

ITEM 5.1.2

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2/20/2024

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **Report/Letter date is TENTATIVE-TBD**

**RICHARDSON BAY REGIONAL AGENCY
BOARD OF DIRECTORS & MANAGEMENT REPORT
For the Years Ended
JUNE 30, 2023 & JUNE 30, 2022**

TABLE OF CONTENTS

	<u>PAGE</u>
Report on Internal Controls	1
Required Communications	2-3
Management Observations	4

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Board of Directors
Richardson Bay Regional Agency
San Rafael, California

In planning and performing our audit of the financial statements Richardson Bay Regional Agency as of and for the years ended June 30, 2023 and June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Richardson Bay Regional 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 organization'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 was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 or significant deficiencies may exist that have not been identified.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Richardson Bay Regional Agency in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors and management of Richardson Bay Regional Agency and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Richardson Bay Regional Agency's staff for its cooperation during our audit.

O'Connor & Company

Novato, California
February 15, 2024

Board of Directors
Richardson Bay Regional Agency
San Rafael, California

We have audited the financial statements of Richardson Bay Regional Agency for the years ended June 30, 2023 and June 30, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 3, 2023, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. 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.

As part of our audit, we considered the internal control of Richardson Bay Regional Agency. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Richardson Bay Regional Agency are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered by Richardson Bay Regional Agency during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimates affecting the financial statements were:

- Fair value of investments and financial instruments.

We have identified the following significant risk(s) of material misstatement as part of our audit planning: management override of controls, improper revenue recognition, and unallowable and fraudulent expenses.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely potential audit adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such adjustments.

There were 7 audit adjustments proposed for June 30, 2022 to assist Richardson Bay Regional Agency in

recording the prior year audit adjustments. There were 2 audit adjustments proposed for June 30, 2023 to assist Richardson Bay Regional Agency in recording the prior year 2022 audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 15, 2024.

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 Richardson Bay Regional Agency’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 Richardson Bay Regional Agency’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 Management’s Discussion and Analysis which requires supplementary information (RSI) that supplements 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 report is intended solely for the information and use of management and the Board of Directors of Richardson Bay Regional Agency and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson Bay Regional Agency
BOARD OF DIRECTORS & MANAGEMENT REPORT
For the Year Ended June 30, 2023

Current Year Observations

1) Lease Capitalization Policy

Observation:

Richardson Bay Regional Agency (the Agency) implemented Governmental Accounting Standards Board Statement No. 87, Leases, which became effective for the year ended June 30, 2022, and had immaterial effects on the financial statements. This new standard requires leases to be capitalized as intangible assets. In compliance with the new accounting statement the Agency should consider formalizing a capitalization policy for leases like their capitalization policy for capital assets.

Recommendation:

We recommended the Agency consider formalizing a capitalization policy for leases liabilities and the right to use assets over \$20,000.

Prior Year Observations

There were no prior year observations.

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