	(1,506,614)	(1,511,284)	(1,761,676)
Administrative expenses	(251,756)	(347,081)	(127,973)	(188,656)	(217,041)	(227,581)
Net Change in Fiduciary Net Position	1,998,715	4,022,617	5,419,511	254,969	276,537	4,797,813
Fiduciary Net Position - Beginning	41,575,975	37,553,358	32,133,847	31,878,878	31,602,341	26,804,528
Fiduciary Net Position - Ending (b)	$ 43,574,690	$ 41,575,975	$ 37,553,358	$ 32,133,847	$ 31,878,878	$ 31,602,341
Net Pension Liability (Asset) (a)-(b)	$ 9,547,326	$ 4,221,834	$ 4,462,572	$ 6,656,081	$ 3,583,601	$ (1,857,698)
Fiduciary Net Position as a Percentage of the Total Pension Liability	82.03%	90.78%	89.38%	82.84%	89.89%	106.25%
Covered Payroll	$ 32,096,397	$ 29,381,080	$ 34,610,720	$ 41,918,375	$ 23,120,653	$ 29,516,733
Net Pension Liability (Asset) as a Percentage of Covered Payroll	29.75%	14.37%	12.89%	15.88%	15.50%	-6.29%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
SCHEDULES OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

Measurement Period	**2019***	**2018***	**2017***	**2016***	**2015***	**2014***
Actuarially Determined Contributions	$ 610,522	$ 656,930	$ 727,119	$ 122,127	$ 252,273	$ 334,728
Contributions in Relation to the Actuarially Determined Contributions	831,825	815,531	1,341,340	667,952	606,694	955,554
Contribution Deficiency / (Excess)	$ (221,303)	$ (158,601)	$ (614,221)	$ (545,825)	$ (354,421)	$ (620,826)
Covered Payroll	$ 50,109,940	$ 43,544,693	$ 44,650,933	$ 41,747,000	$ 37,918,375	$ 29,516,733
Contributions as a Percentage of Covered Payroll	1.66%	1.87%	3.00%	1.60%	1.60%	3.24%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
SCHEDULES OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2020*	June 30, 2019*	June 30, 2018*	June 30, 2017*	June 30, 2016*	June 30, 2015*
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.66%	9.66%	13.12%	-0.36%	0.41%	16.50%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. It is calculated by finding the rate of return that will set the present values of all cash flows and terminal values equal to the value of the initial investment. The money-weighted rate of return is equivalent to the internal rate of return (IRR).

See accompanying notes to the required supplementary information.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – KEY METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

The following actuarial methods and assumptions were used to determine contribution rates in the Schedule of Contributions:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-Dollar Projected Payroll
Remaining Amortization Period	20-year Amortization of Unfunded Liability, plus Normal Cost with interest and administrative expense, less expected Employee Contributions
Asset Valuation Method	Smoothed asset value, with differences between actual and expected earnings recognized over a 5 year period, subject to an 80% - 120% coordior around market value
Actuarial Assumptions:	
Discount Rate	6.00% (net of administrative expense)
Projected Salary Increases	2.75%
Salary Growth	2.75%
Mortality	Pub-2010 amount-weighted tables for General employees of all income levels, projected using improvement scale MP-2019 from 2010.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019, can be found in the July 1, 2018 actuarial valuation report.

NOTE 2 – CHANGES OF ASSUMPTIONS

Changes in Assumptions and Methods Since the Prior Valuation

1) Lump sum conversion rate was updated from 5.00% to 4.00%.
2) Termination assumptions for actives who are accruing benefits were updated to reflect recent experience. Prior rates were based on age only and started at 65% for those under age 30, 60% for those age 30-49 and 50% for those age 50-64.
3) Base mortality assumptions were updated to reflect the most recent public mortality table, from RP-2006 and CalPERS 2017 Experience Study to Pub-2010 amount-weighted for General employees.
4) Mortality improvement scale was updated from MP-2018 to MP-2019.
5) Actuarial increases for retirees currently beyond normal retirement age are now directly valued through benefit adjustments determined by County. Previously this was estimated through a $200,000 load on liability.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES'
401(a) RETIREMENT PLAN

REPORT TO THE BOARD OF SUPERVISORS

JUNE 30, 2020

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES'
401(a) RETIREMENT PLAN
JUNE 30, 2020

