

Clearlake Oaks County Water District

FINANCIAL STATEMENTS

AUDIT REPORT

June 30, 2023

Clearlake Oaks County Water District

**Audit Report
June 30, 2023**

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January 23, 2024

Clearlake Oaks County Water District

Clearlake Oaks, CA

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of Clearlake Oaks County Water District as of and for the year-ended June 30, 2023, 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 Clearlake Oaks County Water District as of and June 30, 2023, and the respective changes in financial position, and cash flows where applicable for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in Governmental Auditing(GAGAS) Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

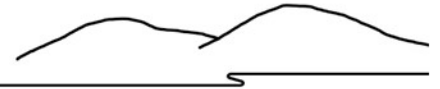
Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 The District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAGAS 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 GAGAS, 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.

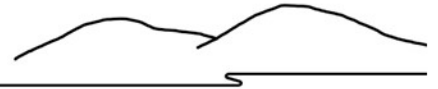
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

The District has not presented Management's Discussion and Analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clearlake Oaks County Water District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, are presented for purposes of additional analysis and are 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated , on our consideration of the Clearlake Oaks County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

PNPCPA

Clearlake Oaks County Water District

Statement of Net Position June 30, 2023

ASSETS

Current Assets:

Cash	\$ 1,462,832
Restricted Cash	382,155
Accounts Receivable	522,239
Deposits & Prepaid Expenses	14,626
	<hr/>
Total Current Assets	2,381,852

Capital Assets:

Land	299,770
Buildings, Improvements & Equipment	27,345,215
Construction in Progress	9,481,846
Less: Accumulated Depreciation	(11,759,356)
	<hr/>
Total Capital Assets	25,367,475

TOTAL ASSETS 27,749,327

DEFERRED OUTFLOW

GASB 68 Pension	548,963
	<hr/>

TOTAL DEFERRED OUTFLOW 548,963

TOTAL ASSETS AND DEFERRED OUTFLOWS 28,298,290

LIABILITIES

Current Liabilities:

Accounts Payable	1,287,343
Current Portion	230,338
Accrued Compensated Absences	91,133
	<hr/>
Total Current Liabilities	1,608,814

Long-term Liabilities:

Note Payable	7,407,458
Net Pension Liability	1,209,381
	<hr/>
Total Long-term Liabilities	8,616,839

TOTAL LIABILITIES 10,225,653

DEFERRED INFLOWS

USDA Construction Retainage	315,979
GASB 68 Pension	124,460
	<hr/>

TOTAL DEFERRED INFLOWS 440,439

TOTAL LIABILITIES AND DEFERRED INFLOWS 10,666,092

NET POSITION

Net Investment in Capital Assets	17,729,679
Restricted	382,155
Unrestricted	(479,636)
	<hr/>
TOTAL NET POSITION	\$ <u>17,632,198</u>

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

Clearlake Oaks County Water District
Statement of Activities
For the Year-Ended
June 30, 2023

	Expenses	Charges for Services	Capital Grants and Contributions	Excess of Revenues/(Expenses)
<u>Governmental Activities</u>				
Water	2,172,635	1,987,305	2,119,244	1,933,915
Sewer	2,099,888	1,616,550	-	(483,338)
Total Governmental Activities				1,450,577
 General Revenues:				
Tax Revenue				299,108
Interest & Investment Earnings				-
Total General Revenues				299,108
 NET CHANGE IN NET POSITION				1,749,684
 NET POSITION, BEGINNING OF YEAR				15,882,514
 NET POSITION, END OF YEAR				\$ 17,632,198

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

Clearlake Oaks County Water District

Statement of Revenues, Expenses & Change in Fund Net Position For the Year Ended June 30, 2023

