

CITY OF BLUE LAKE, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2021

Prepared by:

Amanda Mager
City Manager

Jackson & Eklund Accounting
Contract Accountant

This page intentionally left blank.

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Table of Contents

Page

INTRODUCTORY SECTION

Table of Contents.....i

List of Officials..... iii

FINANCIAL SECTION

Independent Auditors’ Report 1

Management’s Discussion and Analysis (Required Supplementary Information)3

Basic Financial Statements:

Government-Wide Financial Statements:

 Statement of Net Position17

 Statement of Activities 18

Fund Financial Statements:

Governmental Funds:

 Balance Sheet22

 Reconciliation of Governmental Funds Balance Sheet to the
 Statement of Net Position23

 Reconciliation of Fund Basis Balance Sheet to Government-wide
 Statement of Net Position – Governmental Activities.....24

 Statement of Revenues, Expenditures, and Changes
 in Fund Balances – Governmental Funds25

 Reconciliation of Fund Basis Statements to Government-wide
 Statement of Activities26

 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities.....27

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget to Actual – General Fund and
 Major Special Revenue Funds28

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Table of Contents, Continued

	<u>Page</u>
Basic Financial Statements, Continued:	
<i>Fund Financial Statements, Continued:</i>	
Proprietary Funds:	
Statement of Net Position – Enterprise Funds	31
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds	32
Statement of Cash Flows – Enterprise Funds	33
Notes to Basic Financial Statements	39
Other Supplemental Information:	
Required Supplementary Information:	
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	74
Schedule of Contributions	75
Schedule of the City’s Proportionate Share of the Net Pension Liability	76
Combining and Individual Fund Financial Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	82
Nonmajor Special Revenue Funds:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Highway Users Tax Fund.....	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – TDA Street Fund	85
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – TDA Purchased Transportation Fund.....	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – AB-939 Solid Waste Reduction/Recycling Fund.....	87
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Regional Surface Transportation Program Fund.....	88
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	89

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

List of Officials

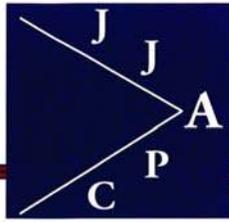
CITY COUNCIL

- Adelene Jones, Mayor
- Elain Hogan, Mayor Pro Tem
- Chris Curran
- Alice Finen
- Benjamin McCreath

CITY OFFICIALS

- Amanda Mager, City Manager
- Jackson & Eklund Accounting, Contract Accountant

This page intentionally left blank.



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
of the City of Blue Lake
Blue Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Blue Lake, California (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 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 from 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.

Opinions

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

To the Honorable Mayor and City Council
of the City of Blue Lake
Blue Lake, California
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–13, the Schedule of Changes in the Net OPEB Liability and Related Ratios on page 74, the City's Schedules of Contributions on pages 75, and the Schedules of the City's Proportionate Share of the Net Pension Liability on pages 76, 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 accompanying supplementary information, which includes the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is 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 June 28, 2022 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

June 28, 2022

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Blue Lake (City) for the fiscal year ended June 30, 2021. It should be read in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

From the government-wide financial statement perspective, the following outlines the financial highlights for the year:

- Overall, at June 30, 2021, the City's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) was \$9,113,656, an increase of \$445,141 from the prior fiscal year. Of the total net position, \$4,596,130 was invested in capital assets (net of related debt) and \$2,046,696 had restrictions on its use leaving \$2,470,830 as unrestricted.
- Overall, City-wide revenues increased by \$459,554 or 19.5% compared to the prior fiscal year.
- Overall, City-wide expenses/expenditures increased by \$23,538 or 1.0% compared to the prior fiscal year.

From the fund financial statement perspective, the following outlines the financial highlights for the year:

- At June 30, 2021, the City's governmental funds increased fund balance by \$83,554 or 6.0% in comparison to the prior fiscal year while the proprietary funds decreased \$41,608 or 1.1%.
- In comparison to the prior fiscal year, the revenues of the governmental funds increased by \$472,063 or 35.6% while the proprietary funds decreased \$12,509 or 1.2%.
- In comparison to the prior fiscal year, the expenditures of the governmental funds increased by \$350,294 or 22.0% while the expenses of the proprietary funds decreased by \$43,618 or 3.9%.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of the government-wide financial statements and the fund financial statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management's Discussion and Analysis, Continued

The Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the City's activities as a whole and are comprised of the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities provides information showing changes in City's net position during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). The focus is on both gross and net costs of City functions, which are supported by general revenues. This statement also distinguishes functions of the City as follows:

- ◆ **Governmental activities** – all of the City's basic services are considered to be governmental activities, including general government, community development, public safety, animal control, public works, public improvements, planning and zoning, building inspections, public transportation, parks, and recreation. These services are primarily supported by taxes and intergovernmental revenues.
- ◆ **Business-type activities** – all of the City's activities that are intended to cover all or a significant portion of their costs through user fees and charges are reported here. The business-type activities include the water and sewer utility activities of the City.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds. For the fiscal year ended June 30, 2021, the City's major funds are as follows:

Governmental Funds:

- General Fund
- Community Development Block Grant Fund
- Supplemental Law Enforcement Services Fund

Proprietary Funds:

- Water Utility Fund
- Sewer Utility Fund

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management's Discussion and Analysis, Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Data for the other governmental funds, called non-major funds, is combined and presented in a single column. Individual fund data for each non-major fund is provided in the supplemental schedules section of this report.

Proprietary Funds

The City maintains enterprise-type proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water and sewer utility activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 37 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary which begins on page 73 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information beginning on page 77 of this report.

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,113,656 as of June 30, 2021. To follow is a summary of the statement of net position as of June 30, 2021 and 2020:

	Summary of Net Position					
	2021			2020		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current assets	\$ 2,856,665	\$ 3,120,127	\$ 5,976,792	\$ 2,864,125	\$ 2,963,152	\$ 5,827,277
Noncurrent assets	3,391,801	1,473,691	4,865,492	2,666,189	1,570,712	4,236,901
Deferred outflows of resources	146,741	133,299	280,040	142,676	127,477	270,153
Total assets and deferred outflows of resources	<u>6,395,207</u>	<u>4,727,117</u>	<u>11,122,324</u>	<u>5,672,990</u>	<u>4,661,341</u>	<u>10,334,331</u>
Current liabilities	91,735	270,837	362,572	112,585	163,687	276,272
Long-term liabilities	917,596	694,987	1,612,583	640,677	670,903	1,311,580
Deferred inflows of resources	17,665	15,848	33,513	38,266	39,698	77,964
Total liabilities and deferred inflows of resources	<u>1,026,996</u>	<u>981,672</u>	<u>2,008,668</u>	<u>791,528</u>	<u>874,288</u>	<u>1,665,816</u>
Net position:						
Net invested in capital assets	3,168,592	1,427,538	4,596,130	2,666,189	1,514,528	4,180,717
Restricted	401,758	1,644,938	2,046,696	326,001	1,644,938	1,970,939
Unrestricted	<u>1,797,861</u>	<u>672,969</u>	<u>2,470,830</u>	<u>1,889,272</u>	<u>627,587</u>	<u>2,516,859</u>
Total net position	<u>\$ 5,368,211</u>	<u>\$ 3,745,445</u>	<u>\$ 9,113,656</u>	<u>\$ 4,881,462</u>	<u>\$ 3,787,053</u>	<u>\$ 8,668,515</u>

In comparison to the prior fiscal year:

- Total net position increased by \$445,141 or 5.1% as a result of ongoing operations. Governmental activities experienced an increase of \$486,749 or 9.1% while business-type activities experienced a decrease of \$41,608 or 1.1% due to ongoing operations.
- Total assets and deferred outflows increased \$787,993 or 7.6% as a result of ongoing operations. Governmental activities experienced an increase of \$722,217 or 12.7% while business-type activities experienced an increase of \$65,776 or 1.4%.
- Total liabilities and deferred inflows increased \$342,852 or 20.6%. Governmental activities experienced an increase of \$235,468 or 29.7% while business-type activities experienced an increase of \$107,384 or 12.3%.

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Changes in Net Position

The change in net position for the fiscal years ended June 30, 2021, and 2020 follows:

	Changes in Net Position					
	2021			2020		
	Gov- ern- men- tal Acti- vities	Busi- ness- type Acti- vities	Total	Gov- ern- men- tal Acti- vities	Busi- ness- type Acti- vities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 284,854	\$ 886,784	\$ 1,171,638	\$ 320,668	\$ 842,132	\$ 1,162,800
Grants and contributions:						
Operating	562,277	-	562,277	358,755	-	358,755
Capital	627,838	118,890	746,728	207,269	122,767	330,036
General revenues:						
Property taxes and assessments	139,785	-	139,785	139,082	-	139,082
Franchise fees	39,185	-	39,185	38,834	-	38,834
Sales and use tax	21,171	-	21,171	33,718	-	33,718
Transient occupancy tax	-	-	-	619	-	619
Utility user tax	4,073	-	4,073	31,897	-	31,897
Motor vehicle in-lieu	63,148	-	63,148	122,184	-	122,184
Intergovernmental revenues	13,366	-	13,366	24,746	-	24,746
Investment earnings	37,136	14,171	51,307	41,022	53,041	94,063
Other general revenues	6,070	649	6,719	8,046	15,063	23,109
Total revenues	1,798,903	1,020,494	2,819,397	1,326,840	1,033,003	2,359,843
Expenses:						
Governmental activities:						
General government	360,395	-	360,395	198,986	-	198,986
Planning	100,703	-	100,703	93,785	-	93,785
Building	31,589	-	31,589	21,309	-	21,309
Public safety	327,703	-	327,703	327,440	-	327,440
Animal control	7,767	-	7,767	7,534	-	7,534
Facilities	6,431	-	6,431	126,829	-	126,829
Street maintenance & lighting	178,708	-	178,708	88,944	-	88,944
Parks and recreation	184,715	-	184,715	244,896	-	244,896
Housing & economic development	62,303	-	62,303	86,607	-	86,607
Public transit	32,125	-	32,125	32,375	-	32,375
Recycling	14,085	-	14,085	10,663	-	10,663
Interest	5,630	-	5,630	-	-	-
Business-type activities:						
Water	-	555,845	555,845	-	578,522	578,522
Sewer	-	506,257	506,257	-	527,198	527,198
Total expenses	1,312,154	1,062,102	2,368,626	1,239,368	1,105,720	2,345,088
Change in net position	486,749	(41,608)	445,141	87,472	(72,717)	14,755
Net position:						
Beginning of year	4,881,462	3,787,053	8,668,515	4,793,990	3,859,770	8,653,760
End of year	\$ 5,368,211	\$ 3,745,445	\$ 9,113,656	\$ 4,881,462	\$ 3,787,053	\$ 8,668,515