TABLE OF CONTENTS

REQUIRED COMMUNICATION TO THE BOARD OF SUPERVISORS AT THE CONCLUSION OF THE AUDIT IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Honorable Board of Supervisors
County of Riverside, California

We have audited the basic financial statements of the County of Riverside (the County) Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan) for the year ended June 30, 2020. 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 March 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. The Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities* and GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, during the year ended June 30, 2020. We noted no transactions entered into by the Plan 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 were:

> Management's estimates of the fair value of investments and the money-weighted rate of return are based on quoted prices as of the statement of fiduciary net position date for those securities. We evaluated the key factors and assumptions used to develop the estimates of the fair value of investments and money-weighted rate of return in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimates of the contribution amounts and net pension liability are based on an actuarially-presumed interest rate and assumptions recommended by an independent actuary which were adopted by the County's Board of Supervisors. They involve estimates of the values of reported amounts and probabilities about the occurrence of future events, as detailed in Note 5, Contributions Required and Contributions Made, and Note 6, Net Pension Liability and Significant Assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosures of cash and investments, in Notes 3 and 4 to the financial statements, were derived by various methods as detailed in the notes.
>
> The disclosures related to the funding policies, funding status, progress, and actuarial methods and assumptions in Note 6, Net Pension Liability and Significant Assumptions, were derived from actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrence of the future events far into the future.

The disclosures in the financial statement 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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected no such misstatements during our audit.

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 February 4, 2022.

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 Plan'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 Plan'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 Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplement 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.

****

This information is intended solely for the information and use of the Board of Supervisors and management of the Plan 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
February 4, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Supervisors
County of Riverside, California

We have audited, in accordance with the 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, the financial statements of the County of Riverside (the County) Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated February 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters, noncompliance with which could have a direct and material effect on the basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 4, 2022

AGREED-UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING (MANAGEMENT LETTER)

To the Honorable Board of Supervisors
County of Riverside, California

In planning and performing our audit of the basic financial statements of the County of Riverside (the County) Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan), as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we became aware of three matters that are opportunities for strengthening internal controls and operating efficiency. The recommendations that are listed in this report summarize the conditions and suggestions regarding these matters.

We will review the status of these matters during our next audit engagement. We have already discussed these matters and suggestions with various Plan personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study on the matter, or to assist you in implementing the recommendations.

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Restriction on Use

This communication is intended solely for the information and use of the Board of Supervisors and management of the County 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
February 4, 2022

Current Year Agreed-Upon Conditions and Recommendations

Finding #1 – Actuarial 70 ½ Increased Benefit Payment

During our testing of retired members, we noted one (1) of the forty (40) samples tested did not reflect the actuarial increases to their benefits from the date accruals ceased to their late retirement date. This member's monthly benefit should have been increased in July 2014 by $53.15. Upon bringing this to Management's attention, it was actuarially determined that this error resulted in the member being underpaid $4,974.67. The correction was to be made effective November 1, 2020, and the Plan was to distribute a one-time makeup payment consisting of seventy-seven (77) retroactive payments of $53.15 from June 1, 2014, through October 1, 2020, with interest to November 1, 2020. Interest is based on the Plan's interest rate of 6.0%. Going forward, this member's monthly annuity payment will increase.

Recommendation

We recommend that management implement an annual review to ensure all required actuarial increases are calculated and paid in a timely manner.

Management's Response

Management agrees with the auditor's recommendations. The member's benefit was adjusted by the increased actuarial amount and retroactively paid on 7/1/2021. The procedures will be updated based on the recommendation of the auditor, which will include an annual review of all members benefit calculated with an actuarial review to ensure the benefit is paid correctly and timely.

Finding # 2 – Missing Participant Forms

During our testing of retired members, we were unable to review the Monthly Retirement Benefit Distribution Request Form for two (2) out of forty (40) samples tested. We were unable to verify the retirees' authorization to distribute their retirement benefit and their tax withholding election.

Recommendation

We recommend that management implement a review system or checklist to ensure all required documents are in the member's file.

Management's Response

Management acknowledges that there have been previous deficiencies in processes, which will be addressed through training and internal reviews of participant files for completeness. The Plan Administrator will revise and refine procedures for all future monthly annuitants.

