

February 13, 2023

City Council
City of Clearlake
Clearlake, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Clearlake (City) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimates for the net pension liability is based on actuarial information provided by the California Public Employee Retirement System's (CalPERS) actuarial office. We evaluated the key factors and assumptions to develop the liability in determining that the estimated liability are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of accumulated depreciation in Note 5 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosures for the net pension liability in Note 7 to the financial statements is based on assumptions for discount rates, etc., which could differ from actual experience. The notes disclose the differences in these liabilities if different assumptions are used in estimating these liabilities.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit, other than delays in completing the audit due to the significant general ledger accounting and reconciliations needed.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- 1) Adjustments were made to accounts receivable at year-end.
- 2) Adjustments were made to capital asset balances.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 13, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Findings and Recommendations:

In addition to our audit opinion on the financial statements, we issued our “Independent Auditor’s 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*” dated February 13, 2023, in which we identified a material weakness in internal controls.

Other Matters

We applied certain limited procedures to the required supplementary information, as listed in the City’s financial statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (e.g., budgetary schedules, combining statements, individual fund statements), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Clearlake and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Van Lant & Fankhaed, LLP

CITY OF CLEARLAKE, CALIFORNIA

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2021

Prepared by
Administrative Services Department

City of Clearlake
Annual Financial Report
Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor’s Report	1 - 3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6 - 7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9 - 10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Position – Proprietary Fund	12
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	13
Statement of Cash Flows – Proprietary Fund	14
Statement of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position	16
Notes to Financial Statements	17 - 38
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	39
HOME RLF Special Revenue Fund	40
Schedule of the City’s Proportionate Share of the Net Pension Liability	41
Schedule of Plan Contributions	42
Notes to Required Supplementary Information	43
Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Series B Infrastructure Bonds Capital Projects Fund	44
Roads Measure V Capital Projects Fund	45
Grants Capital Projects Fund	46
Non-Major Governmental Funds:	
Combining Balance Sheet	47 - 49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	50 - 52

City of Clearlake
Annual Financial Report
Year Ended June 30, 2021

TABLE OF CONTENTS - Continued

Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Police Measure P Special Revenue Fund	53
Low and Moderate-Income Housing Special Revenue Fund	54
Park Development Special Revenue Fund	55
PEG Special Revenue Fund	56
Police Grants Special Revenue Fund	57
Police ABC Special Revenue Fund	58
Police Asset Seizure Special Revenue Fund	59
Gas Tax Special Revenue Fund	60
Traffic Impact Special Revenue Fund	61
CDBG Code Enforcement Special Revenue Fund	62
EDBG RLF Special Revenue Fund	63
Recycle Special Revenue Fund	64
Series A Infrastructure Bonds Capital Projects Fund	65

FINANCIAL SECTION



Independent Auditor's Report

The Honorable City Council
City of Clearlake, California
Clearlake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Clearlake, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Clearlake's basic financial statements 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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Van Lant & Fankhanel, LLP

29970 Technology Drive, Suite 105 A
Murrieta, CA 92563
909.856.6879

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Clearlake, California, as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules listed in the Supplementary Information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the Supplementary Information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2023, on our consideration of the City of Clearlake’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.

Van Lant & Fankhaenel, LLP

February 13, 2023

BASIC FINANCIAL STATEMENTS

City of Clearlake
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Cash and Investments	\$ 20,483,441
Receivables:	
Accounts	484,005
Interest	3,455
Taxes	1,340,021
Notes	7,887,513
Grants	9,213
Capital Assets:	
Land	8,073,971
Construction in Progress	1,000,452
Other Capital Assets, Net	19,467,786
Total Assets	58,749,857
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Items	1,981,000
LIABILITIES	
Accounts Payable	658,694
Accrued Payroll Liabilities	441,595
Deposits	68,455
Noncurrent Liabilities:	
Due Within One Year	181,054
Due in More Than One Year	9,061,299
Total Liabilities	10,411,097
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Items	814,472
NET POSITION	
Net Investment in Capital Assets	28,107,267
Restricted for:	
PEG	268,488
Housing	6,812,618
Public Safety	1,785,845
Streets and Highways	1,097,843
Capital Projects	3,169,858
Unrestricted	8,263,369
Total Net Position	\$ 49,505,288

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
					Governmental Activities
Governmental Activities:					
General Government	\$ 2,773,711	\$ 591,087	\$ -	\$ 113,178	\$ (2,069,446)
Public Safety	6,247,693	211,074	382,241	199,439	(5,454,939)
Public Works	1,253,016	304,036	26,403	3,156,783	2,234,206
Housing	363,139	111,079	-	-	(252,060)
Parks and Recreation	1,194,055	132,993	-	-	(1,061,062)
Interest and Fiscal Charges	31,527	-	-	-	(31,527)
Total Governmental Activities	11,863,141	1,350,269	408,644	3,469,400	(6,634,828)
General Revenues:					
Taxes:					
					3,945,033
Sales and Use Taxes					2,207,493
Property Taxes					740,327
Franchise Fees					427,715
Transient Occupance Tax					45,527
Business Licenses					496,368
Gain on Sale of Capital Assets					19,420
Investment Income					14,945,017
Miscellaneous Revenues					
Total General Revenues and Transfers					22,826,900
Change in Net Position					16,192,072
Net Position - Beginning of Year					33,313,216
Net Position - End of Year					\$ 49,505,288

The accompanying notes are an integral part of this statement.

**City of Clearlake
Balance Sheet
Governmental Funds
June 30, 2021**

	General Fund	Special Revenue	Capital Project	
		HOME RLF	Series B Infrastructure Bonds	Roads Measure V
ASSETS				
Cash and Investments	\$ 15,004,961	\$ 48,252	\$ 2,568,310	\$ 536,683
Receivables:				
Accounts	320,498	-	-	-
Interest	2,640	8	441	43
Taxes	529,190	-	-	507,134
Grants	-	-	-	-
Notes	1,813	5,290,918	-	-
Due from Other Funds	57,604	-	-	-
Total Assets	\$ 15,916,706	\$ 5,339,178	\$ 2,568,751	\$ 1,043,860
LIABILITIES				
Accounts Payable	\$ 148,447	\$ -	\$ -	\$ 721
Accrued Payroll Liabilities	332,329	-	-	27,914
Deposits	64,605	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	545,381	-	-	28,635
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Grants Receivable	39,640	-	-	-
Total Deferred Inflows of Resources	39,640	-	-	-
FUND BALANCES (DEFICITS)				
Nonspendable	1,813	-	-	-
Restricted	-	5,339,178	2,568,751	1,015,225
Committed	-	-	-	-
Unassigned	15,329,872	-	-	-
Total Fund Balances (Deficits)	15,331,685	5,339,178	2,568,751	1,015,225
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 15,916,706	\$ 5,339,178	\$ 2,568,751	\$ 1,043,860

The accompanying notes are an integral part of this statement.

<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Grants</u>		
\$ 427,668	\$ 1,766,949	\$ 20,352,823
144,917	18,590	484,005
-	316	3,448
-	303,697	1,340,021
9,213	-	9,213
-	2,594,782	7,887,513
-	-	57,604
<u>\$ 581,798</u>	<u>\$ 4,684,334</u>	<u>\$ 30,134,627</u>
\$ 493,922	\$ 15,604	\$ 658,694
-	81,352	441,595
-	3,850	68,455
-	57,604	57,604
<u>493,922</u>	<u>158,410</u>	<u>1,226,348</u>
<u>9,213</u>	<u>8,830</u>	<u>57,683</u>
<u>9,213</u>	<u>8,830</u>	<u>57,683</u>
-	-	1,813
78,663	4,537,245	13,539,062
-	-	-
-	(20,151)	15,309,721
<u>78,663</u>	<u>4,517,094</u>	<u>28,850,596</u>
<u>\$ 581,798</u>	<u>\$ 4,684,334</u>	<u>\$ 30,134,627</u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

Fund Balances of Governmental Funds \$ 28,850,596

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Land	\$ 8,073,971	
Construction in Progress	1,000,452	
Buildings and Improvements	3,061,387	
Vehicles and Equipment	3,603,034	
Infrastructure	21,331,650	
Less: Accumulated Depreciation	<u>(8,528,285)</u>	28,542,209

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 57,683

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences		(333,814)
Net Pension Liability		(7,837,662)
Claims Payable		(238,202)
Energy Efficiency Loan Payable		(678,805)
Lease Payable		(153,870)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.

