

CALLAYOMI COUNTY WATER DISTRICT

**Annual Financial Report and
Supplementary Information
With
Independent Auditor's Report
Modified Cash Basis**

JUNE 30, 2022

CALLAYOMI COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
Modified Cash Basis**

JUNE 30, 2022

TABLE OF CONTENTS

Financial Section

Independent Auditor’s Report.....	1-4
Financial Statements – Modified Cash Basis	
Statement of Net Position.....	5
Statement of Revenues, Expenses, and Changes in Net Position.....	6
Statement of Cash Flows.....	7
Notes to the Modified Cash Basis Financial Statements.....	8-22
Required Supplementary Information	
Schedule of the District’s Proportionate Share of the Net Pension Liability.....	23
Schedule of the District’s Pension Contributions.....	24

Other Reporting Required by Government Auditing Standards

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 <i>Government Auditing Standards</i>	25-26
---	-------

Other Information

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	27-29
Schedule of Expenditures of Federal Awards.....	30
Notes to the Schedule of Expenditures of Federal Awards.....	31
Schedule of Findings and Questioned Costs.....	32

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Callayomi County Water District
Middletown, California

Opinions

We have audited the accompanying modified cash basis financial statements of the Callayomi County Water District (the District), as of and for the year ended June 30, 2022, 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 District as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with the modified cash basis of accounting described in Note 1C.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

Basis of Accounting

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to the matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information (Continued)

Accounting principles generally accepted in the United States of America require that the supplementary information other than Management's Discussion and Analysis, as listed in the table of contents on page 23, the Schedule of the District's Proportionate Share of the Net Pension Liability, and page 24, the Schedule of the District's Pension Contributions, 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 (GASB), 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 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 also 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.

Board of Directors
Callayomi County Water District
Middletown, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 District's internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants


March 28, 2023
Sacramento, California

**CALLAYOMI COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2022**

Assets

Current Assets	
Cash and investments	\$ 1,350,209
Restricted cash	17,097
Total current assets	1,367,306
Non-current Assets	
Right of use lease asset, net	404,629
Capital assets	
Non-depreciable capital assets	
Land	309,348
Construction in progress	2,453,730
Depreciable capital assets	
Buildings	3,014,943
Machinery and equipment	897,553
Infrastructure	1,372,527
Less accumulated depreciation	(1,284,804)
Total capital assets (net of accumulated depreciation)	6,763,297
Total non-current assets	7,167,926
Total Assets	8,535,232

Deferred Outflows of Resources

Deferred pensions	177,835
-------------------	---------

Liabilities

Current Liabilities	
Bonds payable - current	7,500
Lease liability - current	15,736
Total current liabilities	23,236
Non-current Liabilities	
Bonds payable - due after one year	44,000
Lease liability - due after one year	398,077
Net pension liability	209,406
Compensated absences	10,035
Total non-current liabilities	661,518
Total Liabilities	684,754

Deferred Inflows of Resources

Deferred pensions	209,346
-------------------	---------

Net Position

Net investment in capital assets	6,349,484
Unrestricted	1,469,483
Total Net Position	\$ 7,818,967

The accompanying notes are an integral part of these financial statements.

CALLAYOMI COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022

Operating Revenues:

Water sales	\$ 608,023
Total operating revenues	608,023

Operating Expenses:

Salaries and benefits	263,790
Communication	12,102
Insurance	9,434
Maintenance	24,906
Rents and leases	1,955
Office supplies	5,837
Professional services	18,482
Special departmental	13,088
Transportation and travel	4,867
Utilities	28,828
Clothing	851
Household	3,773
Memberships	2,160
Miscellaneous	8,123
Amortization expense	24,973
Depreciation	147,513
Total operating expenses	570,682

Operating income	37,341
------------------	--------

Non-Operating Revenues and (Expenses):

Interest revenue	1,417
Property taxes	11,112
Homeowner property tax relief	68
Federal grant revenue	2,259,592
Capacity charges	44,855
Interest expense	(14,362)
Miscellaneous income	13,574
Total non-operating revenues and (expenses)	2,316,256

Change in net position	2,353,597
------------------------	-----------

Beginning net position	5,465,370
------------------------	-----------

Ending net position	\$ 7,818,967
---------------------	--------------

The accompanying notes are an integral part of these financial statements.

**CALLAYOMI COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities:	
Cash receipts from customers	\$ 608,023
Cash payments to suppliers for goods and services	(134,406)
Cash payments to employees for services	(302,203)
	<hr/>
Net cash provided by operating activities	171,414
	<hr/>
Cash flows from non-capital financing activities:	
Property taxes received	11,112
Homeowners property tax relief	68
Miscellaneous income	13,574
	<hr/>
Net cash provided by non-capital financing activities	24,754
	<hr/>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(7,500)
Lease payments	(15,789)
Interest payments on long-term debt	(14,362)
Receipts from capacity charges	44,855
Federal grant proceeds	2,259,592
Acquisition and construction of capital assets	(1,355,464)
	<hr/>
Net cash provided by capital and related financing activities	911,332
	<hr/>
Cash flows from investing activities:	
Investment income received	1,417
	<hr/>
Net cash provided by investing activities	1,417
	<hr/>
Net increase in cash and cash equivalents	1,108,917
	<hr/>
Cash and cash equivalents, beginning of year	258,389
	<hr/>
Cash and cash equivalents, end of year	\$ 1,367,306
	<hr/> <hr/>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and investments	\$ 1,350,209
Restricted cash and investments	17,097
	<hr/>
Cash and cash equivalents, end of fiscal year	\$ 1,367,306
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 37,341
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	147,513
Amortization expense	24,973
Changes in:	
Net pension liability	(38,397)
Compensated absences liability	(16)
	<hr/>
Net cash provided by operating activities	\$ 171,414
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Callayomi County Water District (the District) was formed pursuant to a resolution adopted by the Lake County Board of Supervisors on July 11, 1977. The District operates under the California Water Code, Division 12, Section 30,000 et. Seq. The District is a separate legal reporting entity operating in Lake County.

A. Reporting Entity

The District has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with GASB.

B. Fund Accounting

The accounting records of the District are organized on the U.S. generally accepted basis of accounting for an enterprise fund.

Enterprise Fund – Enterprise funds are used to account for the District's water operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following are some of the ways that the modified cash basis of accounting differs from generally accepted accounting principles.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Generally accepted accounting principles require proprietary funds to use the accrual basis of accounting, that is, revenues are recognized when they are earned and expenses are recognized when the related fund liability is incurred. Under the modified cash basis of accounting, revenues are recognized when they are received and expenses are recognized when they are paid. The exception is long-term debt and capital assets. Payments for the principal portion of long-term debt are not recognized as expenditures, but reduce the long-term debt and purchases of capital assets are capitalized when purchased and then expensed with annual depreciation over the life of the asset.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

D. Fixed Assets

Acquisitions of fixed assets are capitalized at cost and the related accumulated depreciation is recorded. Depreciation is provided for using the straight-line method over the estimated useful lives as indicated in the District's capital asset policy. The District has adopted a capital asset policy in accordance with GASB 34.

E. Cash Equivalents

For purpose of the Statement of Cash Flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California State law does not require formal adoption of appropriated budgets for enterprise funds.

CALLAYOMI COUNTY WATER DISTRICT

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Estimated Insurance Liabilities

The District maintains a commercial package policy that provides limits of liability of \$5,000,000 per occurrence annually.

I. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues, and expenses and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of the net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

J. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and compensated time off. In accordance with GASB 16, the liability for accumulated leave includes all salary related payments that are directly and incrementally connected with leave payments to employees.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Tax Revenue

The District receives property taxes from the County of Lake, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property.

Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

NOTE 2: CASH AND INVESTMENTS

Cash	\$ 1,350,209
Restricted investments	17,097
Total cash and investments	<u>\$ 1,367,306</u>
Cash with County	\$ 1,308,747
Holding account	41,462
Restricted investments	17,097
Total cash and investments	<u>\$ 1,367,306</u>

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

A. Investments Authorized by the California Government Code and the Entity's Investment Policy (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable CDs	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-term notes	5 years	30%	None
Mutual/money market funds	5 years	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	15%
Time deposits	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Lake County Pooled Cash *	\$ 1,325,844	\$ 1,325,844	\$ -
Total	<u>\$ 1,325,844</u>	<u>\$ 1,325,844</u>	<u>\$ -</u>

* Not subject to categorization

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2022, the District's deposits balance was \$41,462 and the carrying amount was \$41,462. The difference between the bank balance and the carrying amount (if any) was due to normal outstanding checks and deposits in transit. Of the bank balance, all was covered by the Federal Depository Insurance.

E. Investment in County Investment Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 309,348	\$ -	\$ -	\$ -	\$ 309,348
Construction in progress	1,201,337	1,252,393	-	-	2,453,730
Total capital assets, not being depreciated	<u>1,510,685</u>	<u>1,252,393</u>	<u>-</u>	<u>-</u>	<u>2,763,078</u>
Capital assets, being depreciated:					
Buildings	3,014,943	-	-	-	3,014,943
Machinery and equipment	866,981	30,572	-	-	897,553
Infrastructure	1,300,028	72,499	-	-	1,372,527
Total capital assets, being depreciated	<u>5,181,952</u>	<u>103,071</u>	<u>-</u>	<u>-</u>	<u>5,285,023</u>
Less: accumulated depreciation	<u>(1,137,291)</u>	<u>(147,513)</u>	<u>-</u>	<u>-</u>	<u>(1,284,804)</u>
Total capital assets, being depreciated, net	<u>4,044,661</u>	<u>(44,442)</u>	<u>-</u>	<u>-</u>	<u>4,000,219</u>
Total capital assets, net	<u>\$ 5,555,346</u>	<u>\$ 1,207,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,763,297</u>

Depreciation expense for the year ended June 30, 2022 was \$147,513.

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of the District's long-term liabilities:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Compensated absences liability	\$ 10,051	\$ 15,329	\$ (15,345)	\$ 10,035	\$ -
1988 General obligation bonds	59,000	-	(7,500)	51,500	7,500
Asellus Sonoma, LLC lease	-	430,684	(16,871)	413,813	15,736
Net pension liability	347,889	-	(138,483)	209,406	-
	<u>\$ 416,940</u>	<u>\$ 446,013</u>	<u>\$ (178,199)</u>	<u>\$ 684,754</u>	<u>\$ 23,236</u>

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

A. 1988 General Obligation Issue series 1989-1 and 1989-2

These bonds were issued to finance improvements to the water system. The bonds are serial bonds with stated interest of 5% and they mature on August 2027. The annual requirements to amortize the General Obligation Bonds as of June 30, 2022, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 7,500	\$ 2,888	\$ 10,388
2024	8,000	2,500	10,500
2025	8,500	2,088	10,588
2026	9,000	1,426	10,426
2027	9,000	487	9,487
2028	9,500	487	9,987
Total	<u>\$ 51,500</u>	<u>\$ 9,876</u>	<u>\$ 61,376</u>

B. Lease

The District implemented GASB 87, Leases, to report its 50-year cancelable lease with Asellus Sonoma, LLC, to purchase water. The lease term extends through September 13, 2038. The District must purchase a minimum of 48 million gallons annually at a cost of \$23,326, adjusted annually for inflation, with additional payments for any overage of water leased. The total amount paid under this operating lease for the 2021/22 fiscal year was \$28,471.

The following is a schedule of aggregate future minimum lease payments as of June 30, 2022:

Fiscal Year Ending June 30,	Amount
2023	\$ 27,922
2024	28,217
2025	28,781
2026	29,357
2027	29,944
2028-2032	158,944
2033-2037	175,488
2038-2039	57,674
Total minimum lease payments	536,327
Less: amount representing interest	(122,514)
Total present value of future minimum lease payments	<u>\$ 413,813</u>

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

B. Lease (Continued)

The following is a schedule of the right of use asset capitalized at June 30, 2022:

Right of use asset, cost	\$ 429,603
Less: Accumulated amortization	<u>(24,974)</u>
Right of use asset, net	<u>\$ 404,629</u>

NOTE 5: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Prior to <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	57 - 62
Monthly benefits, as a % of compensation	2.2% to 2.7%	1% to 2%
Required employee contribution	8.00%	6.75%
Required employer contribution	14.19%	7.73%

CALLAYOMI COUNTY WATER DISTRICT

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 5: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN
(CONTINUED)**

A. General Information about the Pension Plans (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions - employer	\$	70,103
Contributions - employee	\$	12,542

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions**

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

		<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Plan	\$	209,406

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 5: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN
(CONTINUED)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

For the year ended June 30, 2022, the District recognized pension expense of \$33,706. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,483	\$ -
Change of assumptions	-	-
Differences between projected and actual earnings on pension plan investments	-	(182,800)
Changes in proportion	82,249	-
Changes in proportionate share of contributions	-	(26,546)
District contributions subsequent to the measurement date	72,103	-
Total	<u>\$ 177,835</u>	<u>\$ (209,346)</u>

\$72,103 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (14,066)
2024	(15,229)
2025	(23,804)
2026	(50,515)
	<u>\$ (103,614)</u>

CALLAYOMI COUNTY WATER DISTRICT

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN
(CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age of service
Investment Rate of Return	7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2020-21 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 5: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN
(CONTINUED)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous Plan	\$ 500,107	\$ 209,406	\$ (30,912)

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6: REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As of June 30, 2022, the District was under contract with Clyde G. Steagall, Inc. to build a new well. The contract amount was \$1,733,601 with a remaining balance to complete the project of \$260,081.

The District also had other ongoing engineering, legal, and professional service agreements as of June 30, 2022.

Contingent Liabilities

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits would typically be handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

The District has ongoing contracts/agreements for engineering and other professional services.

Grant Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

NOTE 8: COVID-19

In January 2021, SARS-CoV-2, the coronavirus responsible for COVID-19, was detected in the United States of America. As a result of this virus, State and Local Health officials established various stay at home and other measures to reduce the spread. To date, the District has not experienced any significant impacts other than the purchase of personal protective equipment, taking additional sanitization measures, and staggering intermittent service times. While the state of emergency expired on February 28, 2023, the long-term impact in the State of California continues to be uncertain.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9: SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 28, 2023, which is the date the basic financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

The District is seeking additional funding from the State Water Board to complete the Big Canyon Production Well Improvements Project. Therefore, the District's agreement with the State Water Board was amended on September 20, 2022, to extend the construction completion date of the Big Canyon Production Well Improvements Project to December 15, 2024, and extend the final disbursement request date to March 1, 2025.

CALLAYOMI COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

CALLAYOMI COUNTY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (NPL)
JUNE 30, 2022**

Last 10 Fiscal Years*

<u>Reporting Date</u>	<u>District's proportion of the NPL</u>	<u>District's proportionate share of the NPL</u>	<u>District's covered employee payroll</u>	<u>District's proportionate share of the NPL as a % of its covered payroll</u>	<u>Plan fiduciary net position as a % of the total pension liability</u>
6/30/2015	0.00804%	\$198,624	\$84,507	235.04%	77.91%
6/30/2016	0.00875%	\$239,961	\$174,573	137.46%	75.85%
6/30/2017	0.00820%	\$284,784	\$183,116	155.52%	73.18%
6/30/2018	0.00823%	\$324,330	\$183,523	176.72%	68.79%
6/30/2019	0.00815%	\$307,189	\$198,025	155.13%	70.85%
6/30/2020	0.00810%	\$324,353	\$202,114	160.48%	70.36%
6/30/2021	0.00825%	\$347,889	\$214,816	97.48%	71.37%
6/30/2022	0.01103%	\$209,406	\$202,956	103.18%	70.87%

* Fiscal year ended June 30, 2015 was the first year of implementation.
Additional years will be presented as they become available.

CALLAYOMI COUNTY WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2022**

Last 10 Fiscal Years*

<u>Reporting Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency/ (excess)</u>	<u>District's covered employee payroll</u>	<u>Contribution as a % of its covered payroll</u>
6/30/2015	\$15,582	(\$15,582)	\$0	\$84,507	18.44%
6/30/2016	\$22,995	(\$22,995)	\$0	\$174,573	13.17%
6/30/2017	\$35,118	(\$35,118)	\$0	\$183,116	19.18%
6/30/2018	\$37,351	(\$37,351)	\$0	\$183,523	20.35%
6/30/2019	\$42,577	(\$42,577)	\$0	\$198,025	21.50%
6/30/2020	\$46,654	(\$46,654)	\$0	\$202,114	23.08%
6/30/2021	\$48,412	(\$48,412)	\$0	\$214,816	22.54%
6/30/2022	\$48,412	(\$48,412)	\$0	\$202,956	23.85%

* Fiscal year ended June 30, 2015 was the first year of implementation.
Additional years will be presented as they become available.

CALLAYOMI COUNTY WATER DISTRICT
OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

**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
Callayomi County Water District
Middletown, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Callayomi County Water District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. 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 may exist that have not been identified.

Board of Directors
Callayomi County Water District
Middletown, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 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.

Fechter & Company
Certified Public Accountants


Sacramento, California
March 28, 2023

CALLAYOMI COUNTY WATER DISTRICT
OTHER INFORMATION

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

Board of Directors
Callayomi County Water District
Middletown, California

Report on Compliance for Each Major Federal Program

We have audited Callayomi County Water District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2022. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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). 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 the 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 the District's compliance.

Board of Directors
Callayomi County Water District
Middletown, California

Opinion on Each Major Federal Program

In our opinion, the 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 June 30, 2022.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control 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 each major federal program 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 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.

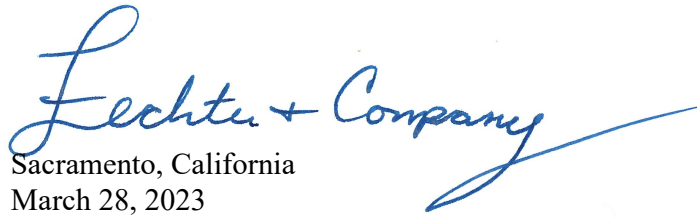
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

Board of Directors
Callayomi County Water District
Middletown, California

Report on Internal Control over Compliance (Continued)

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fechter & Company
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Sacramento, California
March 28, 2023

CALLAYOMI COUNTY WATER DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended
June 30, 2022

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency</u>			
State Water Resources Control Board:			
SRF Big Canyon Well	SWRCB D1902010	66.468	<u>\$ 1,212,639</u>
Total Environmental Protection Agency			<u>1,212,639</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,212,639</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CALLAYOMI COUNTY WATER DISTRICT

Notes to the Schedule of Expenditures of Federal Awards For The Fiscal Year Ended June 30, 2022

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the District. The District's reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified cash basis of accounting, recognizing current expenditures when they are paid with the exception of long-term debt and capital assets. The information in this Schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the District's financial statements. Federal award revenues are reported principally in the District's financial statements as intergovernmental revenues in the General Fund.

NOTE 4: LOANS OUTSTANDING WITH CONTINUING COMPLIANCE REQUIREMENT

No program had federally-funded loans with a continuing compliance requirement outstanding at June 30, 2022.

NOTE 5: SUBRECIPIENTS

The federal programs shown in the accompanying Schedule of Expenditures of Federal Awards had no subrecipients during the year ended June 30, 2022.

NOTE 6: INDIRECT COST RATE

This program provides that the District shall receive direct administrative costs in accordance with 2 CFR 200.413 instead of indirect costs under 200.414(f). Since only direct administrative costs are allowable under this grant, the District is not eligible for the 10-percent de minimus indirect cost rate under the Uniform Guidance.

CALLAYOMI COUNTY WATER DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Non-compliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported under the Uniform Guidance	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds
Dollar threshold used to distinguish Between Type A and Type B programs	\$750,000
Auditee qualifies as low-risk auditee under the Uniform Guidance	No

SECTION 2 - FINANCIAL STATEMENT FINDINGS

No findings reported.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION 4 - FEDERAL AWARD PRIOR YEAR FINDINGS AND QUESTIONED COSTS

No findings reported.