Status of Prior Year Agreed-Upon Condition and Recommendation

Finding #1 – Actuarial 70 ½ Increased Benefit Payment

During our testing of retired members, we noted one (1) of the forty (40) samples tested did not reflect the actuarial increases to their benefits from the date accruals ceased to their late retirement date. This member's monthly benefit should have been increased in July 2014 by $53.15. Upon bringing this to Management's attention, it was actuarially determined that this error resulted in the member being underpaid $4,974.67. The correction was to be made effective November 1, 2020, and the Plan was to distribute a one-time makeup payment consisting of seventy-seven (77) retroactive payments of $53.15 from June 1, 2014, through October 1, 2020, with interest to November 1, 2020. Interest is based on the Plan's interest rate of 6.0%. Going forward, this member's monthly annuity payment will increase.

Recommendation

We recommend that management implement an annual review to ensure all required actuarial increases are calculated and paid in a timely manner.

Management's Response

Management agrees with the Auditor's finding. Management has implemented the recommendation for the calculation of benefits payable to a participant who retires after the Plan's Normal Retirement Date (NRD), which is age 65. Prior to distribution of any payments, a 401(a) Retirement Plan Review Checklist is completed for all participants who work past the Normal Retirement Age of 65. Based on existing plan rules and current legislation, an enhanced benefit calculation is performed under actuary methodology and guidelines to ensure accurate benefits are paid to eligible participants.

Current Year Status

See Current Year Finding #1.

February 4, 2022

Brown Armstrong Accountancy Corporation
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309

This representation letter is provided in connection with your audit of the basic financial statements of the County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan), which comprise the Statements of Fiduciary Net Position as of June 30, 2020, and the related Statements of Changes in Fiduciary Net Position for the year then ended, and the related notes to the basic financial statements, for the purpose of expressing opinions as to whether the basic financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and whether the other supplementary information is fairly stated in all material relation to the basic financial statements as a whole.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 4, 2022, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 20, 2020, including our responsibility for the preparation and fair presentation of the basic financial statements in accordance with U.S. GAAP and for preparation of the required supplementary information (RSI) in accordance with the applicable criteria.

2) The basic financial statements referred to above are fairly presented in conformity with U.S. GAAP, and the notes include all disclosures required by laws and regulations to which the Plan is subject.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

Brenda L. Diederichs
Assistant CEO / HR Director

Michael Bowers - Assistant HR Director
Sarah Franco - Assistant HR Director
Brande Hune - Assistant HR Director
Megan Gomez - Deputy HR Director
Mylene Daniels - Deputy HR Director

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5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transaction including revenues, expenses, leasing arrangements, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

9) Material concentrations have been properly disclosed in accordance with U.S. GAAP.

10) Financial instruments with concentrations of credit risk have been properly recorded or disclosed in the financial statements.

11) Guarantees, whether written or oral, under which the Plan is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

12) To the best of our knowledge, we have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.

d) Plan instruments, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.

e) Minutes of the meetings of the Plan's Board of Supervisors and Deferred Compensation Advisory Committee or summaries of actions of recent meetings for which minutes have not yet been prepared.

f) Actuarial reports prepared by the Plan's actuary.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

COUNTY OF RIVERSIDE
MAY 9, 1893

Brenda L. Diederichs
Assistant CEO / HR Director

Michael Bowers - Assistant HR Director
Sarah Franco - Assistant HR Director
Brande Hune - Assistant HR Director
Megan Gomez - Deputy HR Director
Mylene Daniels - Deputy HR Director

15) We have no knowledge of any fraud or suspected fraud that affects the Plan and involves:
    a) Management,
    b) Employees who have significant roles in internal control, or
    c) Others where the fraud could have a material effect on the financial statements.
16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service-providers, third-party administrators, or others.
17) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us and we have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or abuse, whose effects should be considered when preparing financial statements.
18) We have disclosed to you that there are no instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
19) We have disclosed to you that we are not aware of any abuse that has occurred or are likely to have occurred, that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
20) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts whose effects should be considered for disclosure in the financial statements, or for reporting on noncompliance.
21) We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware.
22) The Plan has satisfactory title to all owned assets, which are recorded at fair value, and all liens, encumbrances, or security interests requiring disclosure in the financial statements have been properly disclosed.

Plan Specific

23) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24) We have a process to track the status of audit findings and recommendations.
25) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

Brenda L. Diederichs
Assistant CEO / HR Director

Michael Bowers - Assistant HR Director
Sarah Franco - Assistant HR Director
Brande Hune - Assistant HR Director
Megan Gomez - Deputy HR Director
Mylene Daniels - Deputy HR Director

26) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

27) We have made available to you all financial records and related data.