Deferred Outflows Related to Pensions		1,981,000
Deferred Inflows Related to Pensions		(814,472)

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position. 130,625

Net Position of Governmental Activities \$ 49,505,288

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General Fund	Special Revenue	Capital Project	
		HOME RLF	Series B Infrastructure Bonds	Roads Measure V
REVENUES				
Taxes and Assessments	\$ 5,861,601	\$ -	\$ -	\$ 2,607,616
Fines and Forfeitures	89,624	-	-	-
Licenses and Permits	21,002	-	-	-
Use of Money and Property	19,420	85	3,599	542
Intergovernmental	344,530	-	-	407,217
Charges for Services	1,077,445	4,702	-	-
Legal Settlement	14,876,403	-	-	-
Other Revenues	1,132,439	-	-	-
Total Revenues	<u>23,422,464</u>	<u>4,787</u>	<u>3,599</u>	<u>3,015,375</u>
EXPENDITURES				
Current:				
General Government	1,840,294	-	-	-
Public Safety	4,028,306	-	-	-
Public Works and Streets	366,481	-	-	626,840
Housing	459,944	26,162	-	-
Parks and Recreation	350,415	-	-	-
Capital Outlay	133,461	-	-	254,787
Debt Service:				
Principal	112,965	-	-	-
Interest	31,527	-	-	-
Total Expenditures	<u>7,323,393</u>	<u>26,162</u>	<u>-</u>	<u>881,627</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,099,071</u>	<u>(21,375)</u>	<u>3,599</u>	<u>2,133,748</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	34,555	-	-	-
Transfers Out	<u>(1,349,400)</u>	<u>-</u>	<u>(28,802)</u>	<u>(1,617,859)</u>
Total Other Financing Sources (Uses)	<u>(1,314,845)</u>	<u>-</u>	<u>(28,802)</u>	<u>(1,617,859)</u>
Net Change in Fund Balances	14,784,226	(21,375)	(25,203)	515,889
Fund Balances, Beginning	<u>547,459</u>	<u>5,360,553</u>	<u>2,593,954</u>	<u>499,336</u>
Fund Balances, Ending	<u>\$ 15,331,685</u>	<u>\$ 5,339,178</u>	<u>\$ 2,568,751</u>	<u>\$ 1,015,225</u>

The accompanying notes are an integral part of this statement.

<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Grants</u>	<u>Funds</u>	<u>Totals</u>
\$ -	\$ 2,122,102	\$ 10,591,319
-	-	89,624
-	-	21,002
3	2,912	26,561
389,295	331,157	1,472,199
-	105,494	1,187,641
-	-	14,876,403
-	218	1,132,657
<u>389,298</u>	<u>2,561,883</u>	<u>29,397,406</u>
-	19,902	1,860,196
-	1,538,613	5,566,919
-	530,052	1,523,373
-	69,171	555,277
-	12,724	363,139
4,007,255	177,350	4,572,853
-	-	112,965
-	-	31,527
<u>4,007,255</u>	<u>2,347,812</u>	<u>14,586,249</u>
<u>(3,617,957)</u>	<u>214,071</u>	<u>16,077,696</u>
3,630,212	-	3,664,767
<u>(34,555)</u>	<u>(752,899)</u>	<u>(3,783,515)</u>
<u>3,595,657</u>	<u>(752,899)</u>	<u>(118,748)</u>
(22,300)	(538,828)	14,692,409
100,963	5,055,922	14,158,187
<u>\$ 78,663</u>	<u>\$ 4,517,094</u>	<u>\$ 28,850,596</u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 14,692,409

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay as an expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Expenditures	4,902,171
Depreciation Expense	(861,909)
Loss on Disposal	(589,657)

Certain receivables are offset by unavailable revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which prior year unavaible revenue exceeded current year unavailable revenue. (752,536)

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Net Pension Liability	(422,656)
Claims Payable	(119,886)
Compensated Absences	(78,466)
Energy Efficiency Loan	43,149
Capital Lease Payable	69,816

Amounts for deferred inflows and deferred outflows related to the City's net pension and total OPEB liabilities are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension and total OPEB liabilities.

Deferred Outflows Related to Pensions	(413,003)
Deferred Inflows Related to Pensions	(407,985)

Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue (expense) of the internal service is reported with governmental activities. 130,625

Change in Net Position of Governmental Activities \$ 16,192,072

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Net Position
Proprietary Fund
June 30, 2021

	Governmental Activities - Internal Service Fund
ASSETS	
Current:	
Cash and Investments	\$ 130,618
Interest Receivable	7
Total Current Assets	130,625
LIABILITIES	
Current:	
Accounts Payable	-
Total Current Liabilities	-
NET POSITION	
Unrestricted	130,625
Total Net Position	\$ 130,625

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2021

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for Services	\$ 43,837
Total Operating Revenues	<u>43,837</u>
OPERATING EXPENSES	
Insurance	<u>31,967</u>
Total Operating Expenses	<u>31,967</u>
Operating Income (Loss)	<u>11,870</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Earnings	<u>7</u>
Total Non-Operating Revenues (Expenses)	<u>7</u>
Income (Loss) Before Contributions and Transfers	11,877
Transfers In	<u>118,748</u>
Change in Net Position	130,625
Total Net Position, Beginning of Year	<u>-</u>
Total Net Position, End of Year	<u><u>\$ 130,625</u></u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2021

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities	
Cash Received from User Funds	\$ 43,837
Cash Paid to Suppliers for Goods and Services	<u>(31,967)</u>
Net Cash Provided (Used) By Operating Activities	<u>11,870</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received from (Paid to) Other Funds	<u>118,748</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>118,748</u>
Cash Flows from Investing Activities	
Interest Received on Investments	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) In Cash and Cash Equivalents	130,618
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 130,618</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 11,870
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) Decrease In Accounts Receivable	-
Increase (Decrease) In Accounts Receivable	<u>-</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 11,870</u></u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	LAFCO Custodial Fund	Successor Agency Private-purpose Trust Fund
ASSETS		
Cash and Investments	\$ 212,048	\$ 827,218
Restricted Cash and Investments	-	16,906
Interest Receivable	38	-
Deposits	-	10,000
Land Held for Resale	-	2,083,877
	<u>212,086</u>	<u>2,938,001</u>
Total Assets		
LIABILITIES		
Accounts Payable	14,125	10,000
Accrued Payroll Liabilities	-	3,409
Due to Other Agencies	-	-
Interest Payable	-	99,953
Long-Term Debt, Due within One Year	-	560,000
Long-Term Debt, Due in more Than One Year	-	10,683,208
	<u>14,125</u>	<u>11,356,570</u>
Total Liabilities		
NET POSITION		
Held in Trust for:		
Successor Agency	-	(8,418,569)
Other Organizations	197,961	
	<u>197,961</u>	<u>(8,418,569)</u>
Total Net Position	<u>\$ 197,961</u>	<u>\$ (8,418,569)</u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2021

	LAFCO Custodial Fund	Successor Agency Private-purpose Trust Fund
	<u> </u>	<u> </u>
ADDITIONS		
Investment Income	\$ 256	\$ -
Taxes, Assessments, and Contributions	149,292	1,549,800
	<u>149,548</u>	<u>1,549,800</u>
Total Additions		
DEDUCTIONS		
Administrative Costs	131,578	242,640
Interest Expense	-	421,374
	<u>131,578</u>	<u>664,014</u>
Total Deductions		
Change in Net Position	17,970	885,786
Net Position - Beginning of Year	179,991	(8,308,350)
Restatement of Net Position	<u>-</u>	<u>(996,005)</u>
Net Position - End of Year	<u>\$ 197,961</u>	<u>\$ (8,418,569)</u>

The accompanying notes are an integral part of this statement.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Clearlake, California (the City) 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 City's accounting policies are described below.

