

Cobb Area County Water District
Financial Statements
Year ended December 31, 2021

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, 2021

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, 2021.

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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Management's Discussion and Analysis

For the Year Ending December 31, 2021

The District financial statements report's information, about the District as a whole, using accounting methods like those used by private-sector companies. The Statement of Financial Position includes all 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 like a private-sector business.

FINANCIAL HIGHLIGHTS

Net Income

The revenues for the 2021 year totaled \$3,202,757. The expenses totaled \$1,108,333 leaving a net income of \$2,094,424.

Expenditure Breakdown

Maintenance and Operations; \$1,095,990

Capital Expenditures; \$2,240,740

Federal and State Grants; \$2,080,629

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Management's Discussion and Analysis

For the Year Ending December 31, 2021

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Financial Position

The statement of financial position presents information on all 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 2021 annual year saw an increase in costs to do business had an increase in expenditures. This is shown by comparing 2020 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, 2021

\$6,494,679/ \$830,389/ \$5,664,292 to 2021 income, expense, and net income \$3,202,757/\$1,108,333/\$2,094,424. 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, 2021, is \$314,407 compared to the previous year of 2020, \$203,838.

Budgetary Comparison

The District adopts an annual budget for their general enterprise fund. 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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For the Year Ending December 31, 2021

Debt Administration

For the year ended December 31, 2021, the District issued \$259,933 in new debt in the form of a CoBank Bridge Loan.

Economic Outlook

At the time of budget preparation for 2021 annual budget, the economic outlook of the District continued to be stable. 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. In 2021 we have seen 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. The Pandemic has created extreme costs that may be felt for years to come.

As we look to 2022 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, 2021

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cobb Area County Water District,

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Cobb Area County Water District, 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 opinion.

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 Cobb Area County Water District'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Cobb Area County Water District'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 Cobb Area County Water District'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 the management's discussion and analysis on pages 1-6 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cobb Area County Water District's basic financial statements. The accompanying schedule of expenditures of federal awards, required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 September 26, 2022, on our consideration of Cobb Area 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 the Cobb Area 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 Cobb Area Water District's internal control over financial reporting and compliance.

Coughlan Napa CPA Company, Inc.

Coughlan Napa CPA Company, Inc.
September 26, 2022

**Cobb County Water District
Statement of Net Position
December 31, 2021**

Current Assets:	
Cash and equivalents	\$ 314,407
Accounts receivable	151,676
Grants receivable	624,357
Prepaid expense	<u>6,089</u>
Total current assets	<u>1,096,529</u>
Noncurrent Assets:	
Capital assets:	
Land	531,821
Construction in progress	1,190,920
Machinery and equipment	690,761
Pipelines tanks and treatment systems	10,008,309
Less accumulated depreciation	<u>(912,657)</u>
Total capital assets (net of accumulated depreciation)	<u>11,509,154</u>
Total noncurrent assets	<u>11,509,154</u>
Total assets	<u>12,605,683</u>
Current Liabilities:	
Accounts payable	506,803
Accrued payroll	4,335
Current portion long-term debt	<u>34,438</u>
Total current liabilities	<u>545,576</u>
Noncurrent Liabilities:	
Note payable	1,023,086
Less: current portion	<u>(34,438)</u>
Total long-term liabilities	<u>988,648</u>
Total liabilities	<u>1,534,224</u>
Net Position	
Net investment in capital assets	10,486,068
Unrestricted	<u>585,391</u>
Total net position	<u>\$ 11,071,459</u>

Cobb County Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

Operating revenue	
Water sales	\$ 872,444
Assessments	112,317
Connection fees	33,150
Other revenue	<u>91,873</u>
Total operating revenues	<u>1,109,785</u>
Operating expenses	
Maintenance and operations	539,819
Payroll expense	427,822
Depreciation	128,349
Interest expense	<u>12,342</u>
Total operating expenses	<u>1,108,332</u>
Operating income (loss)	<u>1,453</u>
Nonoperating revenue (expenses)	
Federal CDBG grant funding	949,164
State grant project	<u>1,143,807</u>
Nonoperating revenues (expenses)	<u>2,092,971</u>
Increase (decrease) in net position	<u>2,094,424</u>
Net position, beginning of year	8,820,663
Prior period adjustment	<u>156,372</u>
Net position, beginning of year-restated	<u>8,977,035</u>
Net position, end of year	<u><u>\$ 11,071,459</u></u>