28) We have no –

  a) Plans or intentions that may materially affect the carrying value or classification of assets and liabilities or net position.

  b) Knowledge of the Plan's plan sponsors' intentions to terminate the Plan.

29) Amendments to the Plan instrument, if any, have been properly recorded or disclosed in the financial statements.

30) We have no knowledge of any omissions from the participants' data provided to the Plan's actuary for the purpose of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements.

31) As the plan administrator, we agree with the actuarial methods and assumptions established by the Board of Supervisors upon recommendation of the Plan's consulting actuary and used by the actuary for funding purposes and for determining the Plan's accumulated plan benefits and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances, We did not give instructions, nor cause any to be given, to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the Plan's actuary.

32) The following have been properly recorded or disclosed in the financial statements

  - The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.
  - Plan provisions between the actuarial valuation date and the date of this letter.

33) The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

34) The methods and significant assumptions used to estimate fair values of financial instruments are described in Note 2 to the financial statements. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.

35) All required amendments to and filings of Plan documents with the appropriate agencies have been made.

36) The Plan is qualified under the appropriate section of the Internal Revenue Code and we intend to continue them as a qualified plan. The Plan sponsor has operated the Plan in a manner that did not jeopardize this tax status.

Brenda L. Diederichs
Assistant CEO / HR Director

Michael Bowers - Assistant HR Director
Sarah Franco - Assistant HR Director
Brande Hune - Assistant HR Director
Megan Gomez - Deputy HR Director
Mylene Daniels - Deputy HR Director

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37) We have apprised you of all communications, whether written or oral, with regulatory agencies concerning the operation of the Plan.

38) The use of the Plan's derivative instruments has been appropriately disclosed in the notes to the financial statements and all derivative instrument transactions have been valued appropriately.

39) We are responsible for monitoring the Plan's investments including changes in fair values. The Plan engages investment consultants to assist the Plan in monitoring individual managers and reviewing investment values, investment returns, as well as other procedures as deemed necessary by the Plan and consultants.

40) The Plan's Board of Supervisors has adopted a 6.00% rate of return for FY2020 which is within the range of assumptions recommended by the Board's consulting actuary as noted in the July 1, 2020 valuation.

41) We acknowledge our responsibility for the RSI. The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation confirm with GASB Statement No. 67. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

42) The methods and significant assumptions used to estimate fair values of investments, which impact Plan's fiduciary net position including non-readily marketable securities are summarized as follows:

   a) The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.

   b) The fair values of investments are generally based on published market prices and quotations from major investment firms.

   c) Short-term investments are reported at cost or amortized cost, which approximates fair value.

43) The member census data provided to the Plan's third-party actuary for the purpose of determining the total pension liability and net pension included in the RSI is complete and accurate,

44) We have reviewed the following information, which was derived from the Plan's actuarial report used to disclose in the Plan's Notes to the basic financial statements and/or RSI, as required by GASB Statement no. 67 and determined that the assumptions used to calculate or present are reasonable.

   - Long-term expected rates of return.
   - Components of Changes in the Plan's Net Pension Liability including the Total Pension Liability at the beginning and end of the year.
   - Sensitivity of the Net Pension Liability (NPL) to "Changes in the Discount Rate" calculation.

45) We have reviewed the Money Weighted Return calculation prepared by the Plan, which was derived from the Plan's June 30, 2020 investment performance review used to disclose in the Plan's Notes to the Financial Statements and/or RSI (4.66% FY2020), and determined that the methods used to calculate it are consistent with the requirements of GASB Statement No. 67.

COUNTY OF RIVERSIDE
MAY 9, 1893

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46) We acknowledge our responsibility for presenting the Other Supplementary Information, as listed in the table of contents, in accordance with U.S. GAAP, and we believe the Other Supplementary Information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Other Supplementary Information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

47) No changes have been made in internal control over compliance or other factors that might significantly affect internal control subsequent to the date as of which compliance was audited.

48) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations that we are aware of.

49) In regard to the financial statement preparation services performed by you, we have—

   a) Assumed all management responsibilities.

   b) Designated Senior Management, who have suitable skill, knowledge, or experience to oversee the services.

   c) Evaluated the adequacy and results of the services performed.

   d) Accepted responsibility for the results of the services.

Signature: Brenda Diederichs

Title: Assistant CEO/HR Director

COUNTY OF RIVERSIDE
MAY 9, 1893

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