



Financial Statements
June 30, 2019 and 2018

Santa Ana River Flood Protection Agency

Santa Ana River Flood Protection Agency

Table of Contents

June 30, 2019 and 2018

Independent Auditor’s Report 1

Management’s Discussion and Analysis 3

Government Wide and Government Fund Financial Statements

 Government Wide Statement of Net Position and General Fund Balance Sheet 8

 Government Wide Statement of Activities and General Fund Statement of Revenues, Expenditures and
 Changes in Fund Balance 9

 General Fund – Budgetary Comparison Statement 10

Notes to Financial Statements 11

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* 16

 Schedule of Findings and Responses 18

 Summary Schedule of Prior Year Audit Findings 19



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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 then ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 opinions on these financial statements based on our audits. We conducted our audits 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 our audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the 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 Santa Ana River Flood Protection Agency, as of June 30, 2019 and 2018, 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.

Emphasis of Matter

The Agency identified expenditures of \$1,580 related to amounts that should have been recorded and accrued in the prior year June 30, 2017 financial statements. As a result, the Agency restated its beginning fund balance and net position as of July 1, 2017, which is described in Note 3. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 or 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 May 3, 2022, 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, and 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.



Laguna Hills, California
May 3, 2022

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis (Unaudited)
June 30, 2019 and 2018

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, 2019 and 2018. 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 \$6,240, 16.3%, in 2019, from 2018; and increased by \$3,323, 7.6%, in 2018 from 2017.
- 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 fund balance/net position. 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 fund balance/net position changed during the fiscal year.

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis (Continued)
June 30, 2019 and 2018

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.

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, 2019 and June 30, 2018

	<u>2019</u>	<u>2018</u>	<u>Change in Dollar</u>	<u>Change in Percentage</u>
Assets				
Cash in treasury	\$ 55,847	\$ 51,426	\$ 4,421	8.6%
Accounts receivable	-	1,300	(1,300)	-100.0%
Interest receivable	361	242	119	49.2%
	<u>\$ 56,208</u>	<u>\$ 52,968</u>	<u>\$ 3,240</u>	6.1%
Liabilities and Fund Balance/Net Position				
Liabilities				
Accounts payable	\$ 3,003	\$ 6,003	\$ (3,000)	-50.0%
Fund Balance/Net Position				
Unassigned/Unrestricted	53,205	46,965	6,240	13.3%
	<u>\$ 56,208</u>	<u>\$ 52,968</u>	<u>\$ 3,240</u>	6.1%

The increase in cash in treasury of \$4,421 from 2018 was mainly resulted from the increase in membership revenues while expenses remained consistent. At June 30, 2019, total assets exceeded total liabilities by \$53,205 and the fund balance/net position increased by \$6,240. 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, 2019 and 2018

Statement of Net Position and General Fund Balance Sheet Comparison
June 30, 2018, and June 30, 2017

	<u>2018</u>	<u>2017</u>	<u>Change in Dollar</u>	<u>Change in Percentage</u>
Assets				
Cash in treasury	\$ 51,426	\$ 46,600	\$ 4,826	10.4%
Accounts receivable	1,300	-	1,300	100.0%
Interest receivable	<u>242</u>	<u>42</u>	<u>200</u>	476.2%
Total assets	<u>\$ 52,968</u>	<u>\$ 46,642</u>	<u>\$ 6,326</u>	13.6%
Liabilities and Fund Balance/Net Position				
Liabilities				
Accounts payable	<u>\$ 6,003</u>	<u>\$ 3,000</u>	<u>\$ 3,003</u>	100.1%
Fund Balance/Net Position				
Unassigned/Unrestricted	<u>46,965</u>	<u>43,642</u>	<u>3,323</u>	7.6%
Total liabilities and fund balance/net position	<u>\$ 52,968</u>	<u>\$ 46,642</u>	<u>\$ 6,326</u>	13.6%

The increase in accounts receivable of \$1,300 from 2017 was due to a member contribution that was not collected in Fiscal Year 2018. The increase in accounts payable of \$3,003 from 2017 was due to accruing extra month of director's pay. At June 30, 2018, total assets exceeded total liabilities by \$46,965 and the fund balance/net position increased by \$3,323. Fund balance/net position is expected to remain fairly constant as member contributions adopted to cover expenses.