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

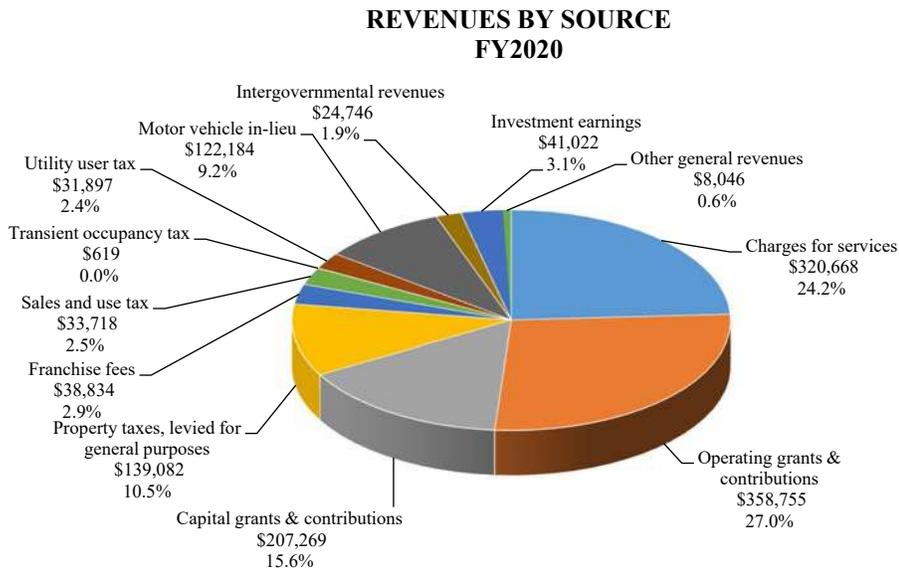
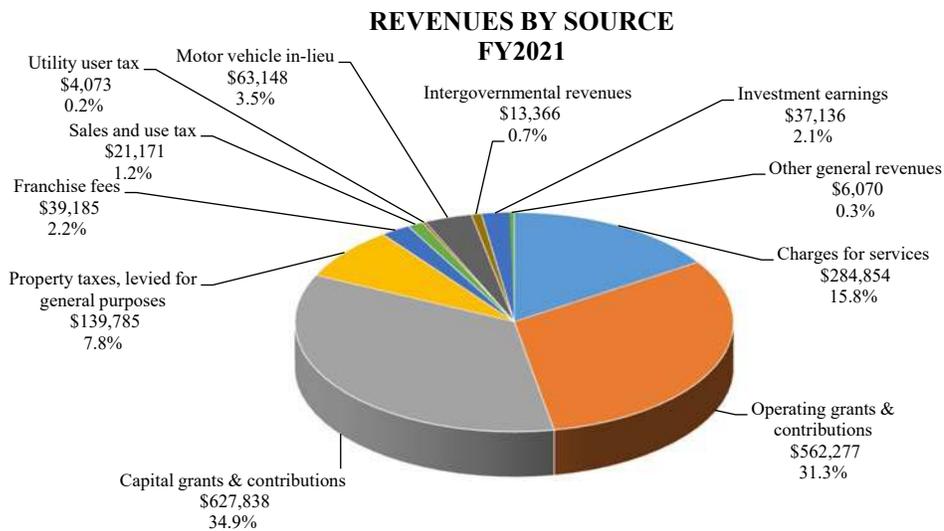
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Changes in Net Position, Continued

Revenues by source for the fiscal years ended June 30, 2021, and 2020, are as

follows: **Governmental Activities**



City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

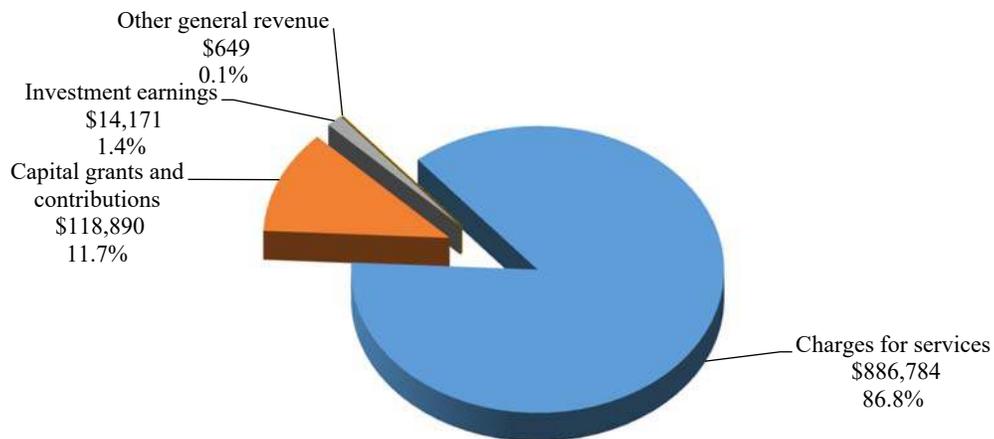
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

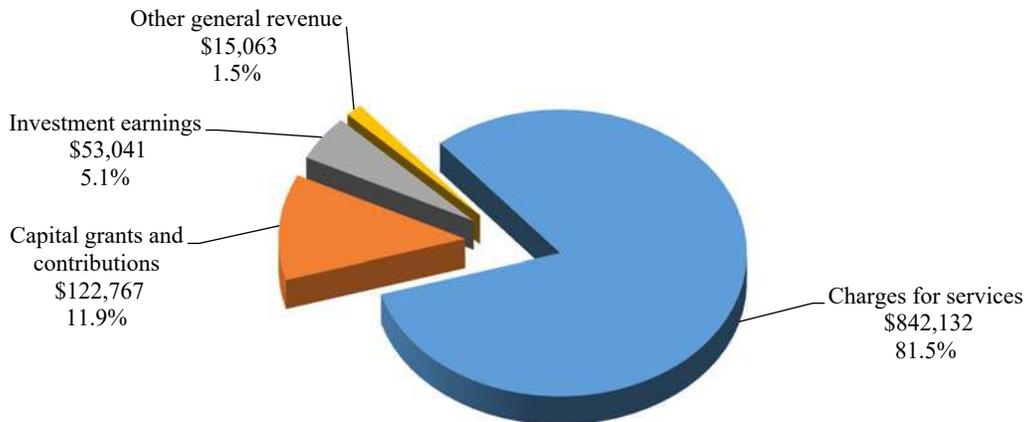
Changes in Net Position, Continued

Business-type Activities

**Revenues by Source
FY 2021**



**Revenues by Source
FY 2020**



City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Changes in Net Position, Continued

Revenues

The City's revenues for governmental and business-type activities totaled \$2,819,397, an increase of \$459,554 or 16.3% in comparison to the prior fiscal year. Governmental activity revenues totaled \$1,798,903, an increase of \$472,063 or 35.6% while business-type activity revenues totaled \$1,020,494, a decrease of \$12,509 or 1.2%. The City's total revenues consisted of charges for services (62.8%), operating grants and contributions (19.9%), capital grants and contributions (26.5%), and general revenues (9.2%).

The following discusses variances in key revenues from the prior fiscal year:

- **Charges for services** - increased \$8,838 or 0.8% as the result of operations;
- **Operating grants and contributions** – increased \$203,522 or 56.7%;
- **Capital grants and contributions** – increased \$416,692 or 126.3% as a result of the Powers Creek Footbridge and Annie and Mary Trail projects;
- **General revenues** – decreased \$169,498 or 33.3% as the City experienced relatively small increases and decreases across all general revenues.

Expenses

The City's expenses for governmental and business-type activities totaled \$2,368,626, an increase of \$23,538 or 1.0% in comparison to the prior fiscal year.

Governmental activity expenses totaled \$1,312,154 an increase of \$72,786 or 5.9% primarily as a result of increased spending on general government and street maintenance activities which was offset by decreased spending on facilities and parks and recreation. Governmental activity expenses consisted of general government (27.5%), public safety (25.0%), parks and recreation (14.1%), facilities and streets (14.1%), and all other governmental activities (19.3%).

Business-type activity expenses totaled \$1,062,102, a decrease of \$43,618 or 3.9% as a result of water utility and sewer utility operations. Business-type activity expenses consisted of water utility (52.3%) and sewer utility (47.7%).

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide a narrower focus on the individual components of the City government and report the City's operations in more detail than the government-wide financial statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows, and balances of resources that are available for spending. At June 30, 2021, the City's governmental funds reported combined fund balances of \$1,486,108, an increase of \$83,554 or 6.0% in comparison to the prior fiscal year (general fund \$35,173, CDBG fund \$135,997, SLESF fund \$-62,645, non-major funds \$-24,971).

The General Fund is the chief operating fund of the City. At June 30, 2021, the total fund balance for the General Fund was \$1,210,873, an increase of \$35,173 or 3.0% in comparison to the prior fiscal year. Revenues and transfers-in increased \$157,398 or 17.6% a majority of which can be attributed to proceeds from long-term debt. Expenditures and transfers-out decreased \$104,796 or 9.3% in comparison to the prior fiscal year a majority of which can be attributed to an increase in capital expenditures and a decrease in public safety, facilities, and parks and recreation.

The CDBG Fund is a special revenue fund used to account for the activity related to the City's Community Development Block Grant Program. At June 30, 2021, the total fund balance for the CDBG Fund was \$351,167 an increase of \$135,997 or 63.2% in comparison to the prior fiscal year. Revenues and transfers-in increased \$123,856 or 835.0% while expenditures and transfers-out decreased \$29,960 or 90.9% in comparison to the prior fiscal year.

The SLESF Fund is a special revenue fund used to account for State funds received for the purpose of providing supplemental law enforcement services. At June 30, 2021, the total fund balance for the SLESF Fund was \$23, a decrease of \$62,645 or 99.9% in comparison to the prior fiscal year. Revenues decreased \$5,017 or 3.1% while expenditures increased \$70,296 or 47.6% in comparison to the prior fiscal year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in business-type activities in the government-wide financial statements, but in more detail. At June 30, 2021, the total net position for the Water Utility Fund was \$1,475,638, a decrease of \$36,947 or 2.4% in comparison to the prior fiscal year. Revenues increased \$5,271 or 1.0% while expenses decreased \$22,677 or 3.9% in comparison to the prior fiscal year.

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management’s Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS, Continued

Proprietary Funds, Continued

At June 30, 2021, the total net position for the Sewer Utility Fund was \$2,269,807, a decrease of \$4,661 or 0.2% in comparison to the prior fiscal year. Revenues decreased \$17,780 or 3.4% while expenses decreased \$20,941 or 4.0% in comparison to the prior fiscal year.

General Fund Budgetary Highlights

The difference between the final budget and actual revenues/transfers-in differs unfavorably by \$60,588 or 5.4%. This was mainly due to lower than expected property taxes and assessments. The difference between the final budget and actual expenditures/transfers-out differs unfavorably by \$24,062 or 2.4%. This results primarily from higher than projected spending on general government, public safety, and capital projects and was partially offset by lower than projected planning expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the City’s investment in capital assets (net of depreciation) for its governmental activities totaled \$3,391,801 and for its business-type activities totaled \$1,473,691. This investment in capital assets includes land, construction in progress costs, buildings and improvements, infrastructure, furniture and equipment, and vehicles.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2019
Land	\$ 480,284	\$ 301,171	\$ 74,877	\$ 74,877	\$ 555,161	\$ 376,048
Construction in progress	6,503	218,743	34,377	30,914	40,880	249,657
Land improvements	1,205,563	343,637	-	-	1,205,563	343,637
Infrastructure	1,362,616	1,454,162	-	-	1,362,616	1,454,162
Buildings and improvements	313,139	321,588	218	728	313,357	322,316
Machinery and equipment	23,696	26,888	112,868	134,102	136,564	160,990
Water system	-	-	339,502	367,074	339,502	367,074
Sewer system	-	-	911,849	963,017	911,849	963,017
Total	\$ 3,391,801	\$ 2,666,189	\$ 1,473,691	\$ 1,570,712	\$ 4,865,492	\$ 4,236,901

Additional information about the City’s capital assets can be found in Notes 1 and 5 to the basic financial statements.

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Management’s Discussion and Analysis, Continued

Long-Term Debt

At June 30, 2021, the City had total debt obligations of \$46,153. Additional information about the City’s long-term debt can be found in Note 7 to the basic financial statements.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Notes payable - Water Fund	\$ -	\$ -	\$ 46,153	\$ 56,184	\$ 46,153	\$ 56,184
Notes payable - Governmental Activities	223,209	-	-	-	223,209	-
Total	\$ 223,209	\$ -	\$ 46,153	\$ 96,258	\$ 269,362	\$ 56,184

ECONOMIC OUTLOOK

The budget for fiscal year 2021-22 was adopted and provides for a short- and long-term economic outlook that is considered stable. This is a result of a continuing and reliable tax revenue stream and the City’s efforts to contain and control expenditures.

