

PLACER COUNTY WATER AGENCY
Single Audit Report on Federal Awards
Year Ended December 31, 2021

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Single Audit Report on Federal Awards
Year Ended December 31, 2021

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Board of Directors
Placer County Water Agency
Auburn, California

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*

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Placer County Water Agency (Agency), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 31, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Board of Directors
Placer County Water Agency
Auburn, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis Farr LLP

Irvine, California
May 31, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Placer County Water Agency
Auburn, California

Report on Compliance for Each Major Federal Program

We have audited the Placer County Water Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended December 31, 2021. The Agency'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 Agency'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 Agency'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 the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Agency 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 Agency'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 Agency'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.

Board of Directors
Placer County Water Agency
Auburn, California

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of and for the year ended December 31, 2021, and have issued our report thereon dated May 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 material respects in relation to the financial statements as a whole.

Davis Farr LLP

Irvine, California

August 9, 2022 except for our report on the Schedule of Expenditures of Federal Awards, for which the date is May 31, 2022

PLACER COUNTY WATER AGENCY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

| Federal Grantor/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance Number | Program Identification Number | Federal Expenditures | Amount Provided to Subrecipients |
|--|---|----------------------------------|-------------------------|--|
| Environmental Protection Agency | | | | |
| Passed through the California State Water Resources Control Board: | | | | |
| Drinking Water State Revolving Fund Cluster: | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | SWRCB0000000000D1802012 | \$ 1,377,366 | 1,377,366 |
| Total Environmental Protection Agency | | | <u>1,377,366</u> | <u>1,377,366</u> |
| Total expenditures of federal awards | | | <u>\$ 1,377,366</u> | <u>1,377,366</u> |

See Note to Schedule of Expenditures of Federal Awards.

PLACER COUNTY WATER AGENCY

Note to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Placer County Water Agency under programs of the federal government for the year ended December 31, 2021. All financial assistance received directly from federal agencies is included in the accompanying Schedule. The information in the 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). The Agency did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Subrecipients

During the calendar year ended December 31, 2021 there was \$1,377,366 paid to subrecipients.

PLACER COUNTY WATER AGENCY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|--|--|---------------|
| 1. Internal control over major programs: | | |
| a. Material weakness(es) identified? | | No |
| b. Significant deficiency(ies) identified? | | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? | | 2021-001 |
| 4. 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 | |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | | No |

PLACER COUNTY WATER AGENCY
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section II - Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2021.

Section III - Federal Award Findings and Questioned Costs

Reference Number: **2021-001**

Purchasing Policy

Criteria

Uniform Guidance requires nonfederal entities that receive federal awards to establish written policies, procedures, or standards of conduct for the following sections:

- Financial management (2 CFR 200.302)
- Payment (2 CFR 200.305)
- General procurement standards (2 CFR 200.318)
- Competition (2 CFR 200.319)
- Methods of procurement to be followed (2 CFR 200.320)
- Compensation – personal services (2 CFR 200.430)
- Travel costs (2 CFR 200.474)

Condition

Since the recent revisions to the Uniform Guidance, the Agency has not updated its written policies and procedures to the specific requirements of the Uniform Guidance.

Cause

The Agency has not been a recipient of Federal grants since the implementation of Uniform Guidance. This grant was passed through by the State of California, at which time the Agency had not implemented policies as required by Uniform Guidance.

Effect

Failure to establish written policies and procedures results in the Agency being non-compliant with the Uniform Guidance referenced above and may result in loss of grant funding.

Recommendation

We recommend the Agency implement policies and procedures for compliance with the Uniform Guidance compliance requirements mentioned above.

PLACER COUNTY WATER AGENCY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

Management's Comments Regarding Corrective Actions Planned

Management is in the process of updating its policies and procedures to be in compliance with the Uniform Guidance.

Section IV – Summary of Prior Audit Findings and Current Status

There are no prior year audit findings.