A) Reporting Entity

The City of Clearlake is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable.

Blended Component Units – The Clearlake Public Financing Authority is a separate legal entity created for the purpose of improving the economic conditions of the City, making public improvements and providing financing for these purposes. This entity is governed by the City Council of the City of Clearlake, and is therefore reported as if it was part of the City. The Authority is reported as part of the City's special revenue, capital projects and debt service funds. The component unit redevelopment agency was dissolved effective February 1, 2012 and all residual asset and liabilities are reported in the Successor Agency private purpose fiduciary funds.

B) Basis of Accounting and Measurement Focus

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expense.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be 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, fund equity, revenues and expenditures or 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.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about the major funds individually and nonmajor funds in the aggregate for all funds.

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

The City uses an availability period of 60 days. Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent the net current assets.

Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of long-term receivables are offset by nonspendable fund balance.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise fund and internal service funds are charges to customers for services provided. Operating expenses for the City’s enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City’s internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City’s governmental activities, the financial statements of the internal service fund are consolidated in the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public protection, development, etc.).

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C) Fund Classifications

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The *HOME RLF Fund* accounts for revolving loan funds used for activities pertaining to multi-family, first-time homebuyer, rehabilitation and other affordable housing loan and grant programs.

The *Series B Infrastructure Bond Proceeds Fund* accounts for Series B proceeds used to complete various road and infrastructure projects consistent with the original bond issuance.

The *Roads Measure V Fund* accounts for and reports financial resources related to the 1% transaction and use tax for improving and maintaining roads within the City. The tax sunsets in 20 years and an Oversight Committee has been established to review prior year expenditures.

The *Grants Fund* accounts for and reports financial resources for the majority of all capital projects conducted by the City of Clearlake. The projects are funded by grant revenue deposited in Fund 240 or transfers from other funds within the City budget.

Additionally, the City reports the following fund types:

The *Internal Service Fund* accounts for the accumulation of resources for unemployment insurance.

The *Private-purpose Trust Fund* accounts for the balances and transactions of the Successor Agency to the Clearlake Redevelopment Agency.

The *Custodial Fund* accounts for monies held for the Lake County Local Agency Formation Commission (LAFCO).

D) Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E) Due from Other Governments

The amounts recorded as due from other governments, include sales taxes, property taxes, and grant revenues, collected or provided by Federal, State, County and City governments and remain unremitted to the City as of June 30, 2021.

F) Fund Balance

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the City Council by ordinance to formally commit part of the City's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Council action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the City Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. The City's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the City Manager, or his designee.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

G) Fund Equity

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of net position which is not restricted to use.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H) Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1, each year. Taxes are levied on July 1, and are payable in two installments no later than December 10, and April 10, of each year. Lake County bills and collects the property taxes and remits them to the City in installments during the year. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. Property Valuations are established by the Lake County Assessor for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provision of Article XIII-A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base assessment, subsequent annual increases in valuation are limited to a maximum of two percent. However, an increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

I) Compensated Absences

In accordance with GASB Statement No 16, a liability is recorded for unused balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Upon separation, 100% of accrued vacation leave (up to a maximum of 400 hours) and accrued comp time is paid and, depending on longevity, sick leave is paid out up to 50% of the accrued amount. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

J) Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets received prior to the implementation of GASB 72 are valued at their estimated fair market value at the date of the contribution. Contributed capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. The City capitalizes assets with an original cost greater than \$5,000 and with a useful lifespan longer than three years.

Capital assets include public domain (infrastructure) assets consisting of certain improvements including roads, streets, sidewalks, medians and storm drains. Depreciation has been provided using the straight line method over the estimated useful life of the asset in the government-wide financial statements. No depreciation is recorded in the year of acquisition or in the year of disposition.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The following schedule summarizes capital asset useful lives:

Building and improvements	5 - 50 years
Roadway improvements	50 years
Sidewalks, curbs, and gutters	50 years
Storm drain pipes/structures	50 years
Traffic signal devices	5 - 40 years
Landscaping	30 years
Signage	25 years
Leasehold improvements	5 years
Machinery and equipment	3 - 5 years
Vehicles	3 years

K) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City reports deferred outflows of resources related to pension liabilities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has certain items, which arise only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows as a result of the City's implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which qualify for reporting in this category.

M) Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board has issued the following Statements, which may affect the City's financial reporting requirements in the future:

GASB 87 – Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB 91 - Conduit Debt Obligations: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

O) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Clearlake's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 20,483,441
Statement of Fiduciary Net Position:	
Cash and Investments	1,039,266
Cash and Investments with Fiscal Agents	16,906
Total Cash and Investments	\$ 21,539,613

Cash and Investments consist of the following:

Cash on Hand	\$ 493
Deposits with Financial Institutions	17,314,699
Investments	4,224,421
Total Cash and Investments	\$ 21,539,613

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

2) CASH AND INVESTMENTS – Continued

Investments Authorized by the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
Supranationals	Yes	5 years	30%	None
JPA Pools (other investment pools)	No	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provision of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

2) CASH AND INVESTMENTS – Continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Repurchase Agreements	270 days	30%	None
Investment Contracts	30 years	None	None
Local Agency Investment Fund (LAIF)	N/A	50 million	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investment by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>	
Local Agency Investment Fund	\$ 4,207,515	\$ -	\$ -	\$ 4,207,515
Held by Bond Trustee:				
Money Market Mutual Funds	16,906	-	-	16,906
Total Pooled Investments	<u>\$ 4,224,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,224,421</u>

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization.

The Local Agency Investment Fund is not required to be rated. Money Market Mutual funds held by bond trustees are rated AAA.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2021, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, no deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). As of June 30, 2021, none of the City's investments were held by the broker-dealer (counterparty) that was used by the City to purchase the securities.

For investments identified herein as held by bond trustee, the bond trustee selects the investments under terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

2) CASH AND INVESTMENTS - Continued

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Local Agency Investment Fund and money market mutual funds are not subject to the fair value hierarchy; therefore, the City has no investments that are subject to recurring fair value measurements.

Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at June 30, 2021 are as follows:

<u>Due To (Receivable)</u>	<u>Due From (Payable)</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 57,604
Total		<u>\$ 57,604</u>

The \$57,604 due to the General Fund from the non-major Governmental Funds will be paid with future revenues.

Transfers consisted of the following at June 30, 2021:

<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>			<u>Total</u>
	<u>General Fund</u>	<u>Grants</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 1,230,652	\$ 118,748	\$ 1,349,400
Series B Infrastructure Bond Proceeds	-	28,802	-	28,802
Roads Measure V	-	1,617,859	-	1,617,859
Grants Capital Projects Fund	34,555	-	-	34,555
Non-Major Funds	-	752,899	-	752,899
Total	<u>\$ 34,555</u>	<u>\$ 3,630,212</u>	<u>\$ 118,748</u>	<u>\$ 3,783,515</u>

Transfers were made from the Grants Capital Projects Fund to the General Fund of \$34,555 for project costs. Transfers were made from the General Fund, Series B Infrastructure Bond Proceeds, Roads Measure V and Non-Major Funds to the Grants Capital Projects Fund totaling \$3,630,212 for project costs.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

4) LOANS AND NOTES RECEIVABLE

Through the City's various housing rehabilitation funds, first-time home buyer's funds, and business/economic development loan funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest. The balance of the loans receivable includes the accrued interest earned and deferred until future periods and an allowance for doubtful accounts of \$7,166,482.

