



Financial Statements
June 30, 2023 and 2022

Santa Ana River Flood Protection Agency

Santa Ana River Flood Protection Agency

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Independent Auditor's Report

To the Board of Commissioners
Santa Ana River Flood Protection Agency
Santa Ana, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the Santa Ana River Flood Protection Agency (Agency) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Agency, as of June 30, 2023 and 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Laguna Hills, California
September 4, 2024

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis (Unaudited)
June 30, 2023 and 2022

The management's discussion and analysis of the financial performance provides a narrative overview and analysis of the Santa Ana River Flood Protection Agency's financial activities for the years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the information furnished in the Santa Ana River Flood Protection Agency's financial statements.

FINANCIAL HIGHLIGHTS

- The Santa Ana River Flood Protection Agency's Fund Balance increased by \$11,043, 15.7%, in 2023, from 2022; and increased by \$6,601, 10.4%, in 2022 from 2021.
- Contributions from members continues to be the sole source of revenue for the Santa Ana River Flood Protection Agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Santa Ana River Flood Protection Agency is an organization developed to support the implementation of the Santa Ana River Mainstem Project and associated local drainage improvements in Orange County. The Santa Ana River Flood Protection Agency is organized as a Joint Powers Authority and is supported by revenue from membership dues.

The financial statements are divided into two components:

1. Financial Statements: Statement of Net Position and General Fund Balance Sheet; Statement of Activities and General Fund Statement of Revenues, Expenditures and Changes in Fund Balance; General Fund Budgetary Comparison Statement; and
2. Notes to Financial Statements

Statement of Net Position and General Fund Balance Sheet

This section provides the statement of position for all of the Santa Ana River Flood Protection Agency's current and noncurrent assets and liabilities in both financial and capital positions with the difference between the two reported as net position/fund balance. Current assets and liabilities are reasonably expected to be realized or liquidated within one year.

Statement of Activities and General Fund Statement of Revenues, Expenditures and Changes in Fund Balance

This section provides the statement of activities for all the Santa River Flood Protection Agency's revenue and expenses during the year. This section also shows how net position/fund balance changed during the fiscal year.

General Fund Budgetary Comparison Statement

This section provides a comparison of actual expenditures for the fiscal period to the approved budget for the Santa Ana River Flood Protection Agency.

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis (Continued)
June 30, 2023 and 2022

Notes to Financial Statements

This section provides additional information that is necessary to acquire a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

Statement of Net Position and General Fund Balance Sheet

The Santa Ana River Flood Protection Agency's Statement of Net Position and General Fund Balance is presented below:

Statement of Net Position and General Fund Balance Sheet Comparison
June 30, 2023 and June 30, 2022

	<u>2023</u>	<u>2022</u>	<u>Change in Dollar</u>	<u>Change in Percentage</u>
Assets				
Cash in treasury	\$ 80,591	\$ 70,168	\$ 10,423	14.9%
Interest receivable	722	103	619	600.5%
Total assets	<u>\$ 81,313</u>	<u>\$ 70,271</u>	<u>\$ 11,042</u>	15.7%
Liabilities and Fund Balance/Net Position				
Liabilities				
Accounts payable	\$ -	\$ 1	\$ (1)	-100.0%
Fund Balance/Net Position				
Unassigned/Unrestricted	<u>81,313</u>	<u>70,270</u>	<u>11,043</u>	15.7%
Total liabilities and fund balance/net position	<u>\$ 81,313</u>	<u>\$ 70,271</u>	<u>\$ 11,042</u>	15.7%

The increase in cash in treasury of \$10,423 from 2022 mainly resulted from the increase in membership revenues with expenses remaining consistent. At June 30, 2023, total assets exceeded total liabilities by \$81,313 and the fund balance/net position increased by \$11,043. Fund balance/net position is expected to remain fairly constant as member contributions are adopted to cover expenses.

