

Cobb Area County Water District
Financial Statements
Year ended December 31, 2020

Audited by
Coughlan Napa CPA Company, Inc.

Cobb Area County Water District

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COBB AREA COUNTY WATER DISTRICT

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Cobb Area County Water District

Management's Discussion and Analysis

For the Year Ending December 31, 2020

The intent of the management's discussion and analysis is to provide highlights of the Cobb Area County Water District's financial activities for the year ended December 31, 2020.

OVERVIEW

The Cobb Area County Water District is an independent, special District in Lake County, California, that provides water services to customers in the Cobb Area. The District operates under the authority of the California Health and Safety Code. The government-wide financial statements report on the function of the District that is supported by income from water services and assessments.

The uses governmental fund accounting. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The District maintains one general enterprise fund.

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Cobb Area County Water District

Management's Discussion and Analysis

For the Year Ending December 31, 2020

The District financial statements reports information, about the District as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Financial Position includes all of the District's assets and liabilities. All the current year's revenue and expenses are accounted for in the Statement of Activities. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

FINANCIAL HIGHLIGHTS

Net Income

The revenues for the 2020 year totaled \$6,494,679. The expenses totaled \$830,389, leaving a net income of \$5,664,292.

Expenditure Breakdown

Maintenance and Operations; \$830,387

Capital Expenditures; \$6,441,655

Federal and State Grants; \$5,530,381

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Cobb Area County Water District

Management's Discussion and Analysis

For the Year Ending December 31, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Financial Position

The statement of financial position presents information on all of the District's assets and liabilities. The difference between assets over liabilities can be a useful indicator of whether the financial position of the District is improving or deteriorating. The financial position of the District is showing a trend of improving.

Statement of Activities

The statement of activities presents information showing how the District's net assets changed during the most recent year. A change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, income and expenses are reported in this statement for some items that will only result in cash flows in the future period (eg., uncollected taxes and earned but unused vacation leave).

The income and expenses of the District has fluctuated over the years. The 2020 annual year saw an increase in costs to do business and with 2 major construction projects had a major increase in expenditures. This is shown by comparing 2019 income, expense, and net income

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Cobb Area County Water District

Management's Discussion and Analysis

For the Year Ending December 31, 2020

\$1,305,824/ \$893,873/ \$411,951 to 2020 income, expense, and net income \$6,494,679/ \$830,389/ \$5,664,292. This has been a common denominator due to major events through the years (eg., drought, atmospheric rivers, natural disasters, covid-19, and projects).

Statement of Cash Flows

The statement of cash flows presents information showing how the District's cash changed during the most recent year. Observing the cash balance at the district's year-end shows the funds available to meet current operating needs, pay current liabilities, and fund the amount of capital improvements required to carry the District's activities and objectives. The cash held by the District as of December 31, 2020, is \$203,838 compared to the previous year of 2019, \$329,892.

Budgetary Comparison

The District adopts an annual budget for their general enterprise fund. Following the basic financial statement in the supplemental information is a budgetary comparison statement to demonstrate compliance. The budget is adopted after considering the factors of the economy, rates, water usage, assessments, capital improvements, loan payments, and the prior year's actual expenditures.

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Management's Discussion and Analysis

For the Year Ending December 31, 2020

Debt Administration

For the year ended December 31, 2020, the District issued \$691,518 in new debt in the form of a 100% forgivable state loan.

Economic Outlook

At the time of budget preparation for 2020 annual budget, the economic outlook of the District continued to be stable. In May of 2020 that narrative changed. The economic uncertainties created as result of shelter-in-place orders issued by the state and local health officers in response to the COVID-19 global pandemic have changed the narrative. 2020 was a major grant driven construction year coupled with the Pandemic, a rise in cost for materials and the cost of doing business. While revenues are not being impacted as negatively as we expected it is difficult to plan with the current amount of uncertainty that exists in the current economic environment.

As we look to 2021 and beyond, we plan for the economic future, we continue to plan for capital improvements across the District, and we continue to provide the services that are required.