Loans and notes receivable for the year ended June 30, 2021, consisted of the following:

Fund	Beginning Balance	Additions	Deletions	Ending Balance
HOME RLF	\$ 5,274,468	\$ 68,220	\$ 51,770	\$ 5,290,918
Nonmajor Governmental Funds	2,806,629	42,689	254,536	2,594,782
Total	\$ 8,081,097	\$ 110,909	\$ 306,306	\$ 7,885,700

5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 7,306,000	\$ 897,905	\$ 479,934	\$ 7,723,971
Construction in Progress	3,012,354	1,000,452	3,012,354	1,000,452
Total Capital Assets Not Depreciated	10,318,354	1,898,357	3,492,288	8,724,423
Depreciable Capital Assets				
Buildings and Improvements	3,561,387	-	500,000	3,061,387
Equipment	1,436,261	447,777	-	1,884,038
Vehicles	1,652,168	66,828	-	1,718,996
Infrastructure	15,830,087	5,501,563	-	21,331,650
Total Depreciable Capital Assets	22,479,903	6,016,168	500,000	27,996,071
Less Accumulated Depreciation:				
Buildings and Improvements	1,686,722	97,683	40,277	1,744,128
Equipment	765,507	152,588	-	918,095
Vehicles	1,108,096	99,714	-	1,207,810
Infrastructure	4,146,328	511,924	-	4,658,252
Total Accumulated Depreciation	7,706,653	861,909	40,277	8,528,285
Net Depreciable Capital Assets	14,773,250	5,154,259	459,723	19,467,786
Total Capital Assets, Net	\$ 25,091,604	\$ 7,052,616	\$ 3,952,011	\$ 28,192,209

Depreciation expense was charged in the following function of the Statement of Activities:

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

5) CAPITAL ASSETS - Continued

General Government	\$ 105,218
Public Safety	58,952
Public Works and Streets	697,739
Total Depreciation Expense	\$ 861,909

6) LONG-TERM LIABILITIES

The following is a summary of long-term liabilities, all of which are funded by the General Fund, for the year ended June 30, 2021:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 255,348	\$ 78,466	\$ -	\$ 333,814	\$ 65,000
Net Pension Liability	7,415,006	422,656	-	7,837,662	-
Claims Payable	118,316	119,886	-	238,202	-
Loans from direct borrowings:					
Energy Efficiency Loan	721,954	-	43,149	678,805	46,238
Capital Lease Payable	223,686	-	69,816	153,870	69,816
Total	\$ 8,734,310	\$ 621,008	\$ 112,965	\$ 9,242,353	\$ 181,054

Compensated absences and the net pension liability are typically liquidated by the General Fund.

Energy Efficiency Lease Agreement (direct borrowing)

In April, the City entered into a lease-purchase agreement for the acquisition and installation of certain energy conservation equipment including lighting and solar with an aggregate principal borrowing of \$808,519. The proceeds are to be used to pay for the energy efficiency and conservation improvements as specified in the agreement. The payments bear interest at 3.50% and are due and payable annually on November 15th and each year, maturing on November 15, 2032. The General Fund will generally be responsible for making the debt service payments annually.

The annual debt service requirements for the lease agreement as of June 30, 2021 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 46,238	\$ 24,366	\$ 70,604
2023	47,590	22,649	70,239
2024	48,209	20,917	69,126
2025	50,360	19,141	69,501
2026	53,233	18,278	71,511
2027	56,478	15,306	71,784
2028	59,962	13,214	73,176
2029	63,696	10,992	74,688
2030	67,690	8,631	76,321
2031	71,865	6,123	77,988
2032	75,070	3,461	78,531
2033	38,414	701	39,115
Totals	\$ 678,805	\$ 163,779	\$ 842,584

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

6) LONG-TERM LIABILITIES – Continued

Capital Lease Payable

The City, at various occasions, enters into lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capitalized costs and accumulated depreciation on assets acquired through capital leases are \$291,855 and \$60,803. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

Fiscal Year Ending June 30,	Governmental Activities
2022	\$ 82,497
2023	82,497
Totals	\$ 164,994
Less: Interest	(11,124)
Present Value	<u>\$ 153,870</u>

Fiduciary Fund Long-term Debt

The following is a summary of the Successor Agency Private-purpose Trust Fund long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
Series 2017	\$ 12,080,000	\$ -	\$ 555,000	\$ 11,525,000	\$ 560,000
Bond Discount	(300,578)	-	(18,786)	(281,792)	(18,786)
Total	<u>\$ 11,779,422</u>	<u>\$ -</u>	<u>\$ 536,214</u>	<u>\$ 11,243,208</u>	<u>\$ 541,214</u>

In December 2017, the Clearlake Successor Agency sold \$13,275,000 in 2017 Taxable Tax Allocation Refunding Bonds to refund the previously outstanding 2006A and 2006B Series bonds, at a discount of \$338,150. Interest on the 2017 Bonds is payable on April 1 and October 1 of each year. Principal payments are made on October 1 of each year, with the final payment due on October 1, 2036. Interest rates range from 1.75% to 4%. Future debt service requirements are as follows:

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

6) LONG-TERM LIABILITIES – Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 560,000	\$ 393,163	\$ 953,163
2023	575,000	378,966	953,966
2024	600,000	363,544	963,544
2025	610,000	347,281	957,281
2026	630,000	329,444	959,444
2027	645,000	309,916	954,916
2028	665,000	289,031	954,031
2029	690,000	265,288	955,288
2030	715,000	238,944	953,944
2031	745,000	211,569	956,569
2032	770,000	183,163	953,163
2033	800,000	153,725	953,725
2034	830,000	123,163	953,163
2035	865,000	90,300	955,300
2036	895,000	55,100	950,100
2037	930,000	18,600	948,600
Totals	<u>\$ 11,525,000</u>	<u>\$ 3,751,194</u>	<u>\$ 15,276,194</u>

7) PENSION PLAN

General Information about the Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Clearlake sponsors 2 rate plans (both are miscellaneous.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – 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 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of 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.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

7) PENSION PLAN – Continued

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	10.484% + \$134,117	7.732% + \$3,429
	Safety Police	Safety Police PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	12%
Required employer contribution rates	22.437% + \$334,952	13.044% + \$5,223

Contributions – Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$477,721 in fiscal year 2021. The City's contributions to the Plan for the year ended June 30, 2021 were \$1,071,532.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

7) PENSION PLAN – Continued

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the City reported a net pension liability for its proportionate shares of the net pension liability of the Plan of \$7,837,662. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of June 30, 2019, and 2020 was as follows:

Proportion - June 30, 2019	0.07236%
Proportion - June 30, 2020	0.07203%
Change - Increase (Decrease)	-0.00033%

For the year ended June 30, 2021, the City recognized pension expense of \$1,270,473. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,071,532	\$ -
Differences between actual and expected experience	549,910	-
Changes in assumptions	-	34,563
Change in employer's proportion	63,122	156,899
Differences between employer's contributions and employer's proportionate share of contributions	108,357	623,010
Net differences between projected and actual earnings on plan investments	188,079	-
Total	\$ 1,981,000	\$ 814,472

\$1,071,532 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	\$ (281,444)
2021	78,028
2022	205,589
2023	92,823
2024	-
Thereafter	-

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

7) PENSION PLAN – Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

- (1) Depending on age, service and type of employment
(2) Derived using CalPERS' Membership Data for all Funds.