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis (Continued)
June 30, 2023 and 2022

Statement of Net Position and General Fund Balance Sheet Comparison
June 30, 2022, and June 30, 2021

	<u>2022</u>	<u>2021</u>	<u>Change in Dollar</u>	<u>Change in Percentage</u>
Assets				
Cash in treasury	\$ 70,168	\$ 66,552	\$ 3,616	5.4%
Interest receivable	103	118	(15)	-12.7%
Total assets	<u>\$ 70,271</u>	<u>\$ 66,670</u>	<u>\$ 3,601</u>	5.4%
Liabilities and Fund Balance/Net Position				
Liabilities				
Accounts payable	<u>\$ 1</u>	<u>\$ 3,001</u>	<u>\$ (3,000)</u>	-100.0%
Fund Balance/Net Position				
Unassigned/Unrestricted	<u>70,270</u>	<u>63,669</u>	<u>6,601</u>	10.4%
Total liabilities and fund balance/net position	<u>\$ 70,271</u>	<u>\$ 66,670</u>	<u>\$ 3,601</u>	5.4%

The increase in cash in treasury of \$3,616 from 2021 mainly resulted from the increase in membership revenues with expenses remaining consistent. At June 30, 2022, total assets exceeded total liabilities by \$70,270 and the fund balance/net position increased by \$6,601. Fund balance/net position is expected to remain fairly constant as member contributions are adopted to cover expenses.

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis
June 30, 2023 and 2022

Statement of Activities and General Fund Statement of Revenues, Expenditures and Changes in Fund Balance

The schedules are presented below:

Statement of Activities and General Fund Statement of
Revenues, Expenditures and Changes in Fund Balance Comparison
Years Ended June 30, 2023 and June 30, 2022

	2023	2022	Change in Dollar	Change in Percentage
Revenues and Other Support				
Member contributions	\$ 28,630	\$ 28,600	\$ 30	0.1%
Interest income	2,416	(808)	3,224	-399.0%
Miscellaneous income	2	14	(12)	-85.7%
Total revenues	<u>31,048</u>	<u>27,806</u>	<u>3,242</u>	<u>11.7%</u>
Expenses				
Program services	<u>20,005</u>	<u>21,205</u>	<u>(1,200)</u>	<u>-5.7%</u>
Changes in Fund Balance/Net Position	11,043	6,601	4,442	67.3%
Unassigned/Unrestricted, Beginning of Year	<u>70,270</u>	<u>63,669</u>	<u>6,601</u>	<u>10.4%</u>
Unassigned/Unrestricted, End of Year	<u>\$ 81,313</u>	<u>\$ 70,270</u>	<u>\$11,043</u>	<u>15.7%</u>

Statement of Activities and General Fund Statement of
Revenues, Expenditures and Changes in Fund Balance Comparison
Years Ended June 30, 2022 and June 30, 2021

	2022	2021	Change in Dollar	Change in Percentage
Revenues and Other Support				
Member contributions	\$ 28,600	\$ 28,600	\$ -	0.0%
Interest income	(808)	234	(1,042)	-445.3%
Miscellaneous income	14	-	14	0.0%
Total revenues	<u>27,806</u>	<u>28,834</u>	<u>(1,028)</u>	<u>-3.6%</u>
Expenses				
Program services	<u>21,205</u>	<u>24,292</u>	<u>(3,087)</u>	<u>-12.7%</u>
Changes in Fund Balance/Net Position	6,601	4,542	2,059	45.3%
Unassigned/Unrestricted, Beginning of Year	<u>63,669</u>	<u>59,127</u>	<u>4,542</u>	<u>7.7%</u>
Unassigned/Unrestricted, End of Year	<u>\$ 70,270</u>	<u>\$ 63,669</u>	<u>\$ 6,601</u>	<u>10.4%</u>

For the years ended June 30, 2023 and 2022, the change in fund balance was \$11,043 and \$6,601, respectively. Member contributions are the main revenue source for the agency and are established concurrently with the adoption of the budget.

General Fund Budget vs Actual Comparison

For the years ended June 30, 2023 and 2022, the overall revenue variance resulted in a \$2,048 increase and \$1,194 decrease over what was projected, respectively. The members' contributions of \$28,630 in fiscal year 2023 and \$28,600 in fiscal year 2022 are based on 22 members paying their annual contributions of \$1,300. The \$7,845 and \$9,645 variances in expenses are mostly due to the \$5,000 travel budget going unused in fiscal year 2023 and 2022, respectively.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Santa Ana River Flood Protection Agency's finances. For questions or comments concerning any of the information provided in this report or requests for additional information should be addressed to Herb Nakasone, Executive Director at the Santa Ana River Flood Protection Agency at (714) 647-3938.