Just as important as the maintaining and growing the City’s revenue base, moderating expenditure growth is also imperative and will continue be challenging to the City. Personnel cost is the largest expense category and addressing personnel expenditure growth will remain a priority. However, these costs are projected to continue to rise at a greater rate than most other costs.

The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the City and the duration cannot be estimated at this time.

REQUESTS FOR INFORMATION

This annual financial report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City’s finances. Should the reader have any questions about this report or wish to request additional financial information, please contact the City of Blue Lake Finance Department, 111 Greenwood Avenue, Blue Lake, CA 95525-0458, or visit the City’s web page at www.bluelake.ca.gov.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Blue Lake, California
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 1,513,145	\$ 2,960,404	\$ 4,473,549
Receivables:			
Accounts receivable, net	11,694	133,745	145,439
Interest receivable	206,012	2,074	208,086
Intergovernmental receivables	223,396	-	223,396
Loans receivable	889,875	-	889,875
Inventories	-	23,904	23,904
Prepaid expenses	12,543	-	12,543
Total current assets	2,856,665	3,120,127	5,976,792
Noncurrent assets:			
Capital assets:			
Nondepreciable	486,787	109,254	596,041
Depreciable	2,905,014	1,364,437	4,269,451
Total noncurrent assets	3,391,801	1,473,691	4,865,492
Total assets	6,248,466	4,593,818	10,842,284
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits (OPEB)	8,028	14,620	22,648
Pension plan	138,713	118,679	257,392
Total deferred outflows of resources	146,741	133,299	280,040
Total assets and deferred outflows of resources	\$ 6,395,207	\$ 4,727,117	\$ 11,122,324
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 46,617	\$ 85,687	\$ 132,304
Accrued payroll	20,180	12,002	32,182
Compensated absences	11,402	25,925	37,327
Customer deposits	10,090	71,912	82,002
Notes payable due within one year	3,446	10,311	13,757
Unearned revenue	-	65,000	65,000
Total current liabilities	91,735	270,837	362,572
Noncurrent liabilities:			
Notes payable due after one year	219,763	35,842	255,605
Net pension liability	600,111	542,558	1,142,669
Net OPEB liability	97,722	116,587	214,309
Total noncurrent liabilities	917,596	694,987	1,612,583
Total liabilities	1,009,331	965,824	1,975,155
DEFERRED INFLOWS OF RESOURCES			
Pension plan	16,954	14,491	31,445
Other postemployment benefit (OPEB)	711	1,357	2,068
Total deferred inflows of resources	17,665	15,848	33,513
NET POSITION			
Net investment in capital assets	3,168,592	1,427,538	4,596,130
Restricted	401,758	1,644,938	2,046,696
Unrestricted	1,797,861	672,969	2,470,830
Total net position	5,368,211	3,745,445	9,113,656
Total liabilities, deferred inflows of resources and net position	\$ 6,395,207	\$ 4,727,117	\$ 11,122,324

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

City of Blue Lake, California

Statement of Activities

For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 360,395	\$ 24,657	\$ 122,955	\$ -
Planning	100,703	13,730	-	-
Building	31,589	16,058	-	-
Public safety	327,703	210	213,966	-
Animal control	7,767	2,175	-	-
Facilities	6,431	169,519	-	-
Street maintenance and lighting	178,708	-	80,453	-
Parks and recreation	184,715	53,378	-	627,838
Housing and economic development	62,303	-	107,903	-
Public transit	32,125	-	32,000	-
Recycling	14,085	5,127	5,000	-
Interest	5,630	-	-	-
Total governmental activities	1,312,154	284,854	562,277	627,838
Business-type activities:				
Water	555,845	512,200	-	-
Sewer	506,257	374,584	-	118,890
Total business-type activities	1,062,102	886,784	-	118,890
Total primary government	\$ 2,374,256	\$ 1,171,638	\$ 562,277	\$ 746,728

General revenues:

Property taxes, levied for general purposes

Franchise fees

Sales and use tax

Utility user tax

Motor vehicle in-lieu

Intergovernmental revenues

Investment earnings

Other general revenues

Total general revenues

Change in net position

Net position:

Beginning of year

End of year

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (212,783)	\$ -	\$ (212,783)
(86,973)	-	(86,973)
(15,531)	-	(15,531)
(113,527)	-	(113,527)
(5,592)	-	(5,592)
163,088	-	163,088
(98,255)	-	(98,255)
496,501	-	496,501
45,600	-	45,600
(125)	-	(125)
(3,958)	-	(3,958)
(5,630)	-	(5,630)
162,815	-	162,815
-	(43,645)	(43,645)
-	(12,783)	(12,783)
-	(56,428)	(56,428)
<u>\$ 162,815</u>	<u>\$ (56,428)</u>	<u>\$ 106,387</u>
\$ 139,785	\$ -	\$ 139,785
39,185	-	39,185
21,171	-	21,171
4,073	-	4,073
63,148	-	63,148
13,366	-	13,366
37,136	14,171	51,307
6,070	649	6,719
323,934	14,820	338,754
486,749	(41,608)	445,141
4,881,462	3,787,053	8,668,515
<u>\$ 5,368,211</u>	<u>\$ 3,745,445</u>	<u>\$ 9,113,656</u>

This page intentionally left blank.

FUND FINANCIAL STATEMENTS
MAJOR FUNDS

The Fund Financial Statements present only individual major funds, while non-major funds are combined in a single column. Major funds are defined as having significant activities or balances in the current year.

Fund	Description
Governmental Funds:	
General Fund	This fund is the general operating fund of the City which accounts for all financial resources except those legally or administratively required to be accounted for in other funds.
CDBG Fund	This fund accounts for the operations of the City's Community Development Block Grant Program.
SLESF Fund	This fund accounts for the City's receipt and use of State revenues derived from the Citizens for Public Safety (COPS) Program for which the use is restricted to law enforcement/public safety activities.

City of Blue Lake, California

Balance Sheet

Governmental Funds

June 30, 2021

	Major Funds				Totals
	General Fund	Special Revenue Funds		Nonmajor Governmental Funds	
		CDBG Fund	SLESF Fund		
ASSETS					
Cash and investments	\$ 1,120,507	\$ 350,971	\$ -	\$ 41,667	\$ 1,513,145
Receivables:					
Accounts receivable, net	11,694	-	-	-	11,694
Interest receivable	755	205,200	23	34	206,012
Intergovernmental receivables	62,385	-	-	161,011	223,396
Loans receivable	54,118	835,757	-	-	889,875
Due from other funds	145,523	-	-	-	145,523
Prepaid expenses	12,543	-	-	-	12,543
Total assets	\$ 1,407,525	\$ 1,391,928	\$ 23	\$ 202,712	\$ 3,002,188
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 40,275	\$ -	\$ -	\$ 6,342	\$ 46,617
Accrued payroll	19,991	48	-	141	20,180
Compensated absences	11,254	-	-	148	11,402
Deposits payable	10,090	-	-	-	10,090
Due to other funds	-	-	-	145,523	145,523
Unearned revenue	115,042	1,040,713	-	126,513	1,282,268
Total liabilities	196,652	1,040,761	-	278,667	1,516,080
Fund balances:					
Nonspendable	12,543	-	-	-	12,543
Restricted	-	351,167	23	50,568	401,758
Committed	556,415	-	-	-	556,415
Assigned	-	-	-	-	-
Unassigned (deficit)	641,915	-	-	(126,523)	515,392
Total fund balances	1,210,873	351,167	23	(75,955)	1,486,108
Total liabilities and fund balances	\$ 1,407,525	\$ 1,391,928	\$ 23	\$ 202,712	\$ 3,002,188

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

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

Total fund balances - governmental funds \$ 1,486,108

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not available to pay current period expenditures and, therefore, are unearned in the governmental funds. 1,282,268

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 3,391,801

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

Note payable	(223,209)	
Net pension liability	(600,111)	
Net OPEB liability	(97,722)	(921,042)

Pension and OPEB obligations result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets, and liabilities.

Deferred outflows - pension	138,713	
Deferred outflows - OPEB	8,028	
Deferred inflows - pension	(16,954)	
Deferred inflows - OPEB	(711)	129,076

Net position of governmental activities \$ 5,368,211

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

City of Blue Lake, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2021

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Statement of Net Position
ASSETS				
Current assets:				
Cash and investments	\$ 1,513,145	\$ -	\$ -	\$ 1,513,145
Receivables:				
Accounts receivable, net	11,694	-	-	11,694
Interest receivable	206,012	-	-	206,012
Intergovernmental receivables	223,396	-	-	223,396
Loans receivable	889,875	-	-	889,875
Due from other funds	145,523	(145,523)	-	-
Prepaid expenses	12,543	-	-	12,543
Total current assets	3,002,188	(145,523)	-	2,856,665
Noncurrent assets:				
Capital assets, net	-	-	3,391,801	3,391,801
Total noncurrent assets	-	-	3,391,801	3,391,801
Total assets	3,002,188	(145,523)	3,391,801	6,248,466
DEFERRED OUTFLOWS OF RESOURCES				
OPEB	-	-	8,028	8,028
Pension plan	-	-	138,713	138,713
Total assets and deferred outflows of resources	\$ 3,002,188	\$ (145,523)	\$ 3,538,542	\$ 6,395,207
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 46,617	\$ -	\$ -	\$ 46,617
Accrued payroll	20,180	-	-	20,180
Compensated absences	11,402	-	-	11,402
Deposits payable	10,090	-	-	10,090
Due to other funds	145,523	(145,523)	-	-
Unearned revenue	1,282,268	(1,282,268)	-	-
Notes payable due within one year	-	-	3,446	3,446
Total current liabilities	1,516,080	(1,427,791)	3,446	91,735
Noncurrent liabilities:				
Note payable	-	-	219,763	219,763
Net OPEB obligation	-	-	97,722	97,722
Net pension liability	-	-	600,111	600,111
Total noncurrent liabilities	-	-	917,596	917,596
Total liabilities	1,516,080	(1,427,791)	921,042	1,009,331
DEFERRED INFLOWS OF RESOURCES				
OPEB	-	-	711	711
Pension plan	-	-	16,954	16,954
Total deferred outflows of resources	-	-	17,665	17,665
FUND BALANCES/NET POSITION				
Fund balances:				
Nonspendable reported in:				
General fund	12,543	(12,543)	-	-
Restricted reported in:				
Special revenue funds	401,758	(401,758)	-	-
Committed reported in:				
General fund	556,415	(556,415)	-	-
Unassigned (deficit), reported in:				
General fund	641,915	(641,915)	-	-
Capital projects fund	(126,523)	126,523	-	-
Net position:				
Net investment in capital assets	-	-	3,168,592	3,168,592
Restricted	-	-	401,758	401,758
Unrestricted	-	2,768,376	(970,515)	1,797,861
Total fund balances/ net position	1,486,108	1,282,268	2,599,835	5,368,211
Total liabilities and net position	\$ 3,002,188	\$ (145,523)	\$ 3,538,542	\$ 6,395,207