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.

Long-term Expected Rate of Return - 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows.

Using historical returns of all the funds' asset classes, expected compound 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%

- (1) An expected inflation of 2.0% used for this period.
(2) An expected inflation of 2.92% used for this period.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

7) PENSION PLAN – Continued

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 11,865,683
Current Discount Rate	7.15%
Net Pension Liability	\$ 7,837,662
1% Increase	8.15%
Net Pension Liability	\$ 4,524,771

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2021.

8) SUMMARY DISCLOSURE OF SELF-INSURANCE CONTINGENCIES

The City of Clearlake (“City”) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City obtains insurance coverage. The City maintains self-insurance programs for workers’ compensation, general and auto liability. Claims are processed by an independent third-party claims administrator.

The City is a member of the Public Agency Risk Sharing Authority of California- PARSAC (“Authority”), a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers’ compensation, and property claims. Under the program, the City has a \$50,000 retention limit similar to a deductible with the Authority being responsible for losses above that amount up to \$1 million. The Authority has additional coverage of \$49 million in excess of its \$1 million retention limit through affiliated risk management authorities.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

8) SUMMARY DISCLOSURE OF SELF-INSURANCE CONTINGENCIES - Continued

Liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

The Authority covers workers' compensation claims up to its self-insurance limit of \$500,000. The Local Agency Workers Compensation Excess Pool provides excess coverage to statutory limits. The City pays an annual premium to the Authority and may share in any surplus revenues or may be required to pay additional assessments based upon the Authority's operating results. Financial statements of the Public Agency Risk Sharing Authority of California (PARSAC) may be obtained from its administrative office located at 1525 Response Road, Suite One, Sacramento, California, 95815; www.parsac.org or by calling (916) 927-7727.

Included in the accrued claims liability is an estimated liability for claims filed, as calculated by the City's third-party claims administrator, but not paid, in the amount of \$238,202 for workers' compensation.

Fiscal Year	Claims Payable Beginning of Year	Additions	Deletions	Claims Payable End of Year
6/30/21	\$ 118,316	\$ 119,886	-	\$ 238,202
6/30/20	38,100	80,216	-	118,316

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability covered from coverage in the prior year.

9) COMMITMENTS AND CONTINGENCIES

The City has received State and Federal funds that are subject to review and audit by the grantor agencies. Such audits could generate expenditure disallowances under terms of the grants; however, it is believed that any such reimbursements will not be significant.

City of Clearlake
Notes to Financial Statements
Year Ended June 30, 2021

10) FUND BALANCE

	General Fund	HOME RLF	Series B Infrastructure Bonds	Roads Measure V	Grants	Non-major Governmental Funds	Total
Nonspendable:							
Notes Receivable	\$ 1,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,813
Restricted for:							
Capital Projects	-	-	2,568,751	1,015,225	-	-	3,583,976
Housing	-	5,339,178	-	-	-	3,197,397	8,536,575
Public Works/Street Projects	-	-	-	-	78,663	623,843	702,506
Public Safety	-	-	-	-	-	447,517	447,517
PEG	-	-	-	-	-	268,488	268,488
Unassigned	15,329,872	-	-	-	-	(20,151)	15,309,721
Total Fund Balances	\$ 15,331,685	\$ 5,339,178	\$ 2,568,751	\$ 1,015,225	\$ 78,663	\$ 4,517,094	\$ 28,850,596

11) ACCUMULATED FUND DEFICITS

At June 30, 2021, the following funds had deficit fund balances:

Non-major Funds	
Gas Tax Fund	\$ (7,074)
Recycle Fund	(13,077)

These deficits will be eliminated through the collection of unavailable revenues and future revenues.

12) LEGAL SETTLEMENT

In June 2019, the City, among other entities, was a party to a settlement with Pacific Gas and Electric Company (PG&E) with a total settlement of \$415 million. In July 2020, the City was allocated a gross settlement amount of \$18,347,776, of which, the City received \$14,876,403. The settlement amount was based on documented costs incurred and/or impacts from fires where there wasn't another funding source. The largest of which was impacts to City roads and potential slope mitigation/watershed restoration costs. According to the settlement agreement, the use of the funds is entirely within the City's discretion.

13) RESTATEMENT OF NET POSITION

The beginning net position of the Successor Agency Private-purpose Trust Fund was reduced by \$996,005 on the Statement of Changes in Fiduciary Net Position to remove a purchased insurance policy previously reported as an asset.

14) SUBSEQUENT EVENTS

In June 2022, the City of Clearlake Public Financing Authority issued a \$14,755,000 loan to be used to finance capital improvements of the City of Clearlake. The loan will be repaid using Measure V funding.

REQUIRED SUPPLEMENTARY INFORMATION

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 4,875,826	\$ 5,189,028	\$ 5,861,601	\$ 672,573
Fines and Forfeitures	110,500	80,500	89,624	9,124
Licenses and Permits	34,500	34,500	21,002	(13,498)
Use of Money and Property	2,600	2,600	19,420	16,820
Intergovernmental	337,685	255,913	344,530	88,617
Charges for Services	791,833	903,313	1,077,445	174,132
Legal Settlement	-	-	14,876,403	14,876,403
Other Revenues	6,600	1,982,562	1,132,439	(850,123)
	<u>6,159,544</u>	<u>8,448,416</u>	<u>23,422,464</u>	<u>14,974,048</u>
EXPENDITURES				
Current:				
General Government	1,836,982	2,291,891	1,840,294	451,597
Public Safety	4,164,696	4,039,281	4,028,306	10,975
Public Works and Streets	266,570	449,178	459,944	(10,766)
Housing	417,280	451,990	350,415	101,575
Parks and Recreation	147,147	286,767	366,481	(79,714)
Capital Outlay	28,600	231,724	133,461	98,263
Debt Service:				
Principal	120,000	120,000	112,965	7,035
Interest	48,000	48,000	31,527	16,473
	<u>7,029,275</u>	<u>7,918,831</u>	<u>7,323,393</u>	<u>595,438</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(869,731)</u>	<u>529,585</u>	<u>16,099,071</u>	<u>15,569,486</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	419,731	270,622	34,555	(236,067)
Transfers Out	-	(1,396,474)	(1,349,400)	47,074
	<u>419,731</u>	<u>(1,125,852)</u>	<u>(1,314,845)</u>	<u>(188,993)</u>
Net Change in Fund Balances	(450,000)	(596,267)	14,784,226	15,380,493
Fund Balance, Beginning of Year	547,459	547,459	547,459	-
Fund Balance, End of Year	<u>\$ 97,459</u>	<u>\$ (48,808)</u>	<u>\$ 15,331,685</u>	<u>\$ 15,380,493</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - HOME RLF Special Revenue Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 2,500	\$ 2,500	\$ 85	\$ (2,415)
Charges for Services	50,000	50,000	4,702	(45,298)
Total Revenues	<u>52,500</u>	<u>52,500</u>	<u>4,787</u>	<u>(47,713)</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Housing	126,000	126,000	26,162	99,838
Capital Outlay	-	-	-	-
Total Expenditures	<u>126,000</u>	<u>126,000</u>	<u>26,162</u>	<u>99,838</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(73,500)</u>	<u>(73,500)</u>	<u>(21,375)</u>	<u>52,125</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(5,000)	(5,000)	-	5,000
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Net Change in Fund Balances	(78,500)	(78,500)	(21,375)	57,125
Fund Balance, Beginning of Year	<u>5,360,553</u>	<u>5,360,553</u>	<u>5,360,553</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,282,053</u>	<u>\$ 5,282,053</u>	<u>\$ 5,339,178</u>	<u>\$ 57,125</u>

City of Clearlake
Required Supplementary Information
Year Ended June 30, 2021

Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Years*

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2020	0.07203%	\$ 7,837,662	\$ 3,854,560	203.33%	73.75%
2019	0.07236%	7,415,006	3,309,939	224.02%	73.89%
2018	0.07327%	7,060,885	2,896,358	243.78%	73.66%
2017	0.07339%	7,277,873	3,013,215	241.53%	70.88%
2016	0.07556%	6,538,364	2,561,821	255.22%	70.81%
2015	0.07978%	5,476,171	2,427,382	225.60%	74.68%
2014	0.08254%	5,135,962	2,170,611	236.61%	75.69%

Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: In 2017, the accounting discount rate changed from 7.65% to 7.15%.