<u>OPERATING REVENUE</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Charges for Service	\$ 1,381,400	\$ 1,066,625	\$ 2,448,025
CRP Charges	587,192	538,831	1,126,023
Connection Fee	-	-	-
Misc Revenue	18,713	11,094	29,807
TOTAL OPERATING REVENUE	1,987,305	1,616,550	3,603,855
 <u>OPERATING EXPENSES</u>			
Depreciation	259,741	420,652	680,393
Insurance	42,872	42,873	85,745
Improvements	-	3,636	3,636
Repairs & Maintenance	91,439	134,734	226,172
Salaries and Employee Benefits	645,852	933,110	1,578,962
Services, Supplies and Refunds	381,361	345,543	726,904
Professional Fees	36,090	37,456	73,545
Utilities	252,671	124,868	377,538
TOTAL OPERATING EXPENSES	1,710,025	2,042,871	3,752,895
OPERATING INCOME (Loss)	277,281	(426,321)	(149,040)
 <u>NON-OPERATING REVENUES/EXPENSES</u>			
Interest Income	-	-	-
Grants & Contributions	2,119,244	-	2,119,244
Overpayment refund	(397,294)	-	(397,294)
Property Taxes	149,554	149,554	299,108
Interest Expense	(65,316)	(57,017)	(122,333)
TOTAL NON-OPERATING REVENUES/EXPENSES	1,806,188	92,537	1,898,725
CHANGE IN NET POSITION	\$ 2,083,469	\$ (333,784)	\$ 1,749,685

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

Clearlake Oaks County Water District
Statement of Cash Flows
For the Year-Ended
June 30, 2023

	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash Received from Charges for Service	\$ 3,576,758
Cash Received from Other Income	29,807
Deduct: Cash paid for Operating Expenses	(3,160,453)
NET CASH FLOWS FROM OPERATING ACTIVITIES	446,112
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Interest Expense	(122,333)
Notes Payable draw	-
Capital Grants	2,032,854
Notes Payable Payments	(250,874)
Purchase of Capital Assets	(2,699,505)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,039,858)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Property Tax Receipts	299,108
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	299,108
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Receipts	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	-
<u>NET INCREASE (DECREASE) IN CASH</u>	(294,638)
<u>CASH, BEGINNING OF YEAR</u>	2,139,586
<u>CASH, END OF YEAR</u>	\$ 1,844,948
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (149,040)
Adjustments to reconcile operating income to net cash provided by operating activities	
Add back depreciation	680,393
(Increase) Decrease in Operating Accounts Receivable	2,710
(Increase) Decrease in Prepaid	1,821
Increase (Decrease) in Accounts Payable	51,470
Increase (Decrease) in Pension Obligation	(146,036)
Increase (Decrease) in Current Liabilities	4,794
Net Cash Provided by Operating Activities	\$ 446,112

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

Clearlake Oaks County Water District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clearlake Oaks County Water District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Description of the Reporting Entity

The District was established in 1960, under the California State Government Code. The District currently provides water and sewer services throughout the un-incorporated area of the Clearlake Oaks Community in Lake County.

The District is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members who are elected by voters living within the District's boundaries. Elections are held within the Board to appoint the President. The President's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization; and exercise supervision over the business of the District, its officers, and its employees.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, revenues, expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Revenues, Expenses and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. These statements are presented on an "economic resources" measurement focus and the accrual basis of

Clearlake Oaks County Water District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Revenues, Expenses and Changes presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as operating revenues for the District are reported as charges for services.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Operating revenues include (1) charges paid by the recipients of services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements if a particular program. Revenues that are not classified as program revenues, including taxes are presented instead as non-operating revenues.

Enterprise Funds – The enterprises funds are used to account for all the financial resources of the District. The enterprise net assets is available to the District for any purpose, provided it is expended or transferred according to the general laws of California and the bylaws of the District. The District maintains separate funds for Water, and Sewer.

Exchange and Non-Exchange Transactions of Revenues – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. The assessor of the County determines the assessed valuations of such property and the tax collector of the County collects the taxes. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses - On an accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Funds on Deposit, County and Bank

The District maintains its cash in a pool managed by the County Treasury. The County Treasury, in turn, invests its cash with the State of California in the local agency investment fund as well as other banking institutions. The District does not own any specific identifiable investments in the pool. The risk of loss is minimal.

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

As of, the primary government had the following investments:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Cash in County Treasury	85,209	Unrated	NA
Cash in Local Bank	657,824	FDIC ins.	NA
LAIF Restricted Short Lived Asset	47,017	Unrated	NA
LAIF Restricted Short Lived Asset	29,796	Unrated	NA
Restricted USDA reserve	332,700	FDIC ins.	NA
Cash in LAIF	986,734	Unrated	NA
Petty Cash	\$307		
Total Cash	\$1,919,765		

Interest rate risk. - The District does not currently have a policy regarding interest rate risk.

