



FINANCIAL AUDIT ADVISORY COMMITTEE

Board of Supervisors
Civic Center
County of Marin
San Rafael, CA 94903



Date: June 5, 2012

SUBJECT: The Financial Audit Advisory Committee review of the County of Marin's Comprehensive Annual Financial Report (CAFR), Required Communication Letter and Single Audit Report for the fiscal year ended June 30, 2011.

RECOMMENDATION: The Financial Audit Advisory Committee recommends the Board of Supervisors accept the Required Communication Letter for the fiscal year ended June 30, 2011.

BACKGROUND Annually, the Financial Audit Advisory Committee reviews results of the external auditor's reports.

DISCUSSION: We reviewed the Required Communication Letter. There were no exceptions found.

The CAFR and single audit report was audited by the independent CPA firm, Gallina, LLP, and received an unqualified, "clean," opinion.

The Required Communication Letter noted no exceptions found.

The Single Audit reported deficiencies of financial reporting and noncompliance with program requirements. Management has appropriately responded.

FISCAL IMPACT: None.

RECOGNITION AND APPRECIATION: We want to recognize the effort and expertise required to produce the completed Marin Comprehensive Annual Financial Report and to express our appreciation for the additional financial information and transparency it provides to all residents of Marin County.

CA56



To the Honorable Members of the
Board of Supervisors
of the County of Marin
San Rafael, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County of Marin (County) for the year ended June 30, 2011. We did not audit the financial statements of the Marin County Redevelopment Agency, the Housing Authority of the County of Marin, and the Marin County Transit District. 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 April 26, 2011. Professional standards also require that we communicate to you the following information related to our audit as discussed in the Required Communications section of this report.

In planning and performing our audit of the financial statements of the County for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or 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.

COUNTY OF MARIN

Required Communication
For the Year Ended June 30, 2011

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 26, 2011, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles and to express opinions based on the assurance obtained. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

COUNTY OF MARIN

Required Communication For the Year Ended June 30, 2011

- Liability for other post-employment benefits (OPEB): Management's estimate is derived from actuarial valuations obtained from outside specialists.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

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.

- Reclassification of \$19.5 million in intergovernmental revenues reported as revenues from use of money and property in the County's draft financial statements
- Reclassification of current refunding of \$17.5 million from debt service principal
- Reclassification of \$1.8M premium on debt issued

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

In addition there were the following immaterial misstatements identified during the audit. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Record an increase to cash and investments in the amount of \$638 thousand which represents the difference between fair market value and the amortized cost of investments reflected on the County's financial statements.

COUNTY OF MARIN

Status of Prior Year Recommendations For the Year Ended June 30, 2010

Recommendation	Status
ACCOUNTING FOR GOVERNMENTAL TRUST FUNDS	
We recommend that the Department of Finance consider utilizing its accounting system to account for the activity of governmental trust funds rather than the labor-intensive process of transferring data onto spreadsheets and to budget for trust fund activity. To implement this process, the Department of Finance will need to close out the governmental trust funds from the trust funds where they are currently being reported and either combine the balances with an existing governmental fund or create new funds that use the budgetary object code reporting structure.	Implemented