*Fiscal year 2015 was the first year of implementation; therefore, 10 years of information are not yet available.

City of Clearlake
Required Supplementary Information
Year Ended June 30, 2021

Schedule of Plan Contributions
Last 10 Years*

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 1,071,532	\$ (1,071,532)	\$ -	\$ 3,854,560	27.80%
2020	1,197,351	(1,197,351)	-	3,309,939	36.17%
2019	841,961	(841,961)	-	2,896,358	29.07%
2018	1,375,377	(1,375,377)	-	3,013,215	45.64%
2017	181,051	(181,051)	-	2,561,821	7.07%
2016	659,326	(659,326)	-	2,427,382	27.16%
2015	673,740	(673,740)	-	2,170,611	31.04%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013, 6/30/2014, 6/30/2015, 6/30/2016, 6/30/2017, 6/30/2018, 6/30/2019

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information are available.

City of Clearlake
Notes to Required Supplementary Information
Year Ended June 30, 2021

1. Budgetary Control and Accounting

The City Council approves each year's budget submitted by the City Manager and Assistant City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. All supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget transfers are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the departmental level within the general fund and at the fund level for other funds. At fiscal year-end, all operating budget appropriations lapse.

A budget was not adopted for the CARES Act Special Revenue Fund.

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SUPPLEMENTARY INFORMATION

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Series B Infrastructure Bonds Capital Projects Fund
Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of Money and Property	\$ -	\$ 3,599	\$ 3,599
Total Revenues	<u>-</u>	<u>3,599</u>	<u>3,599</u>
EXPENDITURES			
Capital Outlay	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Expenditures	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,000,000)</u>	<u>3,599</u>	<u>1,003,599</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>(37,200)</u>	<u>(28,802)</u>	<u>8,398</u>
Total Other Financing Sources (Uses)	<u>(37,200)</u>	<u>(28,802)</u>	<u>8,398</u>
Net Change in Fund Balances	(1,037,200)	(25,203)	1,011,997
Fund Balance, Beginning of Year	<u>2,593,954</u>	<u>2,593,954</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,556,754</u>	<u>\$ 2,568,751</u>	<u>\$ 1,011,997</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Roads Measure V Capital Project Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes and Assessments	\$ 2,562,558	\$ 2,607,616	\$ 45,058
Use of Money and Property	500	542	42
Intergovernmental	-	407,217	407,217
	<u>2,563,058</u>	<u>3,015,375</u>	<u>452,317</u>
Total Revenues			
EXPENDITURES			
Current:			
Public Works and Streets	884,784	626,840	257,944
Capital Outlay	253,600	254,787	(1,187)
	<u>1,138,384</u>	<u>881,627</u>	<u>256,757</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>1,424,674</u>	<u>2,133,748</u>	<u>709,074</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(1,652,298)	(1,617,859)	34,439
	<u>(1,652,298)</u>	<u>(1,617,859)</u>	<u>34,439</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(227,624)	515,889	743,513
Fund Balance, Beginning of Year	<u>499,336</u>	<u>499,336</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 271,712</u>	<u>\$ 1,015,225</u>	<u>\$ 743,513</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Grants Capital Project Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ 389,295	\$ 389,295
Use of Money and Property	-	3	3
	<u>-</u>	<u>389,298</u>	<u>389,298</u>
Total Revenues	<u>-</u>	<u>389,298</u>	<u>389,298</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Public Works and Streets	-	-	-
Capital Outlay	-	4,007,255	(4,007,255)
	<u>-</u>	<u>4,007,255</u>	<u>(4,007,255)</u>
Total Expenditures	<u>-</u>	<u>4,007,255</u>	<u>(4,007,255)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(3,617,957)</u>	<u>(3,617,957)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	5,724,418	3,630,212	(2,094,206)
Transfers Out	-	(34,555)	(34,555)
	<u>5,724,418</u>	<u>3,595,657</u>	<u>(2,128,761)</u>
Total Other Financing Sources (Uses)	<u>5,724,418</u>	<u>3,595,657</u>	<u>(2,128,761)</u>
Net Change in Fund Balances	5,724,418	(22,300)	(5,746,718)
Fund Balance, Beginning of Year	<u>100,963</u>	<u>100,963</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,825,381</u>	<u>\$ 78,663</u>	<u>\$ (5,746,718)</u>

NON-MAJOR GOVERNMENTAL FUNDS

City of Clearlake
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2021

	Special Revenue				
	Police Measure P	Low and Moderate Income Housing	Park Development	PEG	Police Grants
ASSETS					
Cash and Investments	\$ 183,157	\$ 181,110	\$ 3,955	\$ 252,834	\$ -
Receivables:					
Accounts	-	2,571	-	16,019	-
Taxes	252,179	-	-	-	-
Interest	-	31	-	46	-
Notes Receivable	-	1,093,218	-	-	-
Due from Other Funds	-	-	-	-	-
Total Assets	\$ 435,336	\$ 1,276,930	\$ 3,955	\$ 268,899	\$ -
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ 411	\$ -
Accrued Payroll Liabilities	49,707	2,089	-	-	-
Deposits	-	3,850	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	49,707	5,939	-	411	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Receivables	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCE (DEFICITS)					
Restricted	385,629	1,270,991	3,955	268,488	-
Unassigned	-	-	-	-	-
Total Fund Balances	385,629	1,270,991	3,955	268,488	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 435,336	\$ 1,276,930	\$ 3,955	\$ 268,899	\$ -

Special Revenue

Police ABC	Police Asset Seizure	Gas Tax	Traffic Impact	CARES Act	CDBG Code Enforcement	EDBG RLF
\$ 14	\$ 62,930	\$ 14,193	\$ 18,781	\$ -	\$ 330,455	\$ 118,519
-	-	-	-	-	-	-
-	-	51,518	-	-	-	-
-	12	60	-	-	9	52
-	-	-	-	-	1,409,156	92,408
-	-	-	-	-	-	-
<u>\$ 14</u>	<u>\$ 62,942</u>	<u>\$ 65,771</u>	<u>\$ 18,781</u>	<u>\$ -</u>	<u>\$ 1,739,620</u>	<u>\$ 210,979</u>
\$ -	\$ 1,068	\$ 14,125	\$ -	\$ -	\$ -	\$ -
-	-	14,193	-	-	15,363	-
-	-	-	-	-	-	-
-	-	44,527	-	-	-	-
-	1,068	72,845	-	-	15,363	-
-	-	-	-	-	300	8,530
-	-	-	-	-	300	8,530
14	61,874	-	18,781	-	1,723,957	202,449
-	-	(7,074)	-	-	-	-
14	61,874	(7,074)	18,781	-	1,723,957	202,449
<u>\$ 14</u>	<u>\$ 62,942</u>	<u>\$ 65,771</u>	<u>\$ 18,781</u>	<u>\$ -</u>	<u>\$ 1,739,620</u>	<u>\$ 210,979</u>

City of Clearlake
Combining Balance Sheet
Non-major Governmental Funds - Continued
June 30, 2021