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

City of Blue Lake, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2021

	Major Funds			Nonmajor Governmental Funds	Totals
	General Fund	Special Revenue Funds			
		CDBG Fund	SLESF Fund		
REVENUES:					
Property taxes and assessments	\$ 202,933	\$ -	\$ -	\$ -	\$ 202,933
Sales and use tax	21,171	-	-	-	21,171
Transient occupancy tax	-	-	-	-	-
Utility user tax	4,073	-	-	-	4,073
Licenses and permits	26,932	-	-	-	26,932
Charges for services	79,721	-	-	-	79,721
Franchise fees	39,185	-	-	-	39,185
Grants and donations	13,546	-	-	-	13,546
Intergovernmental revenues	189,539	-	155,222	750,418	1,095,179
Investment earnings	4,478	32,186	225	247	37,136
Use of money and property	171,169	106,503	-	-	277,672
Fines and penalties	210	-	-	-	210
Other revenues	1,145	-	-	-	1,145
Total revenues	754,102	138,689	155,447	750,665	1,798,903
EXPENDITURES:					
Current:					
General government	223,319	-	-	-	223,319
Planning	100,703	-	-	-	100,703
Building	31,589	-	-	-	31,589
Public safety	109,611	-	218,092	-	327,703
Animal control	7,767	-	-	-	7,767
Facilities	6,431	-	-	-	6,431
Street maintenance and lighting	87,162	-	-	-	87,162
Parks and recreation	141,820	-	-	-	141,820
Housing and economic development	59,611	2,692	-	-	62,303
Public transit	-	-	-	32,125	32,125
Recycling	-	-	-	14,085	14,085
Capital outlay	236,531	-	-	661,390	897,921
Debt service:					
Principal	1,791	-	-	-	1,791
Interest	5,630	-	-	-	5,630
Total expenditures	1,011,965	2,692	218,092	707,600	1,940,349
REVENUES OVER (UNDER) EXPENDITURES	(257,863)	135,997	(62,645)	43,065	(141,446)
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term debt	225,000	-	-	-	225,000
Transfers in	74,212	-	-	6,176	80,388
Transfers out	(6,176)	-	-	(74,212)	(80,388)
Total other financing sources (uses)	293,036	-	-	(68,036)	225,000
Net change in fund balances	35,173	135,997	(62,645)	(24,971)	83,554
FUND BALANCES:					
Beginning of year	1,175,700	215,170	62,668	(50,984)	1,402,554
End of year	\$ 1,210,873	\$ 351,167	\$ 23	\$ (75,955)	\$ 1,486,108

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

City of Blue Lake, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2021

Functions/Programs	Fund Based Totals	Compensated Absences	Unearned Revenue	Debt Repayment	Depreciation	Capital Asset (Additions), Retirements & Adjustments	OPEB Obligation	Pension Plan	Government- wide Totals
Governmental activities:									
General government	\$ 223,319	\$ 1,443	\$ 69,848	\$ -	\$ 33,295	\$ -	\$ 8,853	\$ 23,637	\$ 360,395
Planning	100,703	-	-	-	-	-	-	-	100,703
Building	31,589	-	-	-	-	-	-	-	31,589
Public safety	327,703	-	-	-	-	-	-	-	327,703
Animal control	7,767	-	-	-	-	-	-	-	7,767
Facilities	6,431	-	-	-	-	-	-	-	6,431
Street maintenance and lighting	87,162	-	-	-	91,546	-	-	-	178,708
Parks and recreation	141,820	-	-	-	42,895	-	-	-	184,715
Housing and economic development	62,303	-	-	-	-	-	-	-	62,303
Public transit	32,125	-	-	-	-	-	-	-	32,125
Recycling	14,085	-	-	-	-	-	-	-	14,085
Capital outlay	897,921	-	-	-	-	(897,921)	-	-	-
Debt service:									
Principal	1,791	-	-	(1,791)	-	-	-	-	-
Interest	5,630	-	-	-	-	-	-	-	5,630
Total governmental activities	<u>\$1,940,349</u>	<u>\$ 1,443</u>	<u>\$ 69,848</u>	<u>\$ (1,791)</u>	<u>\$ 167,736</u>	<u>\$ (897,921)</u>	<u>\$ 8,853</u>	<u>\$ 23,637</u>	<u>\$ 1,312,154</u>

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

City of Blue Lake, California
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2021

Net change in fund balances - governmental funds \$ 83,554

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 897,921	
Depreciation expense	<u>(167,736)</u>	730,185

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	(1,443)	
Change in net pension liability	(23,637)	
Change in net OPEB liability	<u>(8,853)</u>	(33,933)

This is the amount of revenue recognized under the accrual method which is more than the amount of revenue recognized under the modified accrual method in the current period. (69,848)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (223,209)

Change in net position of governmental activities \$ 486,749

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

City of Blue Lake, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund and Major Special Revenue Funds For the year ended June 30, 2021

	General Fund			
	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes and assessments	\$ 254,305	254,305	\$ 202,933	\$ (51,372)
Sales and use tax	21,300	21,300	21,171	(129)
Utility user tax	37,125	4,073	4,073	-
Licenses and permits	38,205	38,205	26,932	(11,273)
Charges for services	78,345	57,190	79,721	22,531
Franchise fees	34,900	34,900	39,185	4,285
Grants and donations	14,255	14,255	13,546	(709)
Intergovernmental revenues	328,825	203,774	189,539	(14,235)
Investment earnings	16,735	16,735	4,478	(12,257)
Use of money and property	104,419	165,848	171,169	5,321
Fines and penalties	265	265	210	(55)
Other revenues	3,840	3,840	1,145	(2,695)
Total revenues	932,519	814,690	754,102	(60,588)
EXPENDITURES:				
Current:				
General government	200,730	210,155	223,319	(13,164)
Planning	121,025	121,025	100,703	20,322
Building	20,440	31,750	31,589	161
Public safety	221,500	92,746	109,611	(16,865)
Animal control	7,550	7,550	7,767	(217)
Facilities	20,640	20,640	6,431	14,209
Street maintenance and lighting	75,150	78,849	87,162	(8,313)
Parks and recreation	141,186	150,894	141,820	9,074
Housing and economic development	-	58,470	59,611	(1,141)
Capital outlay	275,000	222,000	236,531	(14,531)
Debt service:				
Principal	-	-	1,791	(1,791)
Interest	-	-	5,630	(5,630)
Total expenditures	1,083,221	994,079	1,011,965	(17,886)
REVENUES OVER (UNDER) EXPENDITURES	(150,702)	(179,389)	(257,863)	(78,474)
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of assets	-	225,000	225,000	-
Transfers in	98,699	74,212	74,212	-
Transfers out	-	-	(6,176)	(6,176)
Total other financing sources (uses)	98,699	299,212	293,036	(6,176)
Net change in fund balances	(52,003)	119,823	35,173	(84,650)
FUND BALANCES:				
Beginning of year	1,175,700	1,175,700	1,175,700	-
End of year	\$ 1,123,697	\$ 1,295,523	\$ 1,210,873	\$ (84,650)

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

CDBG Special Revenue Fund				SLESF Special Revenue Fund			
Budgeted Amounts		Actual	Variance w/Final	Budgeted Amounts		Actual	Variance w/Final
Original	Final		Positive (Negative)	Original	Final		Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	100,000	172,332	155,222	(17,110)
8,155	34,705	32,186	(2,519)	1,050	1,050	225	(825)
6,325	107,000	106,503	(497)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
14,480	141,705	138,689	(3,016)	101,050	173,382	155,447	(17,935)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	160,634	235,000	218,092	16,908
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,090	2,620	2,692	(72)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,090	2,620	2,692	(72)	160,634	235,000	218,092	16,908
12,390	139,085	135,997	(3,088)	(59,584)	(61,618)	(62,645)	(1,027)
-	-	-	-	-	-	-	-
-	134,585	-	(134,585)	-	-	-	-
(7,890)	(134,585)	-	134,585	-	-	-	-
(7,890)	-	-	-	-	-	-	-
4,500	139,085	135,997	(3,088)	(59,584)	(61,618)	(62,645)	(1,027)
215,170	215,170	215,170	-	62,668	62,668	62,668	-
\$ 219,670	\$ 354,255	\$ 351,167	\$ (3,088)	\$ 3,084	\$ 1,050	\$ 23	\$ (1,027)

PROPRIETARY FUNDS

Proprietary funds account for City's operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

All of the City's Enterprise Funds have been identified as major proprietary funds.

Fund	Description
MAJOR FUNDS:	
Water Utility Fund	This fund accounts for the operations of the City's water utility, a self-supporting activity which renders services on a user-charge basis to its customers.
Sewer Utility Fund	This fund accounts for the operations of the City's wastewater utility, a self-supporting activity which renders services on a user-charge basis to its customers.

City of Blue Lake, California

Statement of Net Position

Enterprise Funds

June 30, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,271,623	\$ 1,688,781	\$ 2,960,404
Receivables:			
Accounts receivable, net	76,490	57,255	133,745
Interest receivable	877	1,197	2,074
Inventories	21,107	2,797	23,904
Total current assets	<u>1,370,097</u>	<u>1,750,030</u>	<u>3,120,127</u>
Noncurrent assets:			
Capital assets, net	507,385	966,306	1,473,691
Total assets	<u>1,877,482</u>	<u>2,716,336</u>	<u>4,593,818</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	57,889	60,790	118,679
Other postemployment benefits (OPEB)	6,724	7,896	14,620
Total deferred outflows of resources	<u>64,613</u>	<u>68,686</u>	<u>133,299</u>
Total assets and deferred outflows of resources	<u>\$ 1,942,095</u>	<u>\$ 2,785,022</u>	<u>\$ 4,727,117</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 25,917	\$ 59,770	\$ 85,687
Accrued payroll	5,507	6,495	12,002
Compensated absences	10,860	15,065	25,925
Customer deposits	71,912	-	71,912
Notes payable, due within one year	10,311	-	10,311
Unearned revenues	-	65,000	65,000
Total current liabilities	<u>124,507</u>	<u>146,330</u>	<u>270,837</u>
Noncurrent liabilities:			
Notes payable, due after one year	35,842	-	35,842
Net pension liability	243,161	299,397	542,558
Net OPEB liability	54,558	62,029	116,587
Total liabilities	<u>458,068</u>	<u>507,756</u>	<u>965,824</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	7,769	6,722	14,491
Other postemployment benefits (OPEB)	620	737	1,357
Total deferred inflows of resources	<u>8,389</u>	<u>7,459</u>	<u>15,848</u>
NET POSITION			
Net investment in capital assets	461,232	966,306	1,427,538
Restricted for capital projects	176,654	1,468,284	1,644,938
Unrestricted	837,752	(164,783)	672,969
Total net position	<u>1,475,638</u>	<u>2,269,807</u>	<u>3,745,445</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,942,095</u>	<u>\$ 2,785,022</u>	<u>\$ 4,727,117</u>

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

City of Blue Lake, California

Statement of Revenues, Expenses, and Changes in Fund Net Position

Enterprise Funds

For the year ended June 30, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for services	\$ 470,252	\$ 337,603	\$ 807,855
Other operating revenues	41,948	36,981	78,929
Total operating revenues	<u>512,200</u>	<u>374,584</u>	<u>886,784</u>
OPERATING EXPENSES:			
Salaries and benefits	209,069	238,799	447,868
Water purchases	183,482	-	183,482
Repairs, maintenance, and supplies	25,469	57,192	82,661
Professional services	31,105	24,223	55,328
Administration and other	41,542	38,852	80,394
Utilities	20,291	45,185	65,476
Depreciation	43,339	102,006	145,345
Total operating expenses	<u>554,297</u>	<u>506,257</u>	<u>1,060,554</u>
OPERATING INCOME(LOSS)	<u>(42,097)</u>	<u>(131,673)</u>	<u>(173,770)</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenues	-	-	-
Interest revenue	6,209	7,962	14,171
Other nonoperating revenues	489	119,050	119,539
Interest expense	(1,548)	-	(1,548)
Total non-operating revenues, net	<u>5,150</u>	<u>127,012</u>	<u>132,162</u>
CHANGE IN NET POSITION	(36,947)	(4,661)	(41,608)
NET POSITION:			
Beginning of year	1,512,585	2,274,468	3,787,053
End of year	<u>\$ 1,475,638</u>	<u>\$ 2,269,807</u>	<u>\$ 3,745,445</u>