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis (Continued)
June 30, 2019 and 2018

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, 2019 and June 30, 2018

	<u>2019</u>	<u>2018</u>	<u>Change in Dollar</u>	<u>Change in Percentage</u>
Revenues and Other Support				
Member contributions	\$ 28,600	\$ 28,600	\$ -	0.0%
Interest income	1,904	573	1,331	232.3%
Miscellaneous income	<u>-</u>	<u>2</u>	<u>(2)</u>	-100.0%
Total revenues	<u>30,504</u>	<u>29,175</u>	<u>1,329</u>	4.6%
Expenses				
Program services	<u>24,264</u>	<u>24,272</u>	<u>(8)</u>	0.0%
Changes in Fund Balance/Net Position	6,240	4,903	1,337	27.3%
Unassigned/Unrestricted, Beginning of Year, as restated	<u>46,965</u>	<u>42,062</u>	<u>4,903</u>	11.7%
Unassigned/Unrestricted, End of Year	<u>\$ 53,205</u>	<u>\$ 46,965</u>	<u>\$ 6,240</u>	13.3%

Statement of Activities and General Fund Statement of
Revenues, Expenditures and Changes in Fund Balance Comparison
Years Ended June 30, 2018 and June 30, 2017

	<u>2018</u>	<u>2017</u>	<u>Change in Dollar</u>	<u>Change in Percentage</u>
Revenues and Other Support				
Member contributions	\$ 28,600	\$ 28,600	\$ -	0.0%
Interest income	573	466	107	23.0%
Miscellaneous income	<u>2</u>	<u>-</u>	<u>2</u>	100.0%
Total revenues	<u>29,175</u>	<u>29,066</u>	<u>109</u>	0.4%
Expenses				
Program services	<u>24,272</u>	<u>22,942</u>	<u>1,330</u>	5.8%
Changes in Fund Balance/Net Position	4,903	6,124	(1,221)	-19.9%
Unassigned/Unrestricted, Beginning of Year	43,642	37,518	6,124	16.3%
Restatement	<u>(1,580)</u>	<u>-</u>	<u>(1,580)</u>	100.0%
Unassigned/Unrestricted, Beginning of Year, as restated	<u>42,062</u>	<u>37,518</u>	<u>4,544</u>	12.1%
Unassigned/Unrestricted, End of Year	<u>\$ 46,965</u>	<u>\$ 43,642</u>	<u>\$ 3,323</u>	7.6%

Santa Ana River Flood Protection Agency
Management's Discussion And Analysis (Continued)
June 30, 2019 and 2018

For the years ended June 30, 2019 and 2018, the change in fund balance/net position was \$6,240 and \$4,903 respectively. Member contributions are the main revenue source for the agency are established concurrently with the adoption of the budget.

General Fund Budget vs Actual Comparison

For the years ended June 30, 2019 and 2018, the overall revenue variance resulted in a \$3,004 and \$375 increase over what was projected, respectively. The members' contributions of \$28,600 in fiscal year 2019 and \$28,600 in fiscal year 2018 are based on 22 members paying their annual contributions of \$1,300. The \$5,286 and \$5,278 variances in expenses is mostly due to the \$5,000 travel budget going unused in fiscal year 2019 and 2018, 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, 2019 and 2018

	2019	2018
Assets		
Cash in treasury	\$ 55,847	\$ 51,426
Accounts receivable	-	1,300
Interest receivable	361	242
Total assets	\$ 56,208	\$ 52,968
Liabilities and Fund Balance/Net Position		
Liabilities		
Accounts payable	\$ 3,003	\$ 6,003
Fund Balance/Net Position		
Unassigned/Unrestricted	53,205	46,965
Total liabilities and fund balance/net position	\$ 56,208	\$ 52,968

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, 2019 and 2018

	2019	2018
Revenues and Other Support		
Member contributions	\$ 28,600	\$ 28,600
Interest income	1,904	573
Miscellaneous income	-	2
	30,504	29,175
Expenses		
Program services	24,264	24,272
Changes in Fund Balance/Net Position	6,240	4,903
Unassigned/Unrestricted, Beginning of Year, as restated	46,965	42,062
Unassigned/Unrestricted, End of Year	\$ 53,205	\$ 46,965

Santa Ana River Flood Protection Agency
 General Fund – Budgetary Comparison Statement
 June 30, 2019 and 2018