Credit risk. - The District does not have a formal policy regarding credit risk

Custodial credit risk. -The District's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. Cash in local bank is covered by federal depository insurance.

Concentration of credit risk. - The District does not have a policy for concentration of credit risk.

E. Accounts Receivable

Accounts receivable are recorded at their gross value, where appropriate are reduced by the portion that is considered uncollectable. Accounts receivable consists primarily of service fees that have been billed but not paid as of year-end. Management believes its receivables to be fully collectable due to the ability to place a tax lien against property for unpaid receivables and, accordingly no allowance for doubtful accounts is necessary.

F. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items.

G. Fixed Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. The current capitalization threshold is \$5,000 for an individual item.

Clearlake Oaks County Water District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

H. Accounts Payable

On an accrual basis, expenses are recognized in the fiscal year in which the goods or services are received. Payables are liabilities of the District based upon current year charges for goods or services received but not paid in the current year.

I. Accrued Expenses

The District's employees accrue PTO after 90 days of employment at varying levels depending on years of service. Employees are allowed to accumulate up to 320 hours of PTO hours. Any accumulated PTO leave is paid-out to employees at their most recent rate of pay upon termination. The District records a liability for compensated absences based upon total PTO and CTO.

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

J. Loan

	<u>USDA WATER</u>
Ending Balances	
Current	101,000.00
Long Term	<u>4,780,000.00</u>
	4,881,000.00

	<u>USDA SEWER</u>
Ending Balances	
Current	52,000.00
Long Term	<u>2,509,000.00</u>
	2,561,000.00

	<u>KANSAS STATE BANK</u>
Ending Balances	
Current	85,973.00
Long Term	<u>44,091.00</u>
	130,064.00

	<u>KANSAS STATE BANK</u>
Ending Balances	
Current	18,484.00
Long Term	<u>47,787.00</u>
	66,271.00

The District entered into an installment agreement with USDA to finance the construction of Sewer System Improvements.

2024	52,000
2025	56,000
2026	56,000
2027	56,000
2028	56,000
2028-2032	245,000
2033-2037	333,000
2038-2042	367,000
2043-2047	401,000
2048-2052	445,000
2053-2057	494,000
	<u>\$ 2,561,000</u>

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The District entered into an installment agreement with USDA to finance the construction of Water System Improvements.

2024	101,000
2025	102,000
2026	103,000
2027	105,000
2028	106,000
2029-2032	437,000
2033-2037	579,000
2038-2042	616,000
2043-2047	655,000
2048-2052	699,000
2053-2057	745,000
2058-2061	633,000
	\$ 4,881,000

The District has a Capital Lease, Inc for the purchase of a Vaccon truck on January 15, 2020. The Purchase price was \$409,026.92 at 3.394% and payable over 5 years with a monthly payment of \$7,421.

2024	85,973
2025	44,091
	\$130,064

The District has a Capital Lease, Inc for the purchase of a water truck on November 2021. The Purchase price was \$93,476.28 at 3.94% and payable over 5 years with a monthly payment of \$1,730.25

2024	18,484
2025	19,225
2026	19,996
2027	8,565
	\$66,271

K. Property Tax Revenue

The County, through the Auditor-Controller’s Office and the Treasury-Tax Collector, is responsible for collecting and distributing property taxes according to the alternative method of distributing known as the Teeter Plan. Under the Teeter Plan, the current year’s secured property tax levy is distributed to participating agencies with the County without consideration of whether the tax has been collected.

L. Net Position

The District’s net position represents the difference between its assets and liabilities in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use

Clearlake Oaks County Water District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

by their source. Portions of the unreserved net position or fund balance may be designated to indicate tentative plans for financial resources utilization in a future period, such as for general contingencies, purchase of capital assets, or debt service. Such plans or intent are subject to change and may never be legally authorized or result in expenditures.