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

City of Blue Lake, California
Statement of Cash Flows
Enterprise Funds
For the year ended June 30, 2021

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and interfund charges	\$ 530,550	\$ 427,701	\$ 958,251
Cash payments to suppliers for goods and services	(301,596)	(122,569)	(424,165)
Cash payments to employees for services	(212,303)	(238,144)	(450,447)
Net cash provided (used) by operating activities	<u>16,651</u>	<u>66,988</u>	<u>83,639</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Nonoperating amounts received	489	119,050	119,539
Net cash provided (used) by noncapital financing activities	<u>489</u>	<u>119,050</u>	<u>119,539</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments of notes payable	(10,031)	-	(10,031)
Interest paid	(1,548)	-	(1,548)
Acquisition and construction of capital assets	(3,463)	(44,861)	(48,324)
Net cash provided (used) by capital and related financing activities	<u>(15,042)</u>	<u>(44,861)</u>	<u>(59,903)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment revenue received	9,543	12,005	21,548
Net cash provided (used) by investing activities	<u>9,543</u>	<u>12,005</u>	<u>21,548</u>
Net increase (decrease) in cash and cash equivalents	11,641	153,182	164,823
CASH AND CASH EQUIVALENTS:			
Beginning of year	<u>1,259,982</u>	<u>1,535,599</u>	<u>2,795,581</u>
End of year	<u>\$ 1,271,623</u>	<u>\$ 1,688,781</u>	<u>\$ 2,960,404</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (42,097)	\$ (131,673)	\$ (173,770)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	43,339	102,006	145,345
Pension expense	(7,962)	(4,176)	(12,138)
OPEB expense	7,721	9,164	16,885
(Increase) decrease in current assets:			
Accounts receivable	(12,645)	(12,776)	(25,421)
Intergovernmental receivables	27,000	-	27,000
Inventory	(729)	(379)	(1,108)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	1,022	43,262	44,284
Accrued payroll	(2,993)	(4,333)	(7,326)
Compensated absences	1,904	893	2,797
Customer deposits	2,091	-	2,091
Unearned revenues	-	65,000	65,000
Net cash provided by operating activities	<u>\$ 16,651</u>	<u>\$ 66,988</u>	<u>\$ 83,639</u>

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2021.

This page intentionally left blank.

NOTES TO BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Blue Lake, California
Basic Financial Statements
For the year ended June 30, 2021

Index to Notes to Basic Financial Statements

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	39
Financial Reporting Entity.....	39
Basis of Presentation.....	40
Measurement Focus	42
Basis of Accounting.....	42
Assets, Liabilities, and Net Position/Fund Balance.....	42
Revenues, Expenditures, and Expenses.....	47
Budgetary Accounting.....	48
Note 2 – Cash and Investments.....	49
Note 3 – Receivables	51
Note 4 – Loans Receivable	51
Note 5 – Capital Assets	52
Note 6 – Accounts Payable and Accrued Liabilities.....	54
Note 7 – Long-Term Liabilities	54
Note 8 – Net Position/Fund Balances	55
Note 9 – Interfund Transactions	58
Note 10 – Self-Insured Retention Funds.....	58
Note 11 – Risk Management.....	58
Note 12 – Public Employees’ Retirement System	59
Note 13 – Other Post-Retirement Employment Benefits	64
Note 14 – Community Development Block Grants.....	68
Note 15 – Contingencies	68
Note 16 – Commitments	68
Note 17 – New Accounting Pronouncements.....	69
Note 18 – Subsequent Events.....	71

This page intentionally left blank.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Blue Lake, California (the "City") was incorporated April 23, 1910, under the provisions of the State of California. On August 1, 1996, the City changed its form of government and currently operates under a Council/City Manager form of government and provides the following services: public safety (police, animal control and building official), water and sewer services, park facilities and recreation programs, streets and road maintenance, industrial park management, recycling, regional facilities for the County Library District, housing and business expansion and retention (CBDG) grants, and general municipal government administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, other intergovernmental revenue from state and federal sources, user fees, and sales taxes.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

There are no component units of the City that meet the criteria for discrete presentation.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- CDBG Special Revenue Fund
- SLESF Special Revenue Fund

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds

The Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities and other capital assets (other than those financed by enterprise funds).

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Measurement Focus, Continued

The enterprise funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual (both measurable and available – collectable within the current period or within 60 days after year end) and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Net Position/Fund Balance

Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds based on the applicable cash balance of each fund.

In accordance with the City’s investment policy, idle cash may be invested in the State of California Local Agency Investment Fund (LAIF).

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Investments, Continued

The City's cash and cash equivalents for the Statement of Cash Flows purposes include cash on hand, demand deposits, restricted cash, and investments held in the California State Treasurer's Local Agency Investment Fund (LAIF).

The City's investments are carried at fair value.

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.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred inflows in the fund financial statements in accordance with the modified accrual basis, but not deferred inflows in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds (the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans).

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed. Inventory of the enterprise funds consists primarily of materials and supplies for utility operations.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a nonspendable fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, streets, drainage systems, and pumps.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Buildings	15 – 40 years
Water and sewer system	25 – 50 years
Machinery and equipment	3 – 15 years
Improvements	15 – 40 years
Other infrastructure	25 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Compensated Absences

Employees accrue personal leave, management leave, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off and are paid on termination. All personal leave pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for the entire amount is reported in the governmental funds. The general fund is typically used to liquidate compensated absences.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unearned Revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item reported as a deferred outflow of resources. The item is a deferred charge on pension plan contributions in the government-wide and proprietary fund statements of net position.

In addition to liabilities, the statement of 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 one item reported as a deferred inflow of resources. The item is related to the City’s net pension liability and is reported in the government-wide and proprietary fund statements of net position.

Other Postemployment Benefits (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, generally accepted accounting principles require that the reported results must pertain to asset and liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees Retirement System (CalPERS) 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position/Fund Balance

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g., gas tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council Resolution is required to be taken to establish, modify, or rescind a fund balance commitment.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position/Fund Balance, Continued

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- The City Council delegates the authority to the City Manager to assign fund balance amounts to specific purposes when such purposes are enacted by the City Council.

Unassigned Fund Balance –

- Residual net resources.
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

Revenues, Expenditures, and Expenses

Property Tax

The County of Humboldt (County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

Secured property taxes are levied on or before the first day of March of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City participates in an alternative method of distribution of property tax levies and assessments known as the “Teeter Plan.” The State Revenue and Taxation Code allow counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and penalties and interest during a fiscal year will revert to Humboldt County.

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council reviews and adopts annual budgets for the General, Special Revenue, and Capital Project Funds. Budgetary control is legally maintained at the fund level for these funds. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may approve budget amendments by motion during the fiscal year. Only the City Council can authorize transfers between funds and approve interfund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. The City Council approved one supplemental appropriation during the fiscal year ended June 30, 2021. Budget information is presented for the General, Special Revenue and Capital Project Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

2. CASH AND INVESTMENTS

At June 30, 2021, the City’s pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Not rated	Fair Market Value
<u>Cash equivalents and investments pooled</u>		
Pooled cash, at fair value		
Cash in bank	\$ 295,006	\$ 295,006
Cash on hand	1,090	1,090
Total pooled items	<u>296,096</u>	<u>296,096</u>
Pooled investments, at fair value		
State of California Local Agency Investment Fund	4,177,453	4,177,453
Total pooled investments	<u>4,177,453</u>	<u>4,177,453</u>
Total cash equivalents and investments pooled	<u>\$ 4,473,549</u>	<u>\$ 4,473,549</u>

Amounts reported in:

	Restricted (legally or contractually)	Unrestricted	Totals
Governmental funds			
General	\$ 556,415	\$ 564,092	\$ 1,120,507
Special revenue	392,638	-	392,638
Capital projects	-	-	-
Total governmental funds	<u>\$ 949,053</u>	<u>\$ 564,092</u>	<u>\$ 1,513,145</u>
Enterprise funds			
Water	\$ 176,654	\$ 1,094,969	\$ 1,271,623
Sewer	1,468,284	220,497	1,688,781
Total enterprise funds	<u>\$ 1,644,938</u>	<u>\$ 1,315,466</u>	<u>\$ 2,960,404</u>
Governmental activities	\$ 949,053	\$ 564,092	\$ 1,513,145
Business-type activities	1,644,938	1,315,466	2,960,404
Total	<u>\$ 2,593,991</u>	<u>\$ 1,879,558</u>	<u>\$ 4,473,549</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Average Annual Yield</u>
Local Agency Investment Fund	\$ 4,177,453	0.93	0.50%

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The only authorized investment vehicles that address interest rate risk, credit risk, and concentration of credit risk, per the City’s investment policy, are the State of California Local Agency Investment Fund (LAIF) and certificates of deposit in California financial institutions.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, Continued

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested 2.31% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk such as changes in interest rates.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s Investment Policy addresses custodial credit risk, which follows the Government Code.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

At June 30, 2021, the carrying amount of the City’s deposits was \$295,006 and the balances in financial institutions were \$349,214. Of the balance in financial institutions, the amount was within the \$250,000 covered by federal depository insurance. Amounts that exceeds the federal depository insurance \$250,000 coverage was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. Investments were held by the custodial agent, and were insured up to specified limits by the Securities Investor Protection Corporation (SPIC) and supplemental private insurance up to a limit of \$150 million.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. As of June 30, 2021, the total fair value amount invested by all public agencies in LAIF is \$37.1 billion of which the City’s fair value amount is \$4,177,453. Of the total invested, 2.31% was invested in Structured Notes and Asset-Backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. 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.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

3. RECEIVABLES

Receivables consisted of the following at June 30, 2021:

	Governmental Activities	Business-type Activities	Total
Accounts	\$ 11,694	\$ 133,745	\$ 145,439
Interest	206,012	2,074	208,086
Intergovernmental	223,396	-	223,396
Loans	889,875	-	889,875
Total	<u>\$ 1,330,977</u>	<u>\$ 135,819</u>	<u>\$ 1,466,796</u>

These amounts resulted in the following concentrations in receivables:

Individuals / Businesses	70.6%
Other governments	15.2%
Financial	14.2%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business, financial institution, or government agency.

4. LOANS RECEIVABLE

At June 30, 2021, notes receivable consist of the following:

	Beginning July 1, 2020	Additions	Deletions	Ending June 30, 2021
Residential redevelopment	\$ 987,778	\$ -	\$(106,503)	\$ 881,275
Business development	10,000	-	(1,400)	8,600
Total loans/notes receivable	<u>\$ 997,778</u>	<u>\$ -</u>	<u>\$(107,903)</u>	<u>\$ 889,875</u>

The loans consist of deferred repayment and below market interest rate housing rehabilitation and business development loans. Substantially all of these loans are secured by deeds of trust and are repayable upon the sale or transfer of the underlying properties.