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Cobb Area County Water District

Management's Discussion and Analysis

For the Year Ending December 31, 2020

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all citizens, taxpayers, customers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to

Cobb Area County Water District
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cobb Area County Water District,

We have audited the accompanying financial statements of the business-type activities of Cobb Area County Water District (The District), a governmental special district, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 8 to the financial statements work-in-progress and related payables, as of January 1, 2020, were not recorded in the financial statements. Accounting principles generally accepted in the United States of America require these items to be recorded at the date of origination. The effects on the accompanying financial statements of the failure to record beginning amounts and balances resulted in beginning fixed assets and current liabilities being understated by \$691,518. The matter did not affect end of year balances or result in any net change in the change in net position for the year ended December 31, 2020.

Opinions

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Cobb Area County Water District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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 management's discussion and analysis on pages 1 through 6 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cobb Area County Water District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2022, on our consideration of the Cobb Area County Water District'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 Cobb Area County Water District'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 Cobb Area County Water District's internal control over financial reporting and compliance.

Coughlan Napa CPA Company, Inc.

COBB AREA COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
As of December 31, 2020

ASSETS

	2020
Current Assets:	
Cash and Equivalents	\$ 203,838
Accounts Receivable	2,259,764
Prepaid Expenses	4,930
Total Current Assets	2,468,532
Fixed Assets:	
Land	531,821
Machinery and Equipment	690,761
Pipelines Tanks and Treatment Systems	8,958,488
	10,181,070
Less: Accumulated Depreciation	(818,741)
Total Fixed Assets	9,362,329
TOTAL ASSETS	\$ 11,830,861

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 2,209,733
Accrued Expenses	4,421
Current Portion Long-Term Debt	33,682
Total Current Liabilities	2,247,836
Long-Term Liabilities	
Notes Payable	796,044
Less: Current Portion	(33,682)
Total Long-Term Liabilities	762,362
TOTAL LIABILITIES	3,010,198

NET POSITION

Net Investment in Fixed Assets	\$ 6,503,920
Unrestricted Net Position	2,316,743
TOTAL NET POSITION	8,820,663
TOTAL LIABILITIES AND NET POSITION	\$ 11,830,861

The notes are an integral part of these financial statements.

COBB AREA COUNTY WATR DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	2020
REVENUES	
<u>Program Revenues:</u>	
Water Sales	\$ 708,592
Assessments	156,662
Other Revenue	99,044
Total Program Revenues	<u>964,298</u>
EXPENSES	
<u>Operating Expenses:</u>	
Maintenance and Operations	275,877
Payroll Expense	432,924
Depreciation	121,585
Total Operating Expenses	<u>830,387</u>
Change in net position From Operation	<u>133,911</u>
<u>OTHER REVENUE</u>	
Federal CDBG Grant Funding	\$ 3,751,478
State Grant Project	1,778,903
Total Other Revenue	<u>5,530,381</u>
NET CHANGE IN NET POSITION	5,664,292
NET POSITION, BEGINNING OF YEAR	<u>3,156,371</u>
NET POSITION, END OF YEAR	<u><u>\$ 8,820,663</u></u>

The notes are an integral part of these financial statements.

COBB AREA COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOW FROM OPERATING ACTIVITIES	
Cash Received from Water Sales & Other	\$ 964,298
Deduct: Operating Expenses	(362,161)
Deduct: Salaries and Employee Benefits	<u>(432,924)</u>
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	<u>169,213</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Grant Financing	5,539,894
Payment of Long Term Debt	(85,109)
Borrowing on Long Term Debt	<u>691,518</u>
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	<u>6,146,303</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Capital Equipment	<u>(6,441,655)</u>
TOTAL CASH FLOW FROM INVESTING ACTIVITIES	<u>(6,441,655)</u>
NET CHANGE IN CASH FOR THE YEAR	(126,139)
CASH BALANCE, BEGINNING OF YEAR	<u>329,892</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 203,753</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in Net Position	\$ 133,911
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation Expense	121,585
Changes in operating assets and liabilities	
Increase in Receivables	(2,148,734)
Increase in Accounts Payable and Accrued Expenses	<u>2,062,451</u>
Total change in operating assets and liabilities	<u>35,302</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 169,213</u></u>

The notes are an integral part of these financial statements.

**COBB AREA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

Note 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Cobb Area County Water District (The "District") was formed in 1992 as a California Water District to provide water service for residents of the District. The Agency is governed by a Board of Directors elected by the District.

The District administrates and maintains the Cobb Area County Water District. As of August 12, 2018, per Cobb Area County Water District Reorg. #1 (LAFCO FILE 2017-000), Cobb Area County Water District completed annexation of the following water systems: Adam Springs, Alpine Springs, Pine Grove Water County service areas 18,7,22, Branding Iron Water, and Hill 9 and 10 Mutual Water Association. Cobb Area Water District now maintains full control and responsibilities for these service areas and now operates as one entity.