	Water	Sewer
Net Position 6/30/22	<u>\$4,251,072</u>	<u>\$11,631,442</u>
Net Change in Net Position	<u>2,083,469</u>	<u>(333,784)</u>
Net Position 6/30/23	<u>\$6,334,541</u>	<u>\$11,297,659</u>

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2023, the District contracted with private insurance agencies for liability, property, crime damage, and employee and director insurances.

NOTE 3: DEFINED BENEFIT PENSION PLAN

The District entered into the Public Employees Retirement System (PERS). Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by an agency of the State of California. Employees are members of the Public Employees' Retirement System.

Plan Description: The District contributes to the PERS, an agent multiple- employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and district ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Clearlake Oaks County Water District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Summary of Significant Accounting Policies

For Purposes of Measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this Purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used.

Validation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For Public agency cost-sharing plans covered by either the Miscellaneous, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by the employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees

Actuarial Methods and Assumptions Used to determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liability were based on the following actuarial methods and assumptions:

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
Employer Rate Plans in the Miscellaneous Risk Pool**

Employer rate plan	Miscellaneous	PEPRA Misc.
	Prior to January 01, 2013	On or after January 01, 2013
Hire Date	01, 2013	01, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as of % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%

Actuarial Methods and Assumptions

The collective total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The collective total pension liability was based on the following assumptions:

Investment rate of return	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table ¹	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies
Post-retirement benefit increase	Protection Allowance Floor on Purchasing Power applies

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Actuarial Methods and Assumptions

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Investment rate of return	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table ¹	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies
Post-retirement benefit increase	Protection Allowance Floor on Purchasing Power applies

¹The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 geometric rates of return are net of administrative expenses.

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

The first amortized amounts are recognized in pension expense for the year gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the **Plan**. The EARSL for PERF C for the June 30, 2018, measurement date is 3.8 years.

CalPERS derived the EARSL by dividing the total service years of 516,147 (the sum of remaining service lifetimes of all active employees) by 135,474 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to zero. The basis of total future service is the members' probability of decrementing due to an event other than receiving a cash refund.

Ending Balances - Net Pension Liability & Deferred Outflows/Deferred Inflows of Resources Related to Pensions - 6/30/2023 Reporting Date:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	123,926	-
Differences between Expected and Actual Experience	8,021	-
Differences between Projected and Actual Investment Earnings	221,527	-
Differences between Employer's Contributions and Proportionate Share of Contributions	16,508	-
Change in Employer's Proportion	-	124,460
Pension Contributions Made Subsequent to Measurement Date	178,982	-
	<u>548,963</u>	<u>124,460</u>
Net Pension Liability as of 6/30/2023	<u>1,209,381</u>	

NOTE: Detailed breakdown of ending balances by Miscellaneous vs Safety can be found in the [Jul 2022-Jun 2023 JE Flow](#) worksheet

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Pension Credit as of June 30, 2023 130,595			
At 6/30/2023, proportionate shares of Net Pension Liability/(Asset) by plan(s):			
	Proportionate Share of Net Pension Liability/(Asset)		
Miscellaneous	1,209,381		
Safety	-		
Total	1,209,381		
Proportionate share of the Net Pension Liability/(Asset) for the Plan as of 6/30/2022 and 6/30/2023:			
	Miscellaneous	Safety	Total
Proportion - June 30, 2022	0.03809%	0.00000%	0.03809%
Proportion - June 30, 2023	0.02585%	0.00000%	0.02585%
Change - Increase/(Decrease)	-0.01224%	0.00000%	-0.01224%
Note: Due to the nature of calculating proportionate share of the Net Pension Liability/(asset), total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %			
Other deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:			
Fiscal Year Ending June 30:	Miscellaneous	Safety	Total
2024	\$ 56,630	\$ -	\$ 56,630
2025	39,695	-	39,695
2026	13,703	-	13,703
2027	135,493	-	135,493
2028	-	-	-
Thereafter	-	-	-
	245,521	-	\$ 245,521
Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:			
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	5.90%	6.90%	7.90%
Employer's Net Pension Liability/(Asset) - Miscellaneous	1,739,796	1,209,381	772,981
Employer's Net Pension Liability/(Asset) - Safety	-	-	-
Employer's Net Pension Liability/(Asset) - Total	1,739,796	1,209,381	772,981

NOTE 3: USE OF RESTRICTED/UNRESTRICTED NET POSITION

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

NOTE 4: COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be

Clearlake Oaks County Water District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

consistent with current year's presentation.

NOTE 5 JOINT POWERS INSURANCE AUTHORITY

The District participates in a joint venture under a joint agreement (JPA) with the Association of California Water Agencies (ACWA). The relationship between the District and the JPA is such that is not a component unit of the District and the JPA is not a component unit of the District for financial reporting purposes.

The JPA'S purpose is to jointly fund and develop programs to provide comprehensive and economical funding of property, workers compensation and employers liability coverage's for bodily injury by accident or by disease, including resulting from death, arising out of and in the course of an employee's employment with the District. This program is provided through collective self-insurance; the purchase of insurance benefit's; or a combination thereof. Copies of ACWA annual financial reports may be obtained from their executive office at 25620 Birdcage Street, Suite 200, Citrus Heights, CA.

NOTE 6: CONTIGENCIES

As of June 30, 2023, the District has entered into a contract with T&S construction for the construction of water improvements. T

NOTE 7: DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through **January 23, 2024**, which is the date the financial statements were available to be issued. The District entered into a settlement agreement with the United States of America for the return of overpayment funds and penalties and interest. District will pay US and CALOES the sum of \$1,589,720.50.

Clearlake Oaks County Water District

Supplemental Information

June 30, 2023

Clearlake Oaks County Water District

**Schedule of Expenditures of Federal Awards
For the Year-Ended June 30, 2023**

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
USDA			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>\$ 1,974,852</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,974,852</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Clearlake Oaks County Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.



January 23, 2024

Board of Directors
Clearlake Oaks County Water District

Clearlake Oaks, CA

INDEPENDENT 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

We have audited the financial statements of Clearlake Oaks County Water District as of and for the year ended June 30, 2023, and have issued our report thereon dated **January 23, 2024**. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

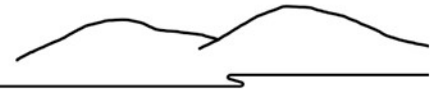
Internal Control Over Financial Reporting

Management of Clearlake Oaks County Water District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clearlake Oaks County Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clearlake Oaks County Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of the internal controls over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

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 controls such 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 in internal control 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.



INDEPENDENT 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

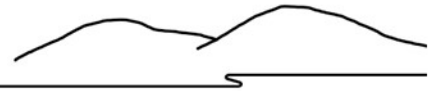
(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clearlake Oaks County Water District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PNPCPA



**INDEPENDENT REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

Board of Directors
Clearlake Oaks County Water District

Report on Compliance for Each Major Federal Program

We have audited Clearlake Oaks County Water District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Clearlake Oaks County Water District's major federal programs for the year ended June 30, 2023. Clearlake Oaks County Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clearlake Oaks County Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 (CFR) 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 Clearlake Oaks County Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Clearlake Oaks County Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Report on Internal Control over Compliance**

Management of Clearlake Oaks County Water 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 Clearlake Oaks County Water 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 Clearlake Oaks County Water 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

PNPCPA

January 23, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (UNIFORM GUIDANCE)

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified*.

Internal control over financial reporting:

Material weaknesses identified?	___ Yes	_x_ None Reported
Significant deficiencies identified?	___ Yes	_x_ None Reported
Noncompliance material to financial statements noted?	___ Yes	_x_ None Reported

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	___ Yes	_x_ None Reported
Significant deficiencies identified?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major federal programs: <i>unmodified</i> ,		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		
	___ Yes	_x_ None Reported
Identification of major federal programs:		
CFDA Number(s)	10.760 Water and Waste Disposal Systems for Rural Communities	
Dollar threshold used to distinguish between type A and type B programs: \$ <u>750,000</u>		
Auditee qualified as a low-risk auditee?	___ Yes	_x_ No

Section II: Financial Statement Findings

None noted

Amount of Questioned Cost, How Computed and Prevalence

None noted

Section III: Federal Awards Findings

None noted

Internal Control - Significant Deficiencies that are not Material Weaknesses

None noted

Material Non-Compliance with Laws and Regulations

None noted

Non-Material Non-Compliance with Laws and Regulations

None noted