Substantially all the receivables are expected to be collected more than one year after the date of these financial statements.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

5. CAPITAL ASSETS

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

	Balance June 30, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Governmental activities:				
Nondepreciable assets:				
Land	\$ 301,171	\$ 179,113	\$ -	\$ 480,284
Construction in progress	218,743	-	(212,240)	6,503
Total nondepreciable assets	519,914	179,113	(212,240)	486,787
Depreciable assets:				
Land improvements	506,413	692,581	212,240	1,411,234
Infrastructure	2,279,736	-	-	2,279,736
Buildings and improvements	1,210,402	21,654	-	1,232,056
Machinery and equipment	318,048	-	-	318,048
Total depreciable assets	4,314,599	714,235	212,240	5,241,074
Total	4,834,513	893,348	-	5,727,861
Accumulated depreciation:				
Land improvements	(162,776)	(42,895)	-	(205,671)
Infrastructure	(825,574)	(91,546)	-	(917,120)
Buildings and improvements	(888,814)	(30,103)	-	(918,917)
Machinery and equipment	(291,160)	(3,192)	-	(294,352)
Total accumulated depreciation	(2,168,324)	(167,736)	-	(2,336,060)
Net depreciable assets	2,146,275	546,499	212,240	2,905,014
Total net capital assets	\$ 2,666,189	\$ 725,612	\$ -	\$ 3,391,801

Depreciation expense for capital assets was charged to categories as follows:

Governmental Activities	
General government	\$ 33,295
Street maintenance and lighting	91,546
Parks and recreation	42,895
Total	\$ 167,736

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

5. CAPITAL ASSETS, Continued

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

	Balance June 30, 2020	Additions	Transfers/ Deletions	Balance June 30, 2021
Business-type activities:				
Nondepreciable assets:				
Land	\$ 74,877	\$ -	\$ -	\$ 74,877
Construction in progress	30,914	3,463	-	34,377
Total nondepreciable assets	<u>105,791</u>	<u>3,463</u>	<u>-</u>	<u>109,254</u>
Depreciable assets:				
Buildings and improvements	15,916	-	-	15,916
Machinery and equipment	622,144	-	(6,597)	615,547
Water system	1,406,520	-	(45,333)	1,361,187
Sewer system	2,270,008	44,861	-	2,314,869
Total depreciable assets	<u>4,314,588</u>	<u>44,861</u>	<u>(51,930)</u>	<u>4,307,519</u>
Total	<u>4,420,379</u>	<u>48,324</u>	<u>(51,930)</u>	<u>4,416,773</u>
Accumulated depreciation:				
Buildings and improvements	(15,188)	(510)	-	(15,698)
Machinery and equipment	(488,042)	(21,234)	10,614	(498,662)
Water system	(1,039,446)	(27,572)	45,333	(1,021,685)
Sewer system	(1,306,991)	(96,029)	(4,017)	(1,407,037)
Total accumulated depreciation	<u>(2,849,667)</u>	<u>(145,345)</u>	<u>51,930</u>	<u>(2,943,082)</u>
Net depreciable assets	<u>1,464,921</u>	<u>(100,484)</u>	<u>-</u>	<u>1,364,437</u>
Total net capital assets	<u>\$ 1,570,712</u>	<u>\$ (97,021)</u>	<u>\$ -</u>	<u>\$ 1,473,691</u>

Depreciation expense for capital assets was charged to functions as follows:

Business-Type Activities	
Water fund	\$ 43,339
Sewer fund	102,006
Total	<u>\$ 145,345</u>

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2021:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 46,617	\$ 85,687	\$ 132,304
Accrued payroll and related liabilities	20,180	12,002	32,182
Total	<u>\$ 66,797</u>	<u>\$ 97,689</u>	<u>\$ 164,486</u>

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or individual.

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Notes payable - Governmental Activities	\$ -	\$ 225,000	\$ (1,791)	\$ 223,209	\$ 3,446
Notes payable - Water Fund	56,184	-	(10,031)	46,153	10,625
Total noncurrent liabilities	<u>\$ 56,184</u>	<u>\$ 225,000</u>	<u>\$ (11,822)</u>	<u>\$ 269,362</u>	<u>\$ 14,071</u>

Notes payable – Governmental Activities

In 2020, the City entered into a loan agreement with the Redwood Region Economic Development Commission for the purposes of purchasing real estate. The loan amount totaled \$225,000 and bears an interest rate of 5% per annum for 7 years. Payments are due in 84 equal monthly payments of \$1,237, beginning February 1, 2021 and ending January 1, 2028, after which a final balloon payment of all unpaid principal and interest is due. The loan is secured by the purchased real estate.

Notes payable – Water Fund

In 2015, the City entered into a loan agreement with the National Rural Water Association for the purposes of financing water system improvements. The loan amount totaled \$99,937 and bears an interest rate of 3% per annum for 10 years. Payments are due in 120 equal monthly payments of \$965, beginning November 1, 2015 and ending October 1, 2025. The loan is secured by Water Fund capital assets.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

7. LONG-TERM LIABILITIES, Continued

The following is the debt service obligations of the City for the notes payable:

Year Ending June 30,	Notes Payable - Water Fund		Notes Payable - Governmental Activities	
	Principal	Interest	Principal	Interest
2022	\$ 10,311	\$ 1,269	\$ 3,446	\$ 10,159
2023	10,625	955	3,944	10,899
2024	10,948	632	4,146	10,697
2025	11,281	299	4,358	10,485
2026	2,988	24	4,581	10,262
2027-2028	-	-	202,734	15,764
Total	<u>\$ 46,153</u>	<u>\$ 3,179</u>	<u>\$ 223,209</u>	<u>\$ 68,266</u>
Due within one year	\$ 10,311	\$ 1,269	\$ 3,446	\$ 10,159
Due after one year	35,842	1,910	219,763	58,107
Total	<u>\$ 46,153</u>	<u>\$ 3,179</u>	<u>\$ 223,209</u>	<u>\$ 68,266</u>

8. NET POSITION/ FUND BALANCES

Net Position

	Governmental Activities	Business-type Activities
Net investment in capital assets	\$ 3,168,592	\$ 1,427,538
Restricted	401,758	1,644,938
Unrestricted	1,797,861	672,969
Total	<u>\$ 5,368,211</u>	<u>\$ 3,745,445</u>

Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

8. NET POSITION/ FUND BALANCES, Continued

Fund Balance

Fund balance consisted of the following at June 30, 2021:

Nonspendable:	
Major Funds:	
General Fund	\$ 12,543
Total Nonspendable	<u>12,543</u>
Restricted:	
Major Funds:	
CDBG Fund	351,167
SLESF Fund	23
Total Major Funds- Restricted	<u>351,190</u>
Nonmajor Funds:	
Highway Users Tax Fund	28,460
TDA Street Fund	3,603
TDA Purchased Transportation Fund	910
AB-939 Solid Waste Reduction/Recycling Fund	17,583
Regional Surface Transportation Program (RSTP) Fund	12
Total Nonmajor Funds- Restricted	<u>50,568</u>
Total Restricted	<u>401,758</u>
Committed:	
Major Funds	
General Fund	556,415
Total Committed	<u>556,415</u>
Unassigned (deficit):	
Major Funds:	
General Fund	641,915
Total Major Funds- Unassigned	<u>641,915</u>
Nonmajor Funds:	
Powers Creek Footbridge Capital Project Fund	(20,000)
Annie and Mary Trail Capital Project Fund	(106,523)
Total Nonmajor Funds- Unassigned	<u>(126,523)</u>
Total Unassigned	<u>515,392</u>
Total Fund Balance	<u>\$ 1,486,108</u>

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

8. NET POSITION/ FUND BALANCES, Continued

The following describes the purpose of each nonspendable, restriction, and commitment account used by the City:

Restricted

- **CDBG** – represents amounts restricted for the City’s CDBG housing activities as these programs are supported by specific grants requiring the restriction.
- **SLESF** – represents amounts restricted by use for law enforcement/public safety activities.
- **TDA Purchased Transportation** – represents amounts restricted by the Transportation Development Act for transportation, including streets and roads.
- **AB-939 Solid Waste Reduction/Recycling** – represents amounts restricted by AB 939 for solid waste reduction activities.
- **Regional Surface Transportation Program (RSTP)** – represents amounts restricted for street maintenance activities by the California Streets and Highways Code.

Excess of Expenditures and Transfers Over Appropriations: Expenditures and transfers exceeded appropriations for the year ended June 30, 2021, for the following funds:

	Final Budget	Total Expenditures and Transfers	Excess Expenditures Over Appropriations
<u>Governmental Activities</u>			
Major Funds			
General Fund	\$ 1,000,279	\$ 1,018,141	\$ (17,862)

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

9. INTERFUND TRANSACTIONS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers consisted of the following at June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Activities</u>		
Major Funds:		
General Fund	\$ 74,212	\$ 6,176
Total Major Funds	<u>74,212</u>	<u>6,176</u>
Non-major Funds:		
Special Revenue Funds:		
Highway Users Tax Fund	-	51,505
TDA Street Fund	-	12,125
Regional Surface Transportation Program (RSTP) Fund	-	10,582
Capital Projects Funds:		
Powers Creek Footbridge Project Fund	<u>6,176</u>	<u>-</u>
Total Non-major Funds	<u>6,176</u>	<u>74,212</u>
Total Transfers	<u><u>\$ 80,388</u></u>	<u><u>\$ 80,388</u></u>

10. SELF-INSURED RETENTION FUNDS

The City's liability insurance carrier requires the City to maintain \$15,000 in reserve (SIR Reserve) for potential claims against the City. The City maintains \$20,000 in reserve.

11. RISK MANAGEMENT

As of July 1, 1986, the City entered into a joint powers agreement for insurance coverage. The City of Blue Lake is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; and natural disasters for which the Member Entity obtains insurance coverage.

The City is a member of the Public Agency Risk Sharing Authority of California - PARSAC, 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 \$5,000 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 \$34 million in excess of its \$1 million retention limit through affiliated risk management authorities. The Authority also provides one billion dollars aggregate per occurrence property coverage to its members with such coverage provided by purchased insurance.

11. RISK MANAGEMENT, 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 an additional assessments based upon the Authority's operating results. Financial statements of the PARSAC may be obtained from its administrative office located at 1525 Response Road, Suite One, Sacramento, CA 95815.

The City maintains no other commercial and risk pool coverage covering each of those risks of loss. Settled claims have not exceeded coverage in any of the past five years.

12. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plans

Plan Descriptions

All qualified employees are eligible to participate in the City's separate Miscellaneous and Safety Employee Pension Plans. Both plans are part of a separate cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions are established by State statute and City resolution. A full description of the pension plan benefit provisions, assumptions and membership information can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for PEPRAs employees) with statutorily reduced benefits based on earnings and service credits. All members are eligible for non-duty disability benefits after 10 years of credited service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

12. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

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

	Miscellaneous (Classic)	Miscellaneous (PEPRA)	Safety (Classic)
	Prior to January 1, 2013	After January 1, 2013	Prior to January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 62	2% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	52	63
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.0 - 2.0%	1.0% - 2.5%
Required employee contribution rates	7.0%	6.25%	(1)
Required employer contribution rates	12.361%	7.732%	(1)

(1) Currently, the City has no active safety employees as it outsources its law enforcement services. As a result, there is no current required rate of contributions.

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 both 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.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 124,999	\$ 7,053

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

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,045,933
Safety	96,736
Total Net Pension Liability	<u>\$ 1,142,669</u>

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

12. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2021 and 2020 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2020	0.02494%	0.00148%
Proportion - June 30, 2021	0.02480%	0.00145%
Change - Increase/(Decrease)	-0.00014%	-0.00003%

For the year ended June 30, 2021, the City recognized pension expense of \$179,390. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ 7,782
Differences between Expected and Actual Experience	61,401	-
Differences between Projected and Actual Investment Earnings	33,174	-
Differences between Employer's Contributions and Proportionate Share of Contributions	30,766	3,634
Change in Employer's Proportion	-	20,029
Pension Contributions Made Subsequent to Measurement Date	132,052	-
	<u>\$ 257,393</u>	<u>\$ 31,445</u>

\$132,052 is reported as deferred outflows of resources related to contributions subsequent to the measurement date that 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:

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

12. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

Year Ended 30-Jun	
2022	\$ 9,941
2023	38,370
2024	29,629
2025	15,956
2026	-
Thereafter	-
	<u>\$ 93,896</u>

Actuarial Methods and Assumptions

The total pension liability was determined by actuarial valuations as of June 30, 2019, which were rolled forward to June 30, 2020, using the following actuarial methods and assumptions:

Actuarial Methods and Assumptions:	
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Investment rate of return	7.15%, net of pension plan expenses, including inflation
Payroll growth	2.75%
Discount rate	7.15%
Inflation	2.5%
Salary increases	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter

The underlying mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90 percent of scale MP 2016. For more details, please refer to the December 2017 experience study report.