Cobb County Water District
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Cash receipts from water sales and other	\$ 1,029,779
Deduct: operating expenses	(575,548)
Deduct: salaries and employee benefit	(427,908)
Net cash flow from operating activities	<u>26,323</u>
Cash flows from capital and related financing activities	
Capital grants received	2,097,945
Borrowing under long term debt	1,653,760
Payment of long term debt	<u>(1,426,718)</u>
Net cash used by capital and related financing activities	<u>2,324,986</u>
Purchase of capital equipment	<u>(2,240,741)</u>
Net cash flow from investing activities	<u>(2,240,741)</u>
Net increase (decrease) in cash and cash equivalents	110,569
Cash balance, beginning of year	<u>203,838</u>
Cash balance, end of year	<u><u>\$ 314,407</u></u>
Net cash provided by operating activities	\$ 1,453
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	93,916
Prior period adjustment	157,372
Changes in assets and liabilities	
Accounts receivables	1,477,731
Prepaid expenses	(1,159)
Accounts payables	(1,702,903)
Accrued payroll	<u>(86)</u>
Net cash provided by operating activities	<u><u>\$ 26,323</u></u>

COBB AREA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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, 2021

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, 2021.

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. \$ 28,267

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. 18,377

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. 11,208

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. 12,783

Subtotal 70,635

COBB AREA COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2021

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 2021. The loan balance was \$691,518 at year end.

Total	\$762,153
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Principal payments due year ended:

December 31, 2022	34,438
December 31, 2023	31,886
December 31, 2024	4,519
Total	
	\$ 70,635

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, 2021 was 259,933.

Note 4 CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2021:

COBB AREA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

Note 4 PROPERTY PLANT AND EQUIPMENT (continued)

	Balance 1/1/2021	Additions	Adjustments/ Retirements	Balance 12/31/2021
Capital assets not being depreciated				
Land	\$ 531,821	\$ -	\$ -	\$ 531,821
Construction in progress	-	496,493	694,427	1,190,920
Total capital assets, not being depreciated	<u>531,821</u>	<u>496,493</u>	<u>694,427</u>	<u>1,722,741</u>
Capital assets, being depreciated				
Machinery and equipment	690,761			690,761
Pipelines tanks and treatment system	8,958,488	1,622,309	(572,488)	10,008,309
Total capital assets, being depreciated	<u>9,649,249</u>	<u>1,622,309</u>	<u>(572,488)</u>	<u>10,699,070</u>
Less accumulated depreciation:	<u>(818,741)</u>	<u>(128,349)</u>	<u>34,433</u>	<u>(912,657)</u>
Total capital assets, being depreciated, net	<u>8,830,508</u>	<u>1,493,960</u>	<u>(538,055)</u>	<u>9,786,413</u>
Total capital assets, net	<u>\$ 9,362,329</u>	<u>\$ 1,990,453</u>	<u>\$ 156,372</u>	<u>\$ 11,509,154</u>

Note 5 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, 2021 was zero

Note 6 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, 2021

Note 7 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 8 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 2021.

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 2021.

Note 9 PRIOR PERIOD ADJUSTMENT

The District restated beginning net assets based on a revised estimate of net fixed assets and related depreciation.

NOTE 10 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 11 SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 26, 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, 2021

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	\$ 620,989
Federal Emergency Management Administration		
Pass through from California Office of Emergency Services	97.036	338,017
Total:		<hr/> <u>\$959,006</u>

Cobb Area County Water District
Notes to Schedule of Expenditures of Federal Awards
For the Year ended December 31, 2021

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 the 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 business-type activities of Cobb Area County Water District (a government special district), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Cobb Area County Water District's basic financial statements, and have issued our report thereon dated September 26, 2022.

Report on 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) 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 Cobb Area County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cobb Area County Water 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 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 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. 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cobb Area County Water District'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*.

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.

Coughlan Napa CPA Company, Inc.

Coughlan Napa CPA Company, Inc.
September 26, 2022



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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

Opinion on Each Major Federal Program

We have audited Cobb Area County Water District's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cobb Area County Water District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cobb Area County Water District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Cobb Area County Water District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cobb Area County Water District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cobb Area County Water District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Cobb Area County Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cobb Area County Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Cobb Area County Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Cobb Area County Water District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Cobb Area County Water District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a combination of 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 the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to

identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.
September 26, 2022

Cobb Area County Water District
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements of Cobb Area County Water District is unqualified.
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