

**Clearlake Oaks County Water District**

**FINANCIAL STATEMENTS**

**AUDIT REPORT**

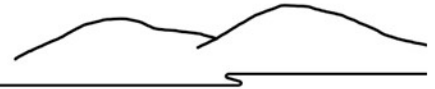
**June 30, 2025**

**Clearlake Oaks County Water District**

**Audit Report  
June 30, 2025**

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**December 19, 2025**

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, 2025, 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, 2025, 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.

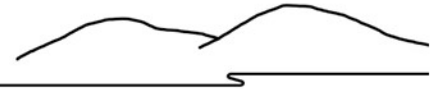
**Responsibilities of Management for the Financial Statements**

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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 19, 2025**, 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.

## Clearlake Oaks County Water District

### Statement of Net Position June 30, 2025

#### ASSETS

##### Current Assets:

Cash	\$ 274,227
Restricted Cash	1,000,945
Accounts Receivable	718,285
Deposits & Prepaid Expenses	<u>11,038</u>
Total Current Assets	<u>2,004,495</u>

##### Capital Assets:

Land	299,770
Buildings, Improvements & Equipment	36,123,880
Construction in Progress	987,394
Less: Accumulated Depreciation	<u>(13,285,663)</u>
Total Capital Assets	<u>24,125,381</u>

**TOTAL ASSETS** 26,129,876

#### DEFERRED OUTFLOW

GASB 68 Pension	<u>491,788</u>
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**TOTAL DEFERRED OUTFLOW** 491,788

**TOTAL ASSETS AND DEFERRED OUTFLOWS** 26,621,664

#### LIABILITIES

##### Current Liabilities:

Accounts Payable	172,007
Current Portion	
Accrued Compensated Absences	<u>95,247</u>
Total Current Liabilities	<u>267,254</u>

##### Long-term Liabilities:

Note Payable	7,345,396
Net Pension Liability	<u>1,288,230</u>
Total Long-term Liabilities	<u>8,633,626</u>

**TOTAL LIABILITIES** 8,900,880

#### DEFERRED INFLOWS

USDA Construction Retainage	-
GASB 68 Pension	<u>28,577</u>

**TOTAL DEFERRED INFLOWS** 28,577

**TOTAL LIABILITIES AND DEFERRED INFLOWS** 8,929,457

#### NET POSITION

Net Investment in Capital Assets	16,779,985
Restricted	1,000,945
Unrestricted	<u>(88,723)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 17,692,207</u></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, 2025**

	<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	2,130,307	2,074,768	33,475	(22,064)
Sewer	2,323,339	1,788,028	340	(534,971)
<b>Total Governmental Activities</b>				(557,035)
<b>General Revenues:</b>				
Tax Revenue				301,869
Interest & Investment Earnings				19,922
<b>Total General Revenues</b>				321,791
<b>NET CHANGE IN NET POSITION</b>				(235,245)
<b>NET POSITION, BEGINNING OF YEAR</b>				17,927,452
<b>NET POSITION, END OF YEAR</b>				\$ 17,692,207

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, 2025

<u>OPERATING REVENUE</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Charges for Service	\$ 1,548,243	\$ 1,215,683	\$ 2,763,926
CRP Charges	526,525	572,345	1,098,870
Misc Revenue	-	-	-
<b>TOTAL OPERATING REVENUE</b>	<b>2,074,768</b>	<b>1,788,028</b>	<b>3,862,796</b>
 <u>OPERATING EXPENSES</u>			
Depreciation	254,617	406,630	661,247
Insurance	42,222	42,223	84,445
Improvements	-	22,419	22,419
Repairs & Maintenance	76,826	57,157	133,982
Salaries and Employee Benefits	954,628	1,075,323	2,029,950
Services, Supplies and Refunds	390,709	367,878	758,587
Professional Fees	76,074	63,206	139,280
Utilities	270,992	234,291	505,283
<b>TOTAL OPERATING EXPENSES</b>	<b>2,066,067</b>	<b>2,269,126</b>	<b>4,335,193</b>
<b>OPERATING INCOME (Loss)</b>	<b>8,701</b>	<b>(481,098)</b>	<b>(472,397)</b>
 <u>NON-OPERATING REVENUES/EXPENSES</u>			
Interest Income	9,961	9,961	19,922
Grants & Contributions	33,475	340	33,815
Property Taxes	150,935	150,935	301,869
Interest Expense	(64,240)	(54,213)	(118,453)
<b>TOTAL NON-OPERATING REVENUES/EXPENSES</b>	<b>130,130</b>	<b>107,023</b>	<b>237,153</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 138,831</b>	<b>\$ (374,076)</b>	<b>\$ (235,244)</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, 2025**

	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Cash Received from Charges for Service	\$ 3,765,514
Cash Received from Other Income	-
Deduct: Cash paid for Operating Expenses	(3,729,478)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>36,037</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Interest Expense	(118,453)
Capital Grants	33,815
Notes Payable Payments	(247,270)
Purchase of Capital Assets	(66,649)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(398,557)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>	
Property Tax Receipts	301,869
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>301,869</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Interest Receipts	19,922
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>19,922</b>
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	<b>25,920</b>
<b><u>CASH, BEGINNING OF YEAR</u></b>	<b>1,249,252</b>
<b><u>CASH, END OF YEAR</u></b>	<b>\$ 1,275,172</b>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	
Operating Income (Loss)	\$ (472,397)
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>	
Add back depreciation	661,247
(Increase) Decrease in Operating Accounts Receivable	(97,282)
(Increase) Decrease in Prepaid	2,533
Increase (Decrease) in Accounts Payable	(10,232)
Increase (Decrease) in other liabilities	79,018
Increase (Decrease) in Current Liabilities	11,539
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 36,037</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, 2025

#### **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, 2025**

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, 2025**

As of, the primary government had the following investments:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Cash in County Treasury	96,976	Unrated	NA
Cash in Local Bank	56,237	FDIC ins.	NA
Restricted Short Lived Asset	47,017	Unrated	NA
Restricted Short Lived Asset	29,796	Unrated	NA
Restricted USDA reserve	386,395	Unrated	NA
Cal Class	653,532	Unrated	NA
Cash in LAIF	4,821	Unrated	NA
Petty Cash	\$307		
Total Cash	1,275,172		

*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, 2025**

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.