	2019 Original/Final Budget	2019 Actual	Variance Positive (Negative)
Revenues and Other Support			
Member contributions	\$ 27,300	\$ 28,600	\$ 1,300
Interest income	200	1,904	1,704
Total revenues	<u>27,500</u>	<u>30,504</u>	<u>3,004</u>
Expenses			
Program services	<u>29,550</u>	<u>24,264</u>	<u>5,286</u>
Changes in Fund Balance	(2,050)	6,240	8,290
Fund Balance - Unassigned, Beginning of Year	<u>46,965</u>	<u>46,965</u>	<u>-</u>
Fund Balance - Unassigned, End of Year	<u><u>\$ 44,915</u></u>	<u><u>\$ 53,205</u></u>	<u><u>\$ 8,290</u></u>
	2018 Original/Final Budget	2018 Actual	Variance Positive (Negative)
Revenues and Other Support			
Member contributions	\$ 28,600	\$ 28,600	\$ -
Interest income	200	573	373
Miscellaneous income	-	2	2
Total revenues	<u>28,800</u>	<u>29,175</u>	<u>375</u>
Expenses			
Program services	<u>29,550</u>	<u>24,272</u>	<u>5,278</u>
Changes in Fund Balance	(750)	4,903	5,653
Fund Balance - Unassigned, Beginning of Year, as restated	<u>42,062</u>	<u>42,062</u>	<u>-</u>
Fund Balance - Unassigned, End of Year	<u><u>\$ 41,312</u></u>	<u><u>\$ 46,965</u></u>	<u><u>\$ 5,653</u></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 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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 2019 and 2018. The Agency had \$0 and \$1,300 of accounts receivable related to member contributions at June 30, 2019 and 2018, respectively.

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 - Prior Year Restatement

The Agency has restated fund balance/net position as of July 1, 2017 to properly reflect beginning balances as a result of the following:

- The Agency identified expenditures of \$1,580 related to amounts that should have been recorded and accrued in the June 30, 2017 financial statements.

The following table describes the effects of the restatement on the July 1, 2017 fund balance/net position:

General Fund/Governmental Activities	June 30, 2017 Previously Presented	Restatement	July 1, 2017 Restated
Fund Balance/Net Position	\$ 43,642	\$ (1,580)	\$ 42,062

Additionally, the effect of the restatement on the statement of revenues, expenditures and changes in fund balance is shown below:

General Fund/Governmental Activities	June 30, 2017 Previously Presented	Restatement	July 1, 2017 Restated
Changes in Fund Balance/Net Position	\$ 6,124	\$ (1,580)	\$ 4,544

Note 4 - 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, 2019 and 2018 were \$264 and \$272, respectively.



Other Report
June 30, 2019 and 2018

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
The 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, 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 then ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated May 3, 2022. Our report included an emphasis of matter regarding identified expenditures of \$1,580 related to amounts that should have been recorded and accrued in the prior year June 30, 2017 financial statements. As a result, the Agency restated its beginning fund balance and net position as of July 1, 2017, which is described in Note 3. Our opinion is not modified with respect to this matter.

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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be material weaknesses.

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 determination of financial statement amounts. 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

The Agency's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Laguna Hills, California
May 3, 2022

2018-001 Accruals and Financial Statement Preparation
Type of Finding: Material Weakness

Criteria:

Accounting principles generally accepted in the United States of America 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.

Condition:

During the audit, it was noted that one transaction for \$1,500 related to expenses/expenditures incurred in fiscal year 2018 was not accrued by the Agency, and one transaction for \$1,300 related to revenues earned in fiscal year 2018 was not accrued by the Agency. Additionally, one transaction for \$1,500 related to expenses/expenditures incurred in fiscal year 2017 was not accrued by the Agency resulting in a restatement of the June 30, 2017 balances. The errors were corrected in the 2018 financial statements.

Cause:

The Agency's internal control over financial reporting did not identify the misstatements in a timely manner due to not having policies in place for identifying year-end accruals and for account reconciliations. The restatement further demonstrates the need for controls over the financial statement preparation process, to ensure timely and accurate financial reporting.

Effect:

The financial statements were not fairly stated in conformity with accounting principles generally accepted in the United States of America.

Recommendation:

We recommend the Agency review and revise its internal control procedures and implement policies to review subsequent disbursements to determine whether or not the transaction should be accrued in the previous fiscal year and to reconcile account balances to ensure balances are properly recorded. These policies should also ensure the financial statements are prepared accurately and in a timely manner.

Views of Responsible Officials:

Orange County Public Works Accounting, the accountants for the Agency, will implement procedures to accrue all outstanding payments at year-end and to reconcile account balances to ensure the financial statements are fairly stated.

Santa Ana River Flood Protection Agency
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019 and 2018

<u>Finding No.</u>	<u>Finding Name</u>	<u>Current Status</u>
2015-01, 2016-01	Accruals	Not Implemented, see finding 2018-001