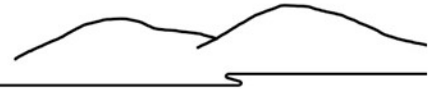


**Clearlake Oaks County Water District**

**FINANCIAL STATEMENTS**

**AUDIT REPORT**

**June 30, 2020**



**October 30, 2020**

Clearlake Oaks County Water District

Clearlake Oaks, CA

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of Clearlake Oaks County Water District as of and for the year-ended June 30, 2020, as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

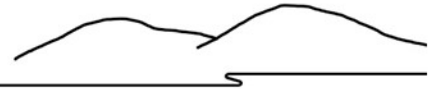
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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 June 30, 2020, and the respective



changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

The District has not presented Management’s Discussion and Analysis or budgetary comparison and other supplementary 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 Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated **October 30, 2020**, 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.

Zach Pehling, CPA

**Clearlake Oaks County Water District**

**Audit Report  
June 30, 2020**

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## Clearlake Oaks County Water District

### Statement of Net Position June 30, 2020

#### ASSETS

##### Current Assets:

Cash	\$ 704,141
Restricted Cash	1,426,273
Accounts Receivable	551,411
Deposits & Prepaid Expenses	12,734
	<hr/>
Total Current Assets	2,694,559

##### Capital Assets:

Land	299,770
Buildings, Improvements & Equipment	22,811,408
Construction in Progress	3,869,575
Less: Accumulated Depreciation	(9,745,066)
	<hr/>
Total Capital Assets	17,235,687

**TOTAL ASSETS** 19,930,246

#### DEFERRED OUTFLOW

GASB 68 Pension	<u>236,656</u>
-----------------	----------------

**TOTAL DEFERRED OUTFLOW** 236,656

**TOTAL ASSETS AND DEFERRED OUTFLOWS** 20,166,902

#### LIABILITIES

##### Current Liabilities:

Accounts Payable	105,324
Current Portion	51,000
Accrued Compensated Absences	18,602
	<hr/>
Total Current Liabilities	174,926

##### Long-term Liabilities:

Note Payable	3,100,172
Net Pension Liability	958,676
	<hr/>
Total Long-term Liabilities	4,058,848

**TOTAL LIABILITIES** 4,233,774

#### DEFERRED INFLOWS

USDA Construction Retainage	-
GASB 68 Pension	26,313
	<hr/>

**TOTAL DEFERRED INFLOWS** 26,313

**TOTAL LIABILITIES AND DEFERRED INFLOWS** 4,260,087

#### NET POSITION

Net Investment in Capital Assets	14,084,515
Unrestricted	1,822,300
	<hr/>
<b>TOTAL NET POSITION</b>	<u>\$ 15,906,815</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, 2020**

	<b>Expenses</b>	<b>Charges for Services</b>	<b>Capital Grants and Contributions</b>	<b>Excess of Revenues/(Expenses)</b>
<b><u>Governmental Activities</u></b>				
Water	1,573,241	1,694,189	75,572	196,520
Sewer	1,747,136	1,466,042	3,792,972	3,511,878
<b>Total Governmental Activities</b>				3,708,398
<b>General Revenues:</b>				
Tax Revenue				253,468
Interest & Investment Earnings				14
<b>Total General Revenues</b>				253,482
<b>NET CHANGE IN NET POSITION</b>				3,961,880
<b>NET POSITION, BEGINNING OF YEAR</b>				11,944,935
<b>NET POSITION, END OF YEAR</b>				\$ 15,906,815