All other actuarial assumptions were based on the results of the December 2017 actuarial experience study for the experience study periods 1997 to 2015. The experience study can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF).

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

12. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

Changes of Assumptions

None.

The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Year 11+ ²
Global Equity	50.0%	4.80%	5.98%
Global Debt Securities	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

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

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

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

12. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

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 each Plan, calculated using the discount rate for each 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability as of			
June 30, 2020			
Miscellaneous	\$ 1,435,948	\$ 1,045,933	\$ 723,676
Safety	136,449	96,736	64,147
Total	<u>\$ 1,572,397</u>	<u>\$ 1,142,669</u>	<u>\$ 787,823</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

13. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined-benefit post-employment healthcare plan.

Benefits Provided

Retirees are eligible for medical benefits after 15 years of service. The City covers 50% of the retiree's health insurance premiums up to the age of 65. Benefits are not provided for retiree spouse or dependent health care coverage.

Employees Covered by Benefit Terms

At June 30, 2020 (the measurement date), the following employees were covered by the benefit terms:

Inactive Employees Receiving Benefits	0
Inactive Employees Entitled to But Not Receiving Benefits	0
Participating Active Employees	7
Total Number of participants	7

Contributions

The City pays benefits as they come due.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

13. OTHER POST EMPLOYMENT BENEFITS, Continued

Actuarial Methods and Assumptions

The City's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020 based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions:	
Actuarial cost method	Entry-age actuarial cost method
Actuarial assumptions:	
Discount rate	2.2%, net of expenses
Inflation	2.50%
Salary increases	2.75% per annum
Investment rate of return	2.2%, net of expenses
Mortality rate ⁽¹⁾	2017 CalPERS active mortality for miscellaneous employees
Retirement rates	Hired 2013 and later: 2017 CalPERS 2.0% @ 62 Rates for miscellaneous employees Hired 2012 and earlier: 2017 CalPERS 2.5% @ 55 Rates for miscellaneous employees
Pre-retirement turnover ⁽²⁾	2017 CalPERS turnover for miscellaneous employees
Healthcare trend rate	4.00%

(1) The mortality assumptions are based on the 2017 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

(2) The turnover assumptions are based on the 2017 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.2 percent. Since the City's OPEB Plan is an unfunded plan, the discount rate is based on an index of 20-year general obligation municipal bonds rate AA or higher.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

13. OTHER POST EMPLOYMENT BENEFITS, Continued

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/2019 Measurement Date	\$ 174,402	\$ -	\$ 174,402
Changes for the year			
Service Cost	13,738	-	13,738
Interest on TOL	6,344	-	6,344
Employer Contributions	-	-	-
Employee Contributions	-	-	-
Actual Investment Income	-	-	-
Administrative expenses	-	-	-
Changes in Assumptions	22,031	-	22,031
Experience (Gains)/Losses	(2,206)	-	(2,206)
Benefit payments	-	-	-
Other	-	-	-
Net Changes	39,907	-	39,907
Balance at 6/30/2020 Measurement Date	\$ 214,309	\$ -	\$ 214,309

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (1.2%)</u>	<u>Discount Rate (2.2%)</u>	<u>1% Increase (3.2%)</u>
Net OPEB Liability	\$ 240,575	\$ 214,309	\$ 191,429

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (3.00%)</u>	<u>Current Trend (4.00%)</u>	<u>1% Increase (5.00%)</u>
Net OPEB Liability	\$ 181,413	\$ 214,309	\$ 254,108

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

13. OTHER POST EMPLOYMENT BENEFITS, Continued

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$16,577. As of fiscal year ended June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,068
Changes in assumptions	26,648	-
Total	<u>\$ 26,648</u>	<u>\$ 2,068</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2022	\$ 1,656
2023	1,656
2024	1,656
2025	1,656
2026	1,656
Thereafter	16,300
	<u>\$ 24,580</u>

14. COMMUNITY DEVELOPMENT BLOCK GRANTS

The City has been awarded various block grants by the State of California - Housing and Community Development. These grants fund housing rehabilitation, business development, and infrastructure improvements to City streets.

Revenues and expenditures for activities relating to the housing rehabilitation and the business development are accounted for in special revenue funds. Through this program, the City pays for housing rehabilitation, business expansion and retention, plus administrative program costs. At the completion of projects benefiting the private property owners, the City issues a note, secured by a deed of trust for the cost of the improvements.

These notes carry rates ranging from 1 % to 10%. Most of the notes require repayment when the property is sold, but some require period amortized payments. As these notes are repaid, funds may be used for new improvements, program costs, and loans to private property owners.

CDBG Program Income (PI) Reuse Agreement

Effective November 18, 2014 the City entered into the Reuse Agreement which allows the City to receive repayments from CDBG and spend those PI funds in the absence of an active CDBG grant contract. The Agreement establishes policies and procedures for the administration and utilization of Program income received as a direct result of eligible activities funded under CDBG contracts with the City. The Agreement allows five ways to manage PI:

1. Expend monies on active grant contract activities
2. Expend monies on general administration activities
3. Expend monies through an approved revolving loan fund
4. Expend monies on approved waiver activity, when no active contract is in force
5. Return the monies annually to the Department (CDBG)

15. CONTINGENCIES

The City is a party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have material adverse impact on the financial position of the City. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

16. COMMITMENTS

The City has contracted with the Humboldt Bay Municipal Water District (HBMWD) for water purchases. The agreement expires June 30, 2037. The City has an option to extend the agreement for an additional ten years. The agreement will be automatically extended to correspond to the term of an agreement entered into between HBMWD and the State of California. The water rate paid by the City is based on numerous factors. Rates are determined by allocating HBMWD's operating costs, maintenance, repairs and replacement to all users connected to the HBMWD system.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

16. COMMITMENTS, Continued

On June 27, 2019, the City entered into a contract with the Humboldt County Sheriff's Department whereby the County agreed to provide law enforcement services to the City. The term of the current agreement was for the period July 1, 2019 through June 30, 2021. The cost to the City under the agreement was \$319,671 annually, with the amount for future years subject to an annual recalculation. Either party may terminate this contract upon 60 days written notice.

17. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 87, "Leases." The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2023.

City of Blue Lake, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

17. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The GASB has issued statement No. 92, “*Omnibus 2020*”. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued statement No. 93, “*Replacement of Interbank Offered Rates*”. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2023.

The GASB has issued statement No. 96, “*Subscription-Based Information Technology Arrangements*”. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2023.

The GASB has issued statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*”. Paragraphs 6-9 of this Statement are effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

18. SUBSEQUENT EVENTS

Events occurring after June 30, 2021 but before the financial statements were available to be issued must be evaluated for possible adjustment to the financial statements or disclosure. The effects of subsequent events that provide evidence about conditions that existed at June 30, 2021 are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after June 30, 2021 require disclosure in the accompanying notes. Management has evaluated the activity of the City through June 28, 2022, and concluded that subsequent event(s) have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the City's employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the City's financial position, changes in net position/fund balance, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

City of Blue Lake, California
Required Supplementary Information -
Schedule of Changes in the Net OPEB Liability
and Related Ratios
Last 10 Fiscal Years

	2021	2020	2019	2018
Total OPEB liability				
Service Cost	\$ 13,738	\$ 12,669	\$ 12,332	\$ 12,331
Interest on the total OPEB liability	6,344	5,948	5,355	5,039
Differences between expected and actual experience	(2,206)	-	-	-
Changes of benefit terms	-	-	-	-
Changes of assumptions	22,031	6,836	-	-
Contributions - employer	-	(2,465)	(2,370)	(2,370)
Net change in total OPEB liability	39,907	22,988	15,317	15,000
Total OPEB liability - beginning	174,402	151,414	136,097	121,097
Total OPEB liability - ending (a)	\$ 214,309	\$ 174,402	\$ 151,414	\$ 136,097
Plan fiduciary net position				
Contributions - employer	\$ -	\$ 2,465	\$ 2,370	\$ 2,370
Contributions - employee	-	-	-	-
Actual investment income	-	-	-	-
Administrative expense	-	-	-	-
Benefit payments	-	(2,465)	(2,370)	(2,370)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 214,309	\$ 174,402	\$ 151,414	\$ 136,097
Covered-employee payroll	\$ 391,542	\$ 434,670	\$ 358,127	\$ 344,357
Net OPEB liability as a percentage of covered-employee payroll	54.73%	40.12%	42.28%	39.52%

Notes to Schedule

- 1) GASB 75 was implemented during the fiscal year ended June 30, 2018. Additional years (10 years required by GASB 75) will be added as they become available.
- 2) Covered payroll is the payroll paid to all employees who are eligible for and accruing OPEB benefits.
- 3) For each fiscal year presented, information regarding the City's OPEB plan, including the methods and assumptions used to calculate the net OPEB liability, can be found in the notes to the City's basic financial statements.

City of Blue Lake, California
Required Supplementary Information - Schedule of Contributions
 Last 10 Fiscal Years

<u>Miscellaneous Plan</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 124,999	\$ 115,836	\$ 102,595	\$ 87,054	\$ 81,163	\$ 76,737	\$ 70,877
Contributions in relation to the actuarially determined contributions	<u>(124,999)</u>	<u>(115,836)</u>	<u>(102,595)</u>	<u>(87,054)</u>	<u>(81,163)</u>	<u>(76,737)</u>	<u>(70,877)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 391,542	\$ 434,670	\$ 358,127	\$ 344,357	\$ 352,370	\$ 324,828	\$ 351,126
Contributions as a percentage of covered-employee payroll	31.92%	26.65%	28.65%	25.28%	23.03%	23.62%	20.19%
<u>Safety Plan</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 7,053	\$ 6,995	\$ 6,911	\$ 5,699	\$ 3,766	\$ 3,264	\$ 2,444
Contributions in relation to the actuarially determined contributions	<u>(7,053)</u>	<u>(6,995)</u>	<u>(6,911)</u>	<u>(5,699)</u>	<u>(3,766)</u>	<u>(3,264)</u>	<u>(2,444)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

- 1) Covered payroll is the payroll on which contributions to a pension plan are based.
- 2) GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015. Additional years (10 years required by GASB 68) will be added as they become available in the future.
- 3) Actuarially determined contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. More information on the methods and assumptions used to determine the contribution rates can be found on the CalPERS website.
- 4) During the fiscal years presented above, the City had no covered payroll for its public safety department as these services were outsourced.