Santa Ana River Flood Protection Agency
 Government Wide Statement of Net Position and General Fund Balance Sheet
 June 30, 2023 and 2022

	2023	2022
Assets		
Cash in treasury	\$ 80,591	\$ 70,168
Interest receivable	722	103
Total assets	\$ 81,313	\$ 70,271
Liabilities and Fund Balance/Net Position		
Liabilities		
Accounts payable	\$ -	\$ 1
Fund Balance/Net Position		
Unassigned/Unrestricted	81,313	70,270
Total liabilities and fund balance/net position	\$ 81,313	\$ 70,271

Santa Ana River Flood Protection Agency
 Government Wide Statement of Activities and General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Years Ended June 30, 2023 and 2022

	2023	2022
Revenues and Other Support		
Member contributions	\$ 28,630	\$ 28,600
Interest income (loss)	2,416	(808)
Miscellaneous income	2	14
Total revenues	31,048	27,806
Expenses/Expenditures		
Program services	20,005	21,205
Changes in Fund Balance/Net Position	11,043	6,601
Fund Balance/Net Position, Beginning of Year	70,270	63,669
Fund Balance/Net Position, End of Year	\$ 81,313	\$ 70,270

Santa Ana River Flood Protection Agency
General Fund – Budgetary Comparison Statement
June 30, 2023 and 2022

	2023 Original/Final Budget	2023 Actual	Variance Positive (Negative)
Revenues and Other Support			
Member contributions	\$ 28,600	\$ 28,630	\$ 30
Interest income	400	2,416	2,016
Miscellaneous income	-	2	2
Total revenues	<u>29,000</u>	<u>31,048</u>	<u>2,048</u>
Expenses			
Program services	<u>27,850</u>	<u>20,005</u>	<u>7,845</u>
Changes in Fund Balance	1,150	11,043	9,893
Fund Balance, Beginning of Year	<u>70,270</u>	<u>70,270</u>	-
Fund Balance, End of Year	<u>\$ 71,420</u>	<u>\$ 81,313</u>	<u>\$ 9,893</u>
	2022 Original/Final Budget	2022 Actual	Variance Positive (Negative)
Revenues and Other Support			
Member contributions	\$ 28,600	\$ 28,600	\$ -
Interest income (loss)	400	(808)	(1,208)
Miscellaneous income	-	14	14
Total revenues	<u>29,000</u>	<u>27,806</u>	<u>(1,194)</u>
Expenses			
Program services	<u>30,850</u>	<u>21,205</u>	<u>9,645</u>
Changes in Fund Balance	(1,850)	6,601	8,451
Fund Balance, Beginning of Year	<u>63,669</u>	<u>63,669</u>	-
Fund Balance, End of Year	<u>\$ 61,819</u>	<u>\$ 70,270</u>	<u>\$ 8,451</u>

Note 1 - Organization of the Agency

The Santa Ana River Flood Protection Agency (the Agency) was formed in accordance with Title 1, Division 7, and Chapter 5 of the California Government Code. The effective date of the agreement to establish the Agency was dated December 31, 1974. The agreement is between the County of Orange, the Orange County Flood Control District and those other public agencies within the County of Orange which subscribe to it.

The purpose of the Agency is to jointly exercise the flood protection powers common among the contracting parties. Specific emphasis is on disseminating information on the flood hazard potential of the Santa Ana River, seeking a position of unanimity among the citizens of Orange, Riverside, and San Bernardino counties in support of the most feasible plan for the flood protection along the Santa Ana River, and seeking congressional authorization and appropriations for works of improvement.

The governing body of the Agency is a commission comprised of one representative from each party to the agreement. The Agency contracts an executive director who administers the program. In addition, the Agency contracts for the services of a lobbyist in Washington, D.C.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Accounting and Measurement Focus

The Agency's government-wide financial statements include a Statement of Net Position and a Statement of Activities. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of timing of the related cash flows. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

General Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenue are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgements, are recorded only when payment is due.

For the years ended June 30, 2023 and 2022, there were no differences in the measurement focus and basis of accounting between the government-wide financial statements and the fund financial statements. Therefore, separate financial statements are not presented.

Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the unrestricted components of fund balance.

Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

B. Cash in Treasury

Cash in treasury represents Agency cash deposited in the County of Orange, California (County) Treasurer's Pool. Cash held in the County Treasurer's Pool is considered a demand deposit where funds may be withdrawn as needed and without penalty. The Agency does not own specifically identifiable securities in the County Treasurer's Pool. See the County's Comprehensive Annual Financial Report for the years ended June 30, 2023 and 2022, for additional disclosures on the composition and risks related to deposits and investments related to the County Treasurer's Pool.

C. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Agency does not report any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Agency does not report any deferred inflows.

D. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. The Agency had no investment in capital assets at June 30, 2023 and 2022, respectively.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. The Agency had no restricted amounts at June 30, 2023 and 2022, respectively.

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

E. Fund Balance

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact. The Agency had no nonspendable amounts at June 30, 2023 and 2022, respectively.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation. The Agency had no restricted amounts at June 30, 2023 and 2022, respectively.

Committed – Committed fund balances encompass the portion of net fund resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. The Board of Commissioners considers a resolution to constitute a formal action of the Committee for the purposes of establishing committed fund balance. The Agency had no committed amounts at June 30, 2023 and 2022, respectively.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the Agency's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Agency had no assigned amounts at June 30, 2023 and 2022, respectively.

Unassigned – This category is for any balances that have no restrictions placed upon them.

F. Revenues

Revenues primarily result from annual \$1,300 member contributions by each member entity in fiscal years 2023 and 2022.

G. Expenses and Expenditures

Expenses and expenditures generally result from professional services provided through contracts with the Executive Director of the Agency and a lobbyist in Washington, D.C.

H. Stewardship, Compliance, and Accountability

The Board of Commissioners adopts an annual budget. The annual budget is adopted by Resolution of the Board of Commissioners. Revisions or transfers that alter the total appropriations must be approved by the Board of Commissioners. Supplemental appropriations may be adopted by the Board of Commissioners during the year. There were no supplemental appropriations approved during the year. A budget is adopted annually on a basis consistent with accounting principles generally accepted in the United States of America and is used as a management control device. The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level.

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next year.

Note 3 - Related Party Transactions

The Agency contracts with the County of Orange (County) to provide accounting, banking, investment, legal, and other miscellaneous administrative services. The services the County provides is under the supervision and direction of the Executive Director on behalf of the Agency and the Orange County Public Works Department on behalf of the County. The rates charged to the Agency for services are the same rates as those charged to the County departments and special districts for the same or similar services and are subject to adjustments annually at the discretion of the County. The administrative costs of the County at June 30, 2023 and 2022 were \$205 and \$205, respectively.



Other Report
June 30, 2023 and 2022

Santa Ana River Flood Protection Agency



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 Board of Commissioners
Santa Ana River Flood Protection Agency
Santa Ana, California

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities and the general fund of the Santa Ana River Flood Protection Agency (Agency), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated September 4, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California
September 4, 2024

2023-001 **Reconciliation**
Type of Finding: Material Weakness

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) require that expenses are reported in the period that they are incurred and that revenues are reported in the period that they are earned. Effective internal control procedures include procedures to capture expenses and revenues in the proper period to ensure the accuracy of financial reporting, including preparation of the financial statements. Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements.

Condition:

During our audit we were provided with a trial balance that had not been appropriately reconciled. Beginning net position/fund balance required adjustments to reverse entries from previous periods. In addition, an expenditure account balance required an adjustment to reverse costs that were incurred in a previous period.

Cause:

The Agency's closing process did not allow for the proper reconciliation of balances used for financial reporting.

Effect:

Not having proper year-end reconciliation controls could result in undetected misstatements, whether due to error or fraud.

Recommendation:

We recommend the Agency review and revise its closing process to ensure balances are properly reconciled. This process should ensure that the amounts presented in the provided trial balance agrees to the Agency's financial statements.

Views of Responsible Officials:

Management will revise year-end closing procedures to ensure the Agency's trial balance is properly reconciled prior to being provided to the auditor.

Santa Ana River Flood Protection Agency
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2023 and 2022

<u>Finding No.</u>	<u>Finding Name</u>	<u>Current Status</u>
2015-01, 2016-01, 2018-001, 2021-001	Accruals and Financial Statement Preparation	Partially Implemented see finding 2023-001