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, 2020

<u>OPERATING REVENUE</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Charges for Service	\$ 1,233,876	\$ 1,019,566	\$ 2,253,442
CRP Charges	426,577	380,100	806,677
Connection Fee	20,300	-	20,300
Misc Revenue	13,436	-	13,436
Storm Disaster	-	66,376	66,376
<b>TOTAL OPERATING REVENUE</b>	<b>1,694,189</b>	<b>1,466,042</b>	<b>3,160,231</b>
 <u>OPERATING EXPENSES</u>			
Depreciation	250,910	315,269	566,179
Insurance	22,655	29,129	51,784
Repairs & Maintenance	192,169	105,599	297,767
Salaries and Employee Benefits	658,100	861,566	1,519,665
Services, Supplies and Refunds	247,728	222,962	470,690
Professional Fees	43,221	25,432	68,653
Storm Disaster Expense	-	-	-
Utilities	155,122	128,543	283,665
<b>TOTAL OPERATING EXPENSES</b>	<b>1,569,904</b>	<b>1,688,499</b>	<b>3,258,403</b>
<b>OPERATING INCOME (Loss)</b>	<b>124,285</b>	<b>(222,457)</b>	<b>(98,172)</b>
 <u>NON-OPERATING REVENUES/EXPENSES</u>			
Interest Income	7	7	14
Grants & Contributions	75,572	3,792,972	3,868,544
Property Taxes	125,557	127,911	253,468
Interest Expense	(3,337)	(58,637)	(61,974)
<b>TOTAL NON-OPERATING REVENUES/EXPENSES</b>	<b>197,799</b>	<b>3,862,253</b>	<b>4,060,052</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 322,084</b>	<b>\$ 3,639,796</b>	<b>\$ 3,961,880</b>

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, 2020**

	Water	Sewer	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash Received from Charges for Service	\$ 1,637,319	\$ 1,376,532	\$ 3,013,851
Cash Received from Other Income	33,736	66,376	100,112
Deduct: Cash paid for Operating Expenses	(1,312,406)	(1,525,387)	(2,837,793)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>358,649</b>	<b>(82,479)</b>	<b>276,170</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Interest Expense	(3,337)	(58,637)	(61,974)
Notes Payable draw	204,513	204,513	409,026
Capital Grants	75,572	3,792,972	3,868,544
Notes Payable Payments	(15,590)	(66,590)	(82,180)
Purchase of Capital Assets	(425,082)	(3,800,497)	(4,225,579)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(163,924)</b>	<b>71,761</b>	<b>(92,163)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Property Tax Receipts	125,557	127,911	253,468
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>125,557</b>	<b>127,911</b>	<b>253,468</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest Receipts	7	7	14
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>7</b>	<b>7</b>	<b>14</b>
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	<b>320,289</b>	<b>117,200</b>	<b>437,489</b>
<b><u>CASH, BEGINNING OF YEAR</u></b>	<b>1,991,528</b>	<b>(298,603)</b>	<b>1,692,925</b>
<b><u>CASH, END OF YEAR</u></b>	<b>\$ 2,311,817</b>	<b>\$ (181,403)</b>	<b>\$ 2,130,414</b>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>			
Operating Income (Loss)	<b>\$ 124,285</b>	<b>\$ (222,457)</b>	<b>\$ (98,172)</b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>			
Add back depreciation	250,910	315,269	566,179
(Increase) Decrease in Operating Accounts Receivable	(23,134)	(23,134)	(46,268)
(Increase) Decrease in Prepaid	(7,324)	(7,324)	(14,648)
Increase (Decrease) in Accounts Payable	(10,115)	(168,860)	(178,975)
Increase (Decrease) in Pension Obligation	31,364	31,364	62,728
Increase (Decrease) in Current Liabilities	(7,337)	(7,337)	(14,674)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 358,649</b>	<b>\$ (82,479)</b>	<b>\$ 276,170</b>

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, 2020

#### **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, 2020**

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, 2020**

As of, the primary government had the following investments:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Cash in County Treasury	47,897	Unrated	NA
Cash in Local Bank	1,027,532	FDIC ins.	NA
Cash in LAIF	1,051,678	Unrated	NA
Petty Cash	\$307		
Total Cash	<u>\$2,130,414</u>		

*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 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.

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.

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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, 2020**

**J. Loan**

**Section 2.03. Principal; Interest; Maturity.** The Certificate shall mature on June 1 in the years and in the principal amounts as shown below (each, a “Principal Component Payment”). Interest with respect thereto shall be computed at the Interest Rate of 2.00% per annum, calculated on the basis of a 365-day year. The annual Principal Component Payments are as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Annual Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Annual Interest Rate</u>
06/01/2018	\$20,000	2.00%	06/01/2038	\$71,000	2.00%
06/01/2019	46,000	2.00%	06/01/2039	72,000	2.00%
06/01/2020	51,000	2.00%	06/01/2040	72,000	2.00%
06/01/2021	51,000	2.00%	06/01/2041	76,000	2.00%
06/01/2022	51,000	2.00%	06/01/2042	76,000	2.00%
06/01/2023	51,000	2.00%	06/01/2043	77,000	2.00%
06/01/2024	52,000	2.00%	06/01/2044	79,000	2.00%
06/01/2025	56,000	2.00%	06/01/2045	81,000	2.00%
06/01/2026	56,000	2.00%	06/01/2046	82,000	2.00%
06/01/2027	56,000	2.00%	06/01/2047	82,000	2.00%
06/01/2028	56,000	2.00%	06/01/2048	87,000	2.00%
06/01/2029	61,000	2.00%	06/01/2049	87,000	2.00%
06/01/2030	61,000	2.00%	06/01/2050	87,000	2.00%
06/01/2031	61,000	2.00%	06/01/2051	92,000	2.00%
06/01/2032	62,000	2.00%	06/01/2052	92,000	2.00%
06/01/2033	63,000	2.00%	06/01/2053	96,000	2.00%
06/01/2034	66,000	2.00%	06/01/2054	97,000	2.00%
06/01/2035	66,000	2.00%	06/01/2055	97,000	2.00%
06/01/2036	67,000	2.00%	06/01/2056	102,000	2.00%
06/01/2037	71,000	2.00%	06/01/2057	102,000	2.00%

**Section 2.04. Interest.** The interest evidenced and represented by the Certificate shall be payable on June 1 and December 1 of each year (each, an “Interest Payment Date”), commencing on December 1, 2017 and continuing to and including the Certificate Maturity Date or upon prepayment prior thereto, and shall evidence and represent the sum of the portions of the Installment Payments designated as interest components (each, an “Interest Component Payment”) coming due on the Interest Payment Dates during the interest period immediately preceding each of the Interest Payment Dates. Interest shall accrue with respect to the Original

The District has a Capital Lease due to Leasing 2, Inc for the purchase of a Vaccon truck.

Date of First Payment:	January 15, 2020
Original Balance:	\$409,026.92
Total Number of Payments:	Sixty (60)
Number of Payments Per Year:	Twelve (12)
Actual Rate:	3.394%

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

7/15/2020	7,421	1,050	6,372	364,034
8/15/2020	7,421	1,032	6,390	357,662
9/15/2020	7,421	1,014	6,408	351,254
10/15/2020	7,421	996	6,426	344,846
11/15/2020	7,421	977	6,444	338,402
12/15/2020	7,421	959	6,462	331,958
1/15/2021	7,421	941	6,481	325,477
2/15/2021	7,421	923	6,499	318,997
3/15/2021	7,421	904	6,517	312,479
4/15/2021	7,421	886	6,536	305,962
5/15/2021	7,421	867	6,554	299,408
6/15/2021	7,421	849	6,573	292,854
7/15/2021	7,421	830	6,591	286,262
8/15/2021	7,421	811	6,610	279,671
9/15/2021	7,421	793	6,629	273,042
10/15/2021	7,421	774	6,647	266,413
11/15/2021	7,421	755	6,666	259,747
12/15/2021	7,421	736	6,685	253,081
1/15/2022	7,421	717	6,704	246,377
2/15/2022	7,421	698	6,723	239,673
3/15/2022	7,421	679	6,742	232,931
4/15/2022	7,421	660	6,761	226,189
5/15/2022	7,421	641	6,780	219,409
6/15/2022	7,421	622	6,799	212,628
7/15/2022	7,421	603	6,819	205,810
8/15/2022	7,421	584	6,838	198,991
9/15/2022	7,421	564	6,857	192,134
10/15/2022	7,421	545	6,877	185,277
11/15/2022	7,421	525	6,896	178,381
12/15/2022	7,421	506	6,916	171,485
1/15/2023	7,421	486	6,935	164,569
2/15/2023	7,421	467	6,955	157,634
3/15/2023	7,421	447	6,974	150,679
4/15/2023	7,421	427	6,994	143,705
5/15/2023	7,421	408	7,014	136,711
6/15/2023	7,421	388	7,034	129,697
7/15/2023	7,421	368	7,054	122,663
8/15/2023	7,421	348	7,074	115,610
9/15/2023	7,421	328	7,094	108,536
10/15/2023	7,421	308	7,114	101,442
11/15/2023	7,421	288	7,134	94,329
12/15/2023	7,421	268	7,154	87,195
1/15/2024	7,421	247	7,174	80,041
2/15/2024	7,421	227	7,194	72,867
3/15/2024	7,421	207	7,215	65,672
4/15/2024	7,421	186	7,235	58,458
5/15/2024	7,421	166	7,256	51,222
6/15/2024	7,421	145	7,276	43,967
7/15/2024	7,421	125	7,297	36,691
8/15/2024	7,421	104	7,317	29,394
9/15/2024	7,421	83	7,338	22,076
10/15/2024	7,421	63	7,359	14,738
11/15/2024	7,421	42	7,380	7,379
12/15/2024	7,421	21	7,401	(0)

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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 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 6/30/19	<u>\$3,562,738</u>	<u>\$ 8,382,197</u>
Net Change in Net Position	<u>332,084</u>	<u>3,639,796</u>
Net Position 6/30/20	<u>\$3,894,822</u>	<u>\$12,021,993</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 2020, 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

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

**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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

**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, 2019 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

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liability were based on the following actuarial methods and assumptions:

**Employer Rate Plans in the Miscellaneous Risk Pool**

Employer rate plan	<b>Miscellaneous</b>	<b>PEPRA Misc.</b>
	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 <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies
<b>Post-retirement benefit increase</b>	<b>Protection Allowance Floor on Purchasing Power applies</b>

<sup>1</sup> 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.

## Clearlake Oaks County Water District

### NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The expected real rates of return by asset class are as followed:

<i>Asset class<sup>1</sup></i>	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>2</sup>	Real Return Years 11 + <sup>3</sup>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

#### Discount Rate

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.

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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:

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 - 6/30/2020 Reporting Date:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	29,509	-
Differences between Expected and Actual Experience	61,425	-
Differences between Projected and Actual Investment Earnings	-	16,761
Differences between Employer's Contributions and Proportionate Share of Contributions	-	9,553
Change in Employer's Proportion	24,138	-
Pension Contributions Made Subsequent to Measurement Date	<u>121,584</u>	<u>-</u>
	<u>236,656</u>	<u>26,313</u>
Net Pension Liability as of 6/30/2020	<u>958,676</u>	

**NOTE:** Detailed breakdown of ending balances by Miscellaneous vs Safety can be found in the [Jul 2019-Jun 2020 JE Flow](#) worksheet

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Pension Expense as of June 30, 2020 <span style="float: right; border: 1px solid black; padding: 2px 10px;">184,312</span>				
At 6/30/2020, proportionate shares of Net Pension Liability/(Asset) by plan(s):				
	<b>Proportionate Share of Net Pension Liability/(Asset)</b>			
Miscellaneous	958,676			
Safety	-			
<b>Total</b>	<b>958,676</b>			
Proportionate share of the Net Pension Liability/(Asset) for the Plan as of 6/30/2019 and 6/30/2020:				
	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>	
Proportion - June 30, 2019	0.02324%	0.00000%	0.00909%	
Proportion - June 30, 2020	0.02394%	0.00000%	0.00936%	
Change - Increase/(Decrease)	0.00070%	0.00000%	0.00027%	
<b>Note:</b> 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:				
<b>Fiscal Year Ending June 30:</b>	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>	
2021	\$ 72,027	\$ -	\$ 72,027	
2022	(81)	-	(81)	
2023	13,426	-	13,426	
2024	3,387	-	3,387	
2025	-	-	-	
Thereafter	-	-	-	
	88,758	-	\$ 88,758	
Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:				
	<b>Discount Rate -1%</b>	<b>Current Discount Rate</b>	<b>Discount Rate +1%</b>	
	<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>	
Employer's Net Pension Liability/(Asset) - <b>Miscellaneous</b>	1,396,744	958,676	597,082	
Employer's Net Pension Liability/(Asset) - <b>Safety</b>	-	-	-	
Employer's Net Pension Liability/(Asset) - <b>Total</b>	1,396,744	958,676	597,082	

**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 consistent with current year's presentation.

## **Clearlake Oaks County Water District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

#### **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, 2020, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

#### **NOTE 7: DATE OF MANAGEMENT'S REVIEW**

Subsequent events have been evaluated through **October 30, 2020**, which is the date the financial statements were available to be issued. There were no subsequent events after the reporting period.

**Clearlake Oaks County Water District**

**Supplemental Information**

**June 30, 2020**



October 30, 2020

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, 2020, and have issued our report thereon dated **October 30, 2020**. 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be 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.

Zach Pehling, CPA