City of Blue Lake, California

Required Supplementary Information - Schedule of the City's Proportionate

Share of the Net Pension Liability

Last 10 Fiscal Years

Miscellaneous Plan	2021	2020	2019	2018	2017	2016	2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.02480%	0.02494%	0.02511%	0.02467%	0.02497%	0.02654%	0.02382%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,045,933	\$ 998,738	\$ 946,411	\$ 972,414	\$ 867,270	\$ 728,014	\$ 588,787
Plan's Covered-Employee Payroll	\$ 391,542	\$ 434,670	\$ 358,127	\$ 344,357	\$ 352,370	\$ 324,828	\$ 351,126
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	267.13%	229.77%	264.27%	282.39%	246.12%	224.12%	167.69%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	64.31%	67.95%	70.21%	68.75%	69.64%	74.03%	78.34%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 84,214	\$ 87,758	\$ 84,974	\$ 80,955	\$ 74,075	\$ 71,796	\$ 57,581
Safety Plan	2021	2020	2019	2018	2017	2016	2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.00145%	0.00148%	0.00154%	0.00149%	0.00155%	0.00156%	0.00131%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 96,736	\$ 92,263	\$ 90,259	\$ 88,897	\$ 80,260	\$ 64,436	\$ 49,025
Plan's Covered-Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	66.92%	68.00%	68.27%	67.91%	69.55%	75.29%	81.42%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 10,129	\$ 8,599	\$ 8,194	\$ 6,491	\$ 6,334	\$ 6,678	\$ 6,082

Notes to Schedule

- 1) Covered payroll is the payroll on which contributions to a pension plan are based.
- 2) GASB Statement No. 68 was implemented during fiscal year June 30, 2015. Additional years will be added as they become available in the future.
- 3) For each fiscal year presented, information regarding the City's pension plan, including the methods and assumptions used to calculate the net pension liability, can be found in the notes to the City's basic financial statements.
- 4) During the fiscal years presented above, the City had no covered payroll for its public safety department as these services were outsourced.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Special Revenue Funds:	
Highway Users Tax Fund	This fund accounts for the City's receipt and use of State gas tax funds for which use is restricted to street maintenance activities.
TDA Street Fund	This fund accounts for the City's receipt and use of State Transportation Development Act funds for which the use is restricted to street maintenance activities. These funds are distributed by the Humboldt County Association of Governments (HCAOG).
TDA Purchased Transportation Fund	This fund accounts for the City's receipt and use of State Transportation Development Act funds for which the use is restricted to public transit services. These funds are distributed by the Humboldt County Association of Governments (HCAOG).
AB-939 Solid Waste Reduction / Recycling Fund	This fund accounts for the City's receipt and use of State revenues derived from solid waste/recycling fees and the sale of recyclable materials. The use of these are restricted to solid waste reduction activities.
Regional Surface Transportation Program (RSTP) Fund	This fund accounts for the City's receipt and use of State Regional Surface Transportation Program funds for which the use is restricted to street maintenance activities. These funds are distributed by the Humboldt County Association of Governments (HCAOG).
Capital Project Funds:	
Powers Creek Footbridge Project Fund	This fund accounts for the receipt and use of funds related to the City's Powers Creek Footbridge Project.
Annie and Mary Trail Project Fund	This fund accounts for the receipt and use of funds related to the City's Annie and Mary Trail Project.

City of Blue Lake, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds		
	Highway Users Tax Fund	TDA Street Fund	TDA Purchased Transportation Fund
ASSETS			
Cash and investments	\$ 21,016	\$ -	\$ 3,655
Receivables:			
Interest receivable	18	-	5
Intergovernmental receivables	7,426	12,125	-
Total assets	<u>\$ 28,460</u>	<u>\$ 12,125</u>	<u>\$ 3,660</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 2,750
Accrued payroll	-	-	-
Compensated absences	-	-	-
Due to other funds	-	8,522	-
Unearned revenue	-	-	-
Total liabilities	<u>-</u>	<u>8,522</u>	<u>2,750</u>
Fund balances:			
Restricted	28,460	3,603	910
Assigned	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances	<u>28,460</u>	<u>3,603</u>	<u>910</u>
Total liabilities and fund balances	<u>\$ 28,460</u>	<u>\$ 12,125</u>	<u>\$ 3,660</u>

AB-939 Solid Waste Reduction / Recycling Fund	Regional Surface Transportation Program (RSTP) Fund	Total Special Revenue Funds	Capital Project Funds		Total Non-Major Governmental Funds
			Powers Creek Footbridge Project Fund	Annie and Mary Trail Project Fund	
\$ 16,984	\$ 12	\$ 41,667	\$ -	\$ -	\$ 41,667
11	-	34	-	-	34
877	-	20,428	19,990	120,593	161,011
<u>\$ 17,872</u>	<u>\$ 12</u>	<u>\$ 62,129</u>	<u>\$ 19,990</u>	<u>\$ 120,593</u>	<u>\$ 202,712</u>
\$ -	\$ -	\$ 2,750	\$ -	\$ 3,592	\$ 6,342
141	-	141	-	-	141
148	-	148	-	-	148
-	-	8,522	20,000	117,001	145,523
-	-	-	19,990	106,523	126,513
<u>289</u>	<u>-</u>	<u>11,561</u>	<u>39,990</u>	<u>227,116</u>	<u>278,667</u>
17,583	12	50,568	-	-	50,568
-	-	-	-	-	-
-	-	-	(20,000)	(106,523)	(126,523)
<u>17,583</u>	<u>12</u>	<u>50,568</u>	<u>(20,000)</u>	<u>(106,523)</u>	<u>(75,955)</u>
<u>\$ 17,872</u>	<u>\$ 12</u>	<u>\$ 62,129</u>	<u>\$ 19,990</u>	<u>\$ 120,593</u>	<u>\$ 202,712</u>

City of Blue Lake, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2021

	Special Revenue Funds		
	Highway Users Tax Fund	TDA Street Fund	TDA Purchased Transportation Fund
REVENUES:			
Intergovernmental revenues	\$ 57,746	\$ 12,125	\$ 32,000
Investment earnings	127	8	5
Total revenues	<u>57,873</u>	<u>12,133</u>	<u>32,005</u>
EXPENDITURES:			
Current:			
Parks and recreation	-	-	-
Public transit	-	-	32,125
Recycling	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>32,125</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>57,873</u>	<u>12,133</u>	<u>(120)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	-	-	-
Transfers in	-	-	-
Transfers out	(51,505)	(12,125)	-
Total other financing sources (uses)	<u>(51,505)</u>	<u>(12,125)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,368	8	(120)
FUND BALANCES:			
Beginning of year	22,092	3,595	1,030
End of year	<u>\$ 28,460</u>	<u>\$ 3,603</u>	<u>\$ 910</u>

		Capital Project Funds				
AB-939 Solid Waste Reduction / Recycling Fund	Regional Surface Transportation Program (RSTP) Fund	Total Special Revenue Funds	Powers Creek Footbridge Project Fund	Annie and Mary Trail Project Fund	Total Non-Major Governmental Funds	
\$ 10,127	\$ 10,582	\$ 122,580	\$ 34,654	\$ 593,184	\$ 750,418	
95	12	247	-	-	247	
<u>10,222</u>	<u>10,594</u>	<u>122,827</u>	<u>34,654</u>	<u>593,184</u>	<u>750,665</u>	
-	-	-	-	-	-	
-	-	32,125	-	-	32,125	
14,085	-	14,085	-	-	14,085	
-	-	-	-	661,390	661,390	
<u>14,085</u>	<u>-</u>	<u>46,210</u>	<u>-</u>	<u>661,390</u>	<u>707,600</u>	
<u>(3,863)</u>	<u>10,594</u>	<u>76,617</u>	<u>34,654</u>	<u>(68,206)</u>	<u>43,065</u>	
-	-	-	-	-	-	
-	-	-	6,176	-	6,176	
-	(10,582)	(74,212)	-	-	(74,212)	
<u>-</u>	<u>(10,582)</u>	<u>(74,212)</u>	<u>6,176</u>	<u>-</u>	<u>(68,036)</u>	
(3,863)	12	2,405	40,830	(68,206)	(24,971)	
21,446	-	48,163	(60,830)	(38,317)	(50,984)	
<u>\$ 17,583</u>	<u>\$ 12</u>	<u>\$ 50,568</u>	<u>\$ (20,000)</u>	<u>\$ (106,523)</u>	<u>\$ (75,955)</u>	

City of Blue Lake, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Highway Users Tax Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 51,505	\$ 51,505	\$ 57,746	\$ 6,241
Investment earnings	-	-	127	127
Total revenues	51,505	51,505	57,873	6,368
EXPENDITURES:				
Current:				
Street maintenance	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	51,505	51,505	57,873	6,368
OTHER FINANCING SOURCES (USES):				
Transfers out	(51,505)	(51,505)	(51,505)	-
Total other financing sources (uses)	(51,505)	(51,505)	(51,505)	-
Net change in fund balances	-	-	6,368	6,368
FUND BALANCES:				
Beginning of year	22,092	22,092	22,092	-
End of year	\$ 22,092	\$ 22,092	\$ 28,460	\$ 6,368

City of Blue Lake, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

TDA Street Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ (30,379)	\$ 12,125	\$ 12,125	\$ -
Investment earnings	-	-	8	8
Total revenues	(30,379)	12,125	12,133	8
EXPENDITURES:				
Current:				
Street maintenance	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(30,379)	12,125	12,133	8
OTHER FINANCING SOURCES (USES):				
Transfers out	(30,379)	(12,125)	(12,125)	-
Total other financing sources (uses)	(30,379)	(12,125)	(12,125)	-
Net change in fund balances	(60,758)	-	8	8
FUND BALANCES:				
Beginning of year	3,595	3,595	3,595	-
End of year	\$ (57,163)	\$ 3,595	\$ 3,603	\$ 8

City of Blue Lake, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

TDA Purchased Transportation Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 32,375	\$ 32,375	\$ 32,000	\$ (375)
Investment earnings	270	270	5	(265)
Total revenues	32,645	32,645	32,005	(640)
EXPENDITURES:				
Current:				
Public transit	32,375	32,375	32,125	250
Capital outlay	-	-	-	-
Total expenditures	32,375	32,375	32,125	250
REVENUES OVER (UNDER) EXPENDITURES	270	270	(120)	(390)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	270	270	(120)	(390)
FUND BALANCES:				
Beginning of year	1,030	1,030	1,030	-
End of year	\$ 1,300	\$ 1,300	\$ 910	\$ (390)

City of Blue Lake, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

AB-939 Solid Waste Reduction/ Recycling Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 8,500	\$ 9,250	\$ 10,127	\$ 877
Investment earnings	400	400	95	(305)
Total revenues	8,900	9,650	10,222	572
EXPENDITURES:				
Current:				
Recycling	6,737	16,290	14,085	(2,205)
Total expenditures	6,737	16,290	14,085	(2,205)
REVENUES OVER (UNDER) EXPENDITURES	2,163	(6,640)	(3,863)	2,777
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	2,163	(6,640)	(3,863)	2,777
Residual equity transfer in	-	-	-	-
FUND BALANCES:				
Beginning of year	21,446	21,446	21,446	-
End of year	\$ 23,609	\$ 14,806	\$ 17,583	\$ 2,777

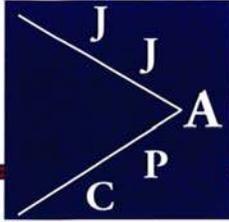
City of Blue Lake, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Regional Surface Transportation Program Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 9,000	\$ 10,582	\$ 10,582	\$ -
Investment earnings	85	-	12	12
Total revenues	9,085	10,582	10,594	12
EXPENDITURES:				
Current:				
Street maintenance	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	9,085	10,582	10,594	12
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(9,085)	(10,582)	(10,582)	-
Total other financing sources (uses)	(9,085)	(10,582)	(10,582)	-
Net change in fund balances	-	-	12	12
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 12	\$ 12



JJACPA, Inc.

A Professional Accounting Services Corp.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Honorable Mayor and City Council
of the City of Blue Lake
Blue Lake, 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, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Blue Lake, California (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 June 28, 2022.

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

To the Honorable Mayor and City Council
of the City of Blue Lake
Blue Lake, California

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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 28, 2022

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA