

COBB AREA COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

COBB AREA COUNTY WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cobb Area County Water District
Cobb, California

Opinion

We have audited the accompanying financial statements of Cobb Area County Water District, as of and for the year ended December 31, 2023, 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 financial position of Cobb Area County Water District as of December 31, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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 within one year after the date that the financial statements are available to be issued.

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 opinion. 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, including omissions, 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 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

Management has omitted 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 are not affected by this missing information.

Larry Bain, CPA,
An Accounting Corporation
April 11, 2024

COBB AREA COUNTY WATER DISTRICT

**STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Current Assets:	
Cash and equivalents	\$ 109,062
Accounts receivable	146,286
Grants receivable	68,480
Total current assets	<u>323,828</u>
Noncurrent Assets:	
Asset held for resale	222,017
Capital assets:	
Land	812,396
Construction in progress	1,933,317
Buildings and improvements	374,705
Machinery and equipment	671,922
Pipelines tanks and treatment systems	10,008,306
Less accumulated depreciation	(1,700,809)
Leased assets	81,751
Less: accumulated amortization	<u>(7,432)</u>
Total capital assets (net of accumulated depreciation)	<u>12,174,156</u>
Total noncurrent assets	<u>12,396,173</u>
Total assets	<u>12,720,001</u>
Current Liabilities:	
Accounts payable	89,190
Current portion long-term debt	69,189
Total current liabilities	<u>158,379</u>
Noncurrent Liabilities:	
Compensated absences	14,786
Notes payable	1,506,693
Net lease liability	74,085
Less: current portion	<u>(69,189)</u>
Total long-term liabilities	<u>1,526,375</u>
Total liabilities	<u>1,684,754</u>
Net Position	
Net investment in capital assets	10,593,378
Unrestricted	<u>441,870</u>
Total net position	<u>\$ 11,035,248</u>

The notes to the financial statements are an integral part of this statement

COBB AREA COUNTY WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

Operating revenue	
Water sales	\$ 951,718
Assessments	91,660
Other revenue	<u>75,196</u>
 Total operating revenues	 <u>1,118,574</u>
 Operating expenses	
Maintenance and operations	517,759
Payroll expense	485,795
Depreciation	<u>411,290</u>
Total operating expenses	<u>1,414,844</u>
Operating income (loss)	<u>(296,270)</u>
 Nonoperating revenue (expenses)	
State grant project	418,240
Interest expense	<u>(22,956)</u>
Nonoperating revenues (expenses)	<u>395,284</u>
 Increase (decrease) in net position	 99,014
 Net position, beginning of year	 <u>10,936,234</u>
 Net position, end of year	 <u><u>\$ 11,035,248</u></u>

The notes to the financial statements are an integral part of this statement

COBB AREA COUNTY WATER DISTRICT

**STATEMENT OF CASH FLOWS
DECEMBER 31, 2023**

Cash flows from operating activities:	
Cash receipts from water sales and other	\$ 1,122,425
Deduct: operating expenses	(623,951)
Deduct: salaries and employee benefits	<u>(482,016)</u>
Net cash flow from operating activities	<u>16,458</u>
Cash flows from capital and related financing activities:	
Cash paid for capital assets	(839,457)
Capital grants received	349,760
Principal paid on long term debt	(137,868)
Interest expense	<u>(22,956)</u>
Net cash used by capital and related financing activities	<u>(650,522)</u>
Cash flows from investing activities:	
Loans provided	<u>375,000</u>
Net cash flow from investing activities	<u>375,000</u>
Net increase (decrease) in cash and cash equivalents	(259,063)
Cash balance, beginning of year	<u>368,125</u>
Cash balance, end of year	<u><u>\$ 109,062</u></u>
Reconciliation of operating income (loss) to	
net cash provided by operating activities	
Operating Income (Loss)	\$ (296,270)
Adjustments to reconcile operating income (loss) to	
net cash provided by operating activities:	
Depreciation	411,290
Changes in assets and liabilities:	
Accounts receivable	3,851
Accounts payables	(103,526)
GASB 87-leases	(2,666)
Compensated absences	<u>3,779</u>
Net cash provided by operating activities	<u><u>\$ 16,458</u></u>

The notes to the financial statements are an integral part of this statement

COBB AREA COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1: Summary of Significant Accounting Policies

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 administers 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.

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 Governmental Accounting Standards Board Statement No. 61.

B. Fund Accounting

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

Enterprise Fund – An Enterprise fund is used to account for the District's water operations that is 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 full accrual basis of accounting. This is a basis of accounting that conforms to accounting principles generally accepted in the United States of America.

U.S. generally accepted accounting principles require all proprietary funds to use the accrual basis of accounting. The revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the related fund liability is incurred.

COBB AREA COUNTY WATER DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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. Prepaid Expenses

Accounts for prepaid insurance, dues and other expenses.

E. Fixed Assets

The District's capital assets include plant and equipment, which are recorded at historical cost. Improvements completed by the original developer are donated to the District without cost and are recorded at their fair market value.

The District's policy is to capitalize all assets with a useful life of more than a year which cost in excess of \$1,500, except for collections of automated meters which are capitalized even though the value of each individual asset is small because the total value of the meter replacement project was significant. The District uses the straight-line method of computing depreciation. Estimated useful lives of the District's assets are determined based on the length of time the asset class is expected to provide service to the District and are as follows:

Transmission and Distribution	35 years
Buildings	35 years
Equipment	5 to 15 years

Maintenance and repairs are expensed as incurred. Significant renewals or betterments are capitalized and depreciated over their estimated useful lives. Costs incurred prior to completion for major improvements or construction of capital assets are accumulated in construction in progress. Once they are ready for use, assets previously recorded in construction in progress are transferred to the appropriate capital asset category.

F. 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. This includes bank accounts and deposits with the State of California Local Agency Investment Fund (LAIF).

G. Revenue Policies – Utility Fees

The District's principal sources of revenue are from water sales, water connection fees, and capacity expansion charges. Water rates are established by the Board. The District's authority to set water rates is not subject to the oversight or approval of the California Public Utilities Commission or another regulatory agency. The District recognizes these charges when they are earned through the provision of services.

COBB AREA COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

H. Revenue Policies – Connection Fees.

At the time a building permit is sought for new construction, customers wishing to connect to the District's water system are required to pay the District a connection fee, which was \$6,500 per residential connection at December 31, 2023. Commercial hook-up fees are determined on an individual basis.

I. 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.

J. Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

K. Customer Deposits:

First time customers are required to post a deposit of \$100, which is returned after one year of good payment history. Deposits are recorded as a liability until such time as they are returned to the customer or applied to the water bill due to non-payment of the customer's account.

L. Compensated Absences:

The District's employees earn vacation in varying amounts depending on length of service. Upon separation from the District, employees are entitled to full payment for accrued vacation but not for sick leave. The District records its obligations for vacation when earned based on current rates of pay at the time. The classification of the liability as current is based on experience and known conditions impacting use in the subsequent fiscal year.

M. Estimated Insurance Liabilities:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, natural disasters, and delivery of water. These risks are addressed through the District's membership in the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA). The purpose of the JPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance, or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The JPIA's members have pooled funds in order to be self-insured for general liability, property, pollution liability and workers' compensation. Each Member district pays a premium commensurate with the level of coverage requested, and share surpluses and deficit proportionate to their participation.

The District has had no settlements that exceeded its insurance coverage in any of the last three years. Complete audited financial statements of the JPIA can be obtained online at www.acwajpia.com.

COBB AREA COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

N. Net Position:

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

Invested in capital assets, net of related debt-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 invested in capital assets, net of related debt. 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 "invested in capital assets, net of related debt."

O. Restricted and Unrestricted Resources:

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, and then unrestricted resources as needed.

P. Operating Leases:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

COBB AREA COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 2: Cash and Investments

Cash and investments at December 31, 2023, consisted of the following:

General checking	\$ 67,185
Checking-new capital	24,715
County of Lake	17,162
Total cash and investments	<u>\$ 109,062</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 Cobb Area County Water District (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.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	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 and 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:

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
County treasurer	\$ 17,162	\$ 17,162	\$ -
Totals	<u>\$ 17,162</u>	<u>\$ 17,162</u>	<u>\$ -</u>

*Not subject to categorization

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.

COBB AREA COUNTY WATER DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 2: Cash and Investments (Continued)

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 December 31, 2023, the District's deposits balance was \$80,929 and the carrying amount was \$91,900. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, all was covered by either FDIC insurance and/or remainder by collateral held in the pledging bank's trust department in the District's name.

E. Investment in Government 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.

COBB AREA COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3: Capital Assets

Capital asset activity for the fiscal year ended December 31, 2023, was as follows:

	Balance 1/1/2023	Additions	Adjustments/ Retirements	Balance 12/31/2023
Capital assets not being depreciated				
Land	\$ 787,101	\$ 25,295	\$ -	\$ 812,396
Construction in progress	1,515,876	417,441		1,933,317
Total capital assets, not being depreciated	2,302,977	442,736		2,745,713
Capital assets, being depreciated				
Buildings		374,705		374,705
Machinery and equipment	679,196		(7,274)	671,922
Pipelines tanks and treatment system	10,008,306			10,008,306
Total capital assets, being depreciated	10,687,502	374,705	(7,274)	11,054,933
Less accumulated depreciation:	(1,300,509)	(407,574)	7,274	(1,700,809)
Leased asset	81,751			81,751
Less accumulated amortization:	(3,716)	(3,716)		(7,432)
Total capital assets, being depreciated, net	9,465,028	(36,585)		9,428,443
Total capital assets, net	\$ 11,768,005	\$ 406,151	\$ -	\$ 12,174,156

Note 4: Accounts Receivable – Utility Customers

Charges for water services including hookup and administration charges are set by the Board of Directors. Service is discontinued if accounts become delinquent.

Note 5: Long-Term Liabilities

The following is a summary of changes in the business-type activities long-term liabilities for the fiscal year ended December 31, 2023:

	Balance 1/1/2023	Additions	Adjustments/ Retirements	Balance 12/31/2023	Due Within One Year
Generator loan	\$ 14,849	\$ -	\$ (11,717)	\$ 3,132	\$ 3,132
Excavator loan	10,413		(8,249)	2,164	2,164
Estates project loan	3,718		(3,718)	-	-
Promissory note-LOC	70,421		(70,421)	-	-
WAB-Boggs property loan	478,642		(43,763)	434,879	45,196
Installment note-office		375,000		375,000	5,553
Compensated absences	11,007	24,575	(20,796)	14,786	10,398
Net lease liability	76,751		(2,666)	74,085	2,746
SRF planning loan	691,518			691,518	-
Total	\$ 1,357,319	\$ 399,575	\$ (161,330)	\$ 1,595,564	\$ 69,189

COBB AREA COUNTY WATER DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 5: Long-Term Liabilities (Continued)

A. Generator Loan

On March 19, 2010, the district entered into a promissory note with Star Capital Group to finance the purchase of generators. The amount financed was \$53,625. The term of the loan is from March 19, 2010 to March 1, 2024 with an interest rate of 10.84%. The annual requirement to amortize the loan is as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 3,132	\$ 57	\$ 3,189
Total	\$ 3,132	\$ 57	\$ 3,189

B. Excavator Loan

On January 11, 2009, the district entered into a promissory note with Kubota Leasing to finance the purchase of an excavator. The amount financed was \$40,651. The term of the loan is from April 22, 2010 to February 7, 2024 with an interest rate of 3.5%. The annual requirement to amortize the loan is as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 2,164	\$ 13	\$ 2,177
Total	\$ 2,164	\$ 13	\$ 2,177

C. Estates Project Loan

On January 11, 2009, the district entered into a bank loan with West America Bank to finance the 2008 Estates Project. The amount financed was \$80,000. The term of the loan is from January 11, 2009 to July 11, 2023 with an interest rate of 4.95%. This loan was paid off in 2023.

D. Promissory Note (LOC)

On June 1, 2022 the District entered into an amended agreement for a revolving line of credit with COBANK. The purpose of the loan is to provide cash flow funding for project expenditures that are to be reimbursed with grant funding (bridge loan). To total amount available under the line of credit was \$750,000 with an expiration date of March 31, 2023. The amount borrowed as of December 31, 2022 was \$70,421, all of which was repaid in 2023.

E. Boggs Property Loan

On March 15, 2022 the District entered into an installment sales agreement with Municipal Finance Corporation to purchase property that will be used to construct facilities for the supply of water to residents within the District service area. The amount financed was \$500,000. The term of the loan is from October 19, 2022 to April 19, 2032 with an interest rate of 3.25%. The annual requirement to amortize the loan is as follows:

Boggs Loan

Year Ending December 31	Principal	Interest	Total
2024	\$ 45,196	\$ 13,770	\$ 58,966
2025	46,678	12,288	58,966
2026	48,207	10,759	58,966
2027	49,787	9,179	58,966
2028	51,418	7,548	58,966
2029-2032	193,593	12,788	206,381
Total	\$ 434,879	\$ 66,332	\$ 501,211

COBB AREA COUNTY WATER DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 5: Long-Term Liabilities (Continued)

F. Installment Note Office

On October 30, 2023 the District entered into an Installment Note agreement with Carol C. Knight and Jeannette L. Knight, Trustees of the Carol C. Knight and Jeanette L. Knight Revocable Trust of 2016, in order to finance the purchase of the property at 16340 and 16320 High Road and 16460 Schwartz Road, Cobb, CA 95426. \$6,050.06 principal and interest payments are due quarterly beginning March 1, 2024 with the final payment of \$5,115.98 due September 1, 2046. A lump sum payment of \$50,000 is due on January 1, 2025. The interest rate was 5%. The annual requirement to amortize the loan is as follows:

Fiscal Year End			
June 30,	Principal	Interest	Total
2024	\$ 5,553	\$ 18,647	\$ 24,200
2025	58,383	15,817	74,200
2026	8,811	15,390	24,200
2027	9,259	14,941	24,200
2028	9,731	14,469	24,200
2029-2033	56,617	64,384	121,001
2034-2038	72,585	48,416	121,001
2039-2043	93,057	27,945	121,001
2044-2046	61,004	4,613	65,617
Totals	<u>\$ 375,000</u>	<u>\$ 224,621</u>	<u>\$ 599,621</u>

G. Net Lease Liability

On January 1, 2019, the District entered into a lease arrangement as lessee with the Angelley Family Trust/Hobert Family Trust (Lessors) to finance the use of water from a well situated on the lessors property. The lease expires on December 31, 2043. The calculated borrowing rate used was 2%. Annual principal and interest payments of \$5,000 are due in January of each year the lease is active. Principal and interest payments are as follows:

Year Ending			
December 31	Principal	Interest	Total
2024	\$ 2,746	\$ 2,254	\$ 5,000
2025	2,824	2,176	5,000
2026	2,916	2,084	5,000
2027	3,005	1,995	5,000
2028	3,122	1,878	5,000
2029-2033	17,073	7,927	25,000
2034-2038	19,793	5,207	25,000
2039-2043	22,606	2,055	24,661
Total	<u>\$ 74,085</u>	<u>\$ 25,576</u>	<u>\$ 99,661</u>

H. Planning Loan

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 2023. The loan balance was \$691,518 at year end.

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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: Retirement Plan

The District offers its employees to participate in a 403(B) retirement plan with Mid Atlantic Trust. After working 1000 hours of service in a 12 month period an employee will be eligible to participate the following year. There are other eligibility requirement noted in the plan document. The plan allows the employee to make elective deferrals up to the legal limits. The District will match 100% of employee deferrals up to 6% of compensation, as long as the employee is eligible to receive Safe Harbor matching contributions. During 2023 the District contributed \$25,713.

Note 8: Commitments and Contingent Liabilities

Contingent Liabilities

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

Grants

Amounts received or receivable from grant and lending agencies are subject to audit and adjustment by grantor and lending 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 or lender cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Open Contract

The District had open professional service contracts as of December 31, 2023.

Note 9: Subsequent Events

Subsequent events were evaluated through April 11, 2024, the date which these financial statements were available for distribution.