FUND ACCOUNTING

The primary activities of the District are that of water sales and distribution. The activities are summarized by accounts organized on the basis of proprietary fund accounting. The operations are accounted for in a manner similar to private business enterprises where the cost (expenses, including depreciation) of providing services to the users in the District is financed primarily through user charges.

BASIS OF ACCOUNTING

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

CAPITAL ASSETS

Capital assets are recorded at cost. Assets contributed are recorded at estimated fair market value. Depreciation expense is recorded using the straight-line method over the estimated useful lives of 3 to 60 years.

ACCOUNTS RECEIVABLE

The District expects that substantially all accounts receivable will be collected; therefore, no allowance for doubtful accounts has been established.

INCOME TAXES

As a public agency, the District is exempt from both Federal and State taxes. Therefore, no provision has been made for income taxes.

ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

RESTRICTIONS

Amounts received for restricted purposes expended for the restricted purpose in the current period are shown as unrestricted.

COBB AREA COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2020

Note 2 CASH

The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents. All bank balances were entirely insured by the Federal Deposit Insurance Corporation as of December 31, 2020.

The District maintains balance in the State of California Investment Treasurer's Pool, which is a government pooled fund with minimal credit risk.

Note 3 LONG TERM DEBT

Promissory note at 3.5% interest to Finance Company in the original amount of \$53,625 to finance generators, which are the security of the loan. Payable monthly \$1,063 principal and interest starting May 2, 2019, amortized over 60 months all due and payable March 1, 2024. \$ 38,709

Promissory note at 3.5% interest to Finance Company in the original amount of \$40,651 to finance an excavator, which is the security of the loan. Payable monthly \$758 principal and interest starting April 22, 2019, amortized over 60 months all due and payable February 7, 2024. 26,068

Promissory note at 4.35% interest to Bank in the original amount of \$561,348 to finance the 2005 Schwartz pipelines and tank projects. Payable semi-yearly \$23,414 principal and interest starting July 15, 2012, all due and payable January 15, 2021. 965

Promissory note at 4.95% interest to Bank in the original amount of \$80,000 to finance the 2008 Estates project. Payable semi-yearly \$3,809 principal and interest starting January 11, 2009, all due and payable July 11, 2023. 17,868

Promissory note at 5.815% interest to Bank in the original amount of \$39,964 to finance the 2017 GMC Savana vehicle, which is the security of the loan. Payable quarterly \$2,202 principal and interest starting August 31, 2018, amortized over 20 quarters all due and payable May 31, 2023. 20,916

Subtotal 104,525

COBB AREA COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2020

Note 3 LONG TERM DEBT (continued)

<u>Planning Loan (100% Principal Forgiveness) Project No1710012-00IP</u>	691,518
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The District was awarded a California Water Resources planning loan (100% Principal Forgiveness) for multi-system consolidation in the amount of \$2,550,000. The project was in progress at year end 2020. The loan balance was \$691,518 at year end.

Total	<hr style="border: 0.5px solid black;"/> \$796,043 <hr style="border: 0.5px solid black;"/>
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Principal payments due year ended:

December 31, 2021	\$	33,682
December 31, 2022		34,438
December 31, 2023		31,886
December 31, 2024		4,519
<hr style="border: 0.5px solid black;"/>		
Total	\$	<u>104,525</u>

Grant & Anticipation and Revolving Credit Promissory Note

On July 8, 2020 the District entered into agreement for a grant anticipation and revolving credit promissory note in the amount of \$1,500,000. The loan is to be used for grant-approved eligible project costs. The rate is 1.75% above the higher of zero percent or the LIBOR rate for the offering of one month US dollar deposits. The balance on the loan at December 31, 2020 was zero.

Note 4 NET POSITION

Net position consists of net assets other than amounts invested in fixed assets. The amount of net position designated for other than general operating expenses is determined by the Board of Directors. The designated amount as of December 31, 2020 was zero.

Note 5 BUDGET

An annual budget is determined by the Board of Directors to provide for current operating expenditures and to reserve for future equipment replacement. The District retains any excess operating funds at the end of the year for use in future years.