**J. Loan**

	<u>USDA WATER</u>
Ending Balances	
Current	103,000.00
Long Term	<u>4,575,000.00</u>
	4,678,000.00

	<u>USDA SEWER</u>
Ending Balances	
Current	56,000.00
Long Term	<u>2,397,000.00</u>
	2,453,000.00

	<u>KANSAS STATE BANK</u>
Ending Balances	
Current	18,484.00
Long Term	<u>10,083.00</u>
	28,567.00

	<u>KANSAS STATE BANK</u>
Ending Balances	
Current	146,555.00
Long Term	<u>39,812.00</u>
	186,367.00

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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

2026	56,000
2027	56,000
2028	56,000
2029	61,000
2030	62,000
2031-2032	122,000
2033-2037	333,000
2038-2042	367,000
2043-2047	401,000
2048-2052	445,000
2053-2057	494,000
	<b>\$ 2,453,000</b>

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

2026	103,000
2027	105,000
2028	106,000
2029	107,000
2030	108,000
2031-2032	222,000
2033-2037	579,000
2038-2042	616,000
2043-2047	655,000
2048-2052	699,000
2053-2057	745,000
2058-2061	633,000
	<b>\$ 4,678,000</b>

The District has a Capital Lease, Inc for the purchase of a crane truck on October 30, 2024. The Purchase price was \$211,921.09 at 4.55% and payable over 5 years with a monthly payment of \$3,955.

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

2026		39,812
2027		41,661
2028		43,597
2029		45,796
2030		15,501
		<u>\$186,367</u>

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

2026		19,996
2027		8,570
		<u>\$28,567</u>

**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 6/30/24	<u>\$7,090,928</u>	<u>\$10,836,524</u>
Net Change in Net Position	<u>138,831</u>	<u>(374,076)</u>
Net Position 6/30/25	<u>\$7,229,759</u>	<u>\$10,462,448</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**

## Clearlake Oaks County Water District

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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 2025, 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.

#### **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, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

#### **General Information about the Pension Plan**

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

*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:

**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		
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%

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

***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 <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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<sup>1</sup>The 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**

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

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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:

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 - 6/30/2025 Reporting Date:		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	33,110	-
Differences between Expected and Actual Experience	107,033	-
Differences between Projected and Actual Investment Earnings	74,162	-
Differences between Employer’s Contributions and Proportionate Share of Contributions	77,256	-
Change in Employer’s Proportion	-	28,577
Pension Contributions Made Subsequent to Measurement Date	200,227	-
	<u>491,788</u>	<u>28,577</u>
Net Pension Liability as of 6/30/2025	<u>1,288,230</u>	

**NOTE:** Detailed breakdown of ending balances by Miscellaneous vs Safety can be found in the [Jul 2024-Jun 2025 JE Flow](#) worksheet

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Pension Expense as of June 30, 2025 <span style="float: right; border: 1px solid black; padding: 2px 10px;">259,146</span>				
At 6/30/2025, proportionate shares of Net Pension Liability/(Asset) by plan(s):				
	<b>Proportionate Share of Net Pension Liability/(Asset)</b>			
Miscellaneous	1,288,230			
Safety	-			
<b>Total</b>	<b>1,288,230</b>			
Proportionate share of the Net Pension Liability/(Asset) for the Plan as of 6/30/2024 and 6/30/2025:				
	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>	
Proportion - June 30, 2024	0.02575%	0.00000%	0.02575%	
Proportion - June 30, 2025	0.02663%	0.00000%	0.02663%	
Change - Increase/(Decrease)	0.00089%	0.00000%	0.00089%	
<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>
2026	\$ 84,391	\$ -	\$ 84,391	
2027	192,647	-	192,647	
2028	11,360	-	11,360	
2029	(25,414)	-	(25,414)	
2030	-	-	-	
Thereafter	-	-	-	
	262,984	-	262,984	
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>5.90%</b>	<b>6.90%</b>	<b>7.90%</b>	
Employer's Net Pension Liability/(Asset) - <b>Miscellaneous</b>	1,886,061	1,288,230	796,127	
Employer's Net Pension Liability/(Asset) - <b>Safety</b>	-	-	-	
Employer's Net Pension Liability/(Asset) - <b>Total</b>	1,886,061	1,288,230	796,127	
	-	-	-	

**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

**Clearlake Oaks County Water District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

operations. Also, certain amounts presented in the prior year data have been reclassified in order to be 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, 2025, 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 **December 19, 2025**, which is the date the financial statements were available to be issued.

**Clearlake Oaks County Water District**

**Supplemental Information**

**June 30, 2025**



December 19, 2025

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, 2025, and have issued our report thereon dated **December 19, 2025**. 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.

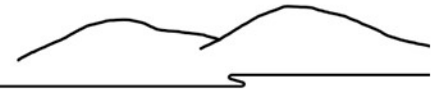
**Internal Control Over Financial Reporting**

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