	<u>Special Revenue</u>	<u>Capital Projects</u>	Total
	Recycle Fund	Series A Infrastructure Bonds	Non-major Governmental Funds
ASSETS			
Cash and Investments	\$ -	\$ 601,001	\$ 1,766,949
Receivables:			
Accounts	-	-	18,590
Taxes	-	-	303,697
Interest	-	106	316
Notes Receivable	-	-	2,594,782
Due from Other Funds	-	-	-
 Total Assets	 <u>\$ -</u>	 <u>\$ 601,107</u>	 <u>\$ 4,684,334</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 15,604
Accrued Payroll Liabilities	-	-	81,352
Deposits	-	-	3,850
Due to Other Funds	13,077	-	57,604
 Total Liabilities	 <u>13,077</u>	 <u>-</u>	 <u>158,410</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Receivables	-	-	8,830
 Total Deferred Inflows of Resources	 <u>-</u>	 <u>-</u>	 <u>8,830</u>
FUND BALANCE (DEFICITS)			
Restricted	-	601,107	4,537,245
Unassigned	(13,077)	-	(20,151)
 Total Fund Balances	 <u>(13,077)</u>	 <u>601,107</u>	 <u>4,517,094</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	 <u>\$ -</u>	 <u>\$ 601,107</u>	 <u>\$ 4,684,334</u>

City of Clearlake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2021

	Special Revenue				
	Police Measure P	Low and Moderate Income Housing	Park Development	PEG	Police Grants
REVENUES					
Taxes and Assessments	\$ 1,504,493	\$ -	\$ -	\$ -	\$ -
Use of Money and Property	-	226	-	341	-
Intergovernmental Revenues	-	-	-	87,069	100,000
Charges for Services	-	49,781	-	-	-
Other Revenues	-	-	-	-	-
Total Revenues	1,504,493	50,007	-	87,410	100,000
EXPENDITURES					
Current:					
General Government	-	10,068	-	-	-
Public Safety	988,962	-	-	-	175,448
Public Works and Streets	-	-	-	-	-
Housing	-	63,155	-	-	-
Parks and Recreation	-	-	-	12,724	-
Capital Outlay	6,113	-	-	36,255	14,151
Total Expenditures	995,075	73,223	-	48,979	189,599
Excess (Deficiency) of Revenues Over Expenditures	509,418	(23,216)	-	38,431	(89,599)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	509,418	(23,216)	-	38,431	(89,599)
Fund Balances, Beginning of Year	(123,789)	1,294,207	3,955	230,057	89,599
Fund Balances, End of Year	<u>\$ 385,629</u>	<u>\$ 1,270,991</u>	<u>\$ 3,955</u>	<u>\$ 268,488</u>	<u>\$ -</u>

Special Revenue

Police ABC	Police Asset Seizure	Gas Tax	Traffic Impact	CARES Act	CDBG Code Enforcement	EDBG RLF
\$ -	\$ -	\$ 617,609	\$ -	\$ -	\$ -	\$ -
-	121	241	-	-	150	419
-	-	-	-	117,685	-	-
-	-	-	-	-	51,595	4,118
-	-	218	-	-	-	-
-	121	618,068	-	117,685	51,745	4,537
-	-	-	-	-	-	-
-	30,066	-	-	8,695	335,442	-
-	-	530,052	-	-	-	-
-	-	-	-	-	-	6,016
-	-	-	-	-	-	-
-	-	120,831	-	-	-	-
-	30,066	650,883	-	8,695	335,442	6,016
-	(29,945)	(32,815)	-	108,990	(283,697)	(1,479)
-	-	-	-	-	-	-
-	-	(221,131)	-	-	-	-
-	-	(221,131)	-	-	-	-
-	(29,945)	(253,946)	-	108,990	(283,697)	(1,479)
14	91,819	246,872	18,781	(108,990)	2,007,654	203,928
\$ 14	\$ 61,874	\$ (7,074)	\$ 18,781	\$ -	\$ 1,723,957	\$ 202,449

City of Clearlake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds - Continued
Year Ended June 30, 2021

	Special Revenue	Capital Projects	Total Non-major Governmental Funds
	Recycle Fund	Series A Infrastructure Bonds	
REVENUES			
Taxes and Assessments	\$ -	\$ -	\$ 2,122,102
Use of Money and Property	-	1,414	2,912
Intergovernmental Revenues	26,403	-	331,157
Charges for Services	-	-	105,494
Other Revenues	-	-	218
Total Revenues	26,403	1,414	2,561,883
EXPENDITURES			
Current:			
General Government	9,834	-	19,902
Public Safety	-	-	1,538,613
Public Works and Streets	-	-	530,052
Housing	-	-	69,171
Parks and Recreation	-	-	12,724
Capital Outlay	-	-	177,350
Total Expenditures	9,834	-	2,347,812
Excess (Deficiency) of Revenues Over Expenditures	16,569	1,414	214,071
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	(531,768)	(752,899)
Total Other Financing Sources (Uses)	-	(531,768)	(752,899)
Net Change in Fund Balances	16,569	(530,354)	(538,828)
Fund Balances, Beginning of Year	(29,646)	1,131,461	5,055,922
Fund Balances, End of Year	<u>\$ (13,077)</u>	<u>\$ 601,107</u>	<u>\$ 4,517,094</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police Measure P Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes and Assessments	\$ 1,115,657	\$ 1,504,493	\$ 388,836
Use of Money and Property	50	-	(50)
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	1,115,707	1,504,493	388,786
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Current:			
Public Safety	1,047,265	988,962	58,303
Capital Outlay	-	6,113	(6,113)
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	1,047,265	995,075	52,190
	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues over Expenditures	68,442	509,418	440,976
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balances	68,442	509,418	440,976
Fund Balance, Beginning of Year	(123,789)	(123,789)	-
	<u> </u>	<u> </u>	<u> </u>
Fund Balance, End of Year	<u>\$ (55,347)</u>	<u>\$ 385,629</u>	<u>\$ 440,976</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Low and Moderate Income Housing Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 200	\$ 226	\$ 26
Charges for Services	88,300	49,781	(38,519)
Total Revenues	88,500	50,007	(38,493)
EXPENDITURES			
Current:			
General Government	33,775	10,068	23,707
Public Works and Streets	-	-	-
Housing	92,090	63,155	28,935
Capital Outlay	37,200	-	37,200
Total Expenditures	163,065	73,223	89,842
Excess (Deficiency) of Revenues over Expenditures	(74,565)	(23,216)	51,349
OTHER FINANCING SOURCES (USES)			
Transfers In	20,000	-	(20,000)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	20,000	-	(20,000)
Net Change in Fund Balances	(54,565)	(23,216)	31,349
Fund Balance, Beginning of Year	1,294,207	1,294,207	-
Fund Balance, End of Year	\$ 1,239,642	\$ 1,270,991	\$ 31,349