COBB AREA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 6 RISK OF LOSS

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, and injuries to employees. The District purchases certain commercial insurance coverage to provide for these risks.

Note 7 CAPITAL PROJECTS

County of Lake Cobb Mountain Project No: 18-CDBG-12872

In August 2019 The District was awarded a Federal community Development Block Grant (CDBG) under the 2016 special wildfire assistance Program. The award is for \$5,597,737 and is to be used for public improvements: Installation of water main and public laterals and general program administration. The project was in progress at year end 2020.

State Water Resources Control Board Drinking Water Proposition 68 Grant Project No 1710012-002C.

The District was awarded a California Water Resources grant in the amount of \$1,778,903 to be used for Summit Area improvements. The project was in progress at year end 2020.

Note 8 QUALIFIED OPINION FOR DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The District did not record work-in-progress and related construction payables in the amount of \$691,518 at the end of 2019. GAAP requires these items to be recorded in the year of origination. Thus Capital Assets and Accounts Payable were understated by this amount at the beginning of the audit year.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The District deems this contingency remote since, by accepting the grants and their terms, it has accommodated the objectives of the District to the provisions of the grants. Management is of the opinion that the District has complied with the terms of all grants.

In early 2020 the United States and other countries began to experience the threat of a global Coronavirus pandemic. Containment measures and other factors in California, and throughout the Country and the world, have had significant economic impacts which may affect accounting estimates and concentrations in ways that are not yet known

Note 10 SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 9, 2022 the date which the financial statements were available to be issued.

Cobb Area County Water District
 Schedule of Expenditures of Federal Awards
 For the Year ended December 31, 2020

Federal Grantor/Pass-through Grantor /Program Title	Federal CFDA Number	Disbursements/ Expenditures
Department of Housing & Urban Development		
Pass through from the California Department of Housing and Community Development via the County of Lake	14.228	3,751,478
Federal Emergency Management Administration		
Pass through from California Office of Emergency Services	97.036	31,644
Total:		<u>\$3,783,122</u>

Cobb Area County Water District
Notes to Schedule of Expenditures of Federal Awards
For the Year ended December 31, 2020

NOTE A — Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cobb Area County Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

NOTE B — Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, Cost Principles for the governmental special district, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

NOTE C — De minimis Rate

The District did not use the 10% de minimis expense allocation rate.



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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*

Board of Directors
Cobb Area County Water District
Cobb, CA

We have audited, in accordance with U.S. generally accepted auditing standards 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 Cobb Area County Water District (a government special district), which comprise the statement of net position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cobb Area County Water District's internal control over financial reporting (internal control) to determine the 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 Cobb Area County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 or correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of significant 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 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. However, given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cobb Area County Water District's financial statements are free of 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.

Purpose of the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coughlan Napa CPA Company, Inc.

Coughlan Napa CPA Company, Inc.

March 9, 2022



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Company@CoughlanNapaCPACo.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Cobb Area County Water District
Cobb, CA

Report on Compliance for Each Major Federal Program

We have audited Cobb Area County Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cobb Area County Water District's major federal programs for the year ended December 31, 2020. Cobb Area County Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cobb Area County Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cobb Area County Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cobb Area County Water District's compliance.

Opinion on Each Major Federal Program

In our opinion, Cobb Area County Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of Cobb Area County Water District is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Coughlan Napa CPA Company, Inc.

Coughlan Napa CPA Company, Inc.

March 9, 2022

Cobb Area County Water District
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements of Cobb Area County Water District is qualified.
2. No Material weaknesses relating to the audit of the financial statements of Cobb Area County Water District were disclosed during the audit.
3. No significant deficiencies relating to the audit of the financial statements of Cobb Area County Water District were disclosed during the audit.
4. No instances of noncompliance material to the financial statements of Cobb Area County Water District were disclosed during the audit.
5. No material weakness relating to the audit of the major federal award programs were disclosed during the audit.
6. No significant deficiencies relating to the audit of the major federal award programs were disclosed during the audit.
7. The auditor's report on compliance for the major federal award program for Cobb Area County Water District expresses an unqualified opinion on the major federal program.
8. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
9. The program tested as a major program was CFDA Number 14.228 United States Housing and Urban Development. – Community Development Block Grant 2016 Special Wildfire Assistance grant.
10. The threshold for distinguishing Types A and B Programs was \$750,000.
11. Cobb Area County Water District did not qualify as a low-risk auditee.

FINDINGS-FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None