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Park Development Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Current:			
Public Safety	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balances, Beginning of Year	3,955	3,955	-
Fund Balance, End of Year	<u>\$ 3,955</u>	<u>\$ 3,955</u>	<u>\$ -</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - PEG Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 341	\$ 341
Intergovernmental Revenues	83,250	87,069	3,819
Charges for Services	-	-	-
Other Revenues	7,500	-	(7,500)
Total Revenues	90,750	87,410	(3,340)
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Parks and Recreation	25,200	12,724	12,476
Capital Outlay	64,938	36,255	28,683
Total Expenditures	90,138	48,979	41,159
Excess (Deficiency) of Revenues Over Expenditures	612	38,431	37,819
OTHER FINANCING SOURCES (USES)			
Transfers Out	(8,000)	-	8,000
Total Other Financing Sources (Uses)	(8,000)	-	8,000
Net Change in Fund Balances	(7,388)	38,431	45,819
Fund Balance, Beginning of Year	230,057	230,057	-
Fund Balance, End of Year	<u>\$ 222,669</u>	<u>\$ 268,488</u>	<u>\$ 45,819</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police Grants Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 1,500	\$ -	\$ (1,500)
Intergovernmental Revenues	100,000	100,000	-
Total Revenues	<u>101,500</u>	<u>100,000</u>	<u>(1,500)</u>
EXPENDITURES			
Current:			
Public Safety	185,000	175,448	9,552
Capital Outlay	35,000	14,151	20,849
Total Expenditures	<u>220,000</u>	<u>189,599</u>	<u>30,401</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(118,500)</u>	<u>(89,599)</u>	<u>28,901</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(118,500)	(89,599)	28,901
Fund Balance, Beginning of Year	<u>89,599</u>	<u>89,599</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (28,901)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,901</u></u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police ABC Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	-	-	-
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Public Safety	-	-	-
Capital Outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	14	14	-
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ -</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police Asset Seizure Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 121	\$ 121
Intergovernmental Revenue	-	-	-
Total Revenues	<u>-</u>	<u>121</u>	<u>121</u>
EXPENDITURES			
Current:			
Public Safety	35,000	30,066	4,934
Capital Outlay	-	-	-
Total Expenditures	<u>35,000</u>	<u>30,066</u>	<u>4,934</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(35,000)</u>	<u>(29,945)</u>	<u>5,055</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(35,000)	(29,945)	5,055
Fund Balance, Beginning of Year	<u>91,819</u>	<u>91,819</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 56,819</u></u>	<u><u>\$ 61,874</u></u>	<u><u>\$ 5,055</u></u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes and Assessments	\$ 624,992	\$ 617,609	\$ (7,383)
Use of Money and Property	1,500	241	(1,259)
Intergovernmental	180,000	-	(180,000)
Other Revenues	-	218	218
	<u>806,492</u>	<u>618,068</u>	<u>(188,424)</u>
EXPENDITURES			
Current:			
Public Works and Streets	636,233	530,052	106,181
Capital Outlay	197,369	120,831	(76,538)
	<u>833,602</u>	<u>650,883</u>	<u>182,719</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(27,110)</u>	<u>(32,815)</u>	<u>(5,705)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(251,940)	(221,131)	30,809
	<u>(251,940)</u>	<u>(221,131)</u>	<u>30,809</u>
Net Change in Fund Balances	(279,050)	(253,946)	25,104
Fund Balance, Beginning of Year	246,872	246,872	-
Fund Balance, End of Year	<u>\$ (32,178)</u>	<u>\$ (7,074)</u>	<u>\$ 25,104</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Traffic Impact Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Current:			
Public Works and Streets	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	18,781	18,781	-
Fund Balance, End of Year	<u>\$ 18,781</u>	<u>\$ 18,781</u>	<u>\$ -</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - CDBG Code Enforcement Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 150	\$ 150
Charges for Services	-	51,595	51,595
Total Revenues	-	51,745	51,745
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	430,145	335,442	94,703
Capital Outlay	-	-	-
Total Expenditures	430,145	335,442	94,703
Excess (Deficiency) of Revenues over Expenditures	(430,145)	(283,697)	146,448
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(430,145)	(283,697)	146,448
Fund Balance, Beginning of Year	2,007,654	2,007,654	-
Fund Balance, End of Year	<u>\$ 1,577,509</u>	<u>\$ 1,723,957</u>	<u>\$ 146,448</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - EDBG RLF Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 10,000	\$ 419	\$ (9,581)
Charges for Services	-	4,118	4,118
Total Revenues	<u>10,000</u>	<u>4,537</u>	<u>(5,463)</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Housing	<u>10,000</u>	<u>6,016</u>	<u>(3,984)</u>
Total Expenditures	<u>10,000</u>	<u>6,016</u>	<u>3,984</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(1,479)</u>	<u>(1,479)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>(50,282)</u>	<u>-</u>	<u>50,282</u>
Total Other Financing Sources (Uses)	<u>(50,282)</u>	<u>-</u>	<u>50,282</u>
Net Change in Fund Balances	(50,282)	(1,479)	48,803
Fund Balance, Beginning of Year	<u>203,928</u>	<u>203,928</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 153,646</u></u>	<u><u>\$ 202,449</u></u>	<u><u>\$ 48,803</u></u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Recycle Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes and Assessments	\$ -	\$ -	\$ -
Use of Money and Property	-	-	-
Intergovernmental Revenues	-	26,403	26,403
Total Revenues	<u>-</u>	<u>26,403</u>	<u>26,403</u>
EXPENDITURES			
Current:			
General Government	-	9,834	(9,834)
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>9,834</u>	<u>(9,834)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>16,569</u>	<u>16,569</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(3,924)	-	3,924
Total Other Financing Sources (Uses)	<u>(3,924)</u>	<u>-</u>	<u>3,924</u>
Net Change in Fund Balances	(3,924)	16,569	20,493
Fund Balance, Beginning of Year	<u>(29,646)</u>	<u>(29,646)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (33,570)</u>	<u>\$ (13,077)</u>	<u>\$ 20,493</u>

City of Clearlake
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Series A Infrastructure Bonds Capital Projects Fund
Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ -	\$ 1,414	\$ 1,414
Total Revenues	<u>-</u>	<u>1,414</u>	<u>1,414</u>
EXPENDITURES			
Current:			
General Government	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>1,414</u>	<u>1,414</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>(3,370,616)</u>	<u>(531,768)</u>	<u>2,838,848</u>
Total Other Financing Sources (Uses)	<u>(3,370,616)</u>	<u>(531,768)</u>	<u>2,838,848</u>
Net Change in Fund Balances	(3,370,616)	(530,354)	2,840,262
Fund Balance, Beginning of Year	<u>1,131,461</u>	<u>1,131,461</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (2,239,155)</u>	<u>\$ 601,107</u>	<u>\$ 2,840,262</u>



**Independent Auditor's 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***

City Council
City of Clearlake
Clearlake, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Clearlake (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Van Lant & Fankhanel, LLP

29970 Technology Drive, Suite 105 A
Murrieta, CA 92563
909.856.6879

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*.

City of Clearlake's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Lant & Fankhaed, LLP

February 13, 2023

CITY OF CLEARLAKE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2021

2021-001 Timeliness of Accounting Records

Condition:

The City's accounting records were not reconciled and ready to be audited until August 2022, approximately 14 months after the end of the fiscal year.

Criteria:

The City's management is responsible for establishing and maintaining effective internal controls over financial reporting to help ensure that appropriate goals and objectives are met. This responsibility includes the selection and application of accounting principles, ensuring that financial information is reliable and properly recorded, and evaluating and monitoring ongoing activities in a timely manner.

Cause of Condition:

Turnover in the Finance Department and delays in completing the year-end financial close process due to COVID-19.

Recommendation:

Therefore, in order to maintain the integrity of the accounting and financial reporting system, and to ensure timely reporting, we recommend that all balance sheet accounts and other selected accounts be analyzed on a monthly, quarterly or other periodic basis as appropriate. We suggest a schedule of accounting functions to be performed monthly, quarterly, etc., be prepared with the provision for signing off by date and initials when the procedure is complete. We understand significant turnover in the finance department along with the onset of the COVID-19 pandemic were contributing factors to the finding described above.

Views of Responsible Officials:

Management concurs with the auditor's recommendations. The City is currently working with a consulting firm to create daily, weekly, monthly, quarterly and yearly review processes for Finance Department functions. Completing and documenting the monthly, quarterly, and annual processes will result in smooth and timely preparation for the annual audit.

The City is prepared for and imminently starting the FYE 22 audit which is anticipated to be completed by March 31, 2023. The FYE 23 audit should be completed in the standard annual audit cycle.