

CLEAR CREEK COMMUNITY SERVICES DISTRICT

ANDERSON, CALIFORNIA

**BASIC
FINANCIAL STATEMENTS**

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clear Creek Community Services District
Anderson, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the major fund of the Clear Creek Community Services District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Clear Creek Community Services District's basic financial statements as listed in the table of contents. The prior year summarized information has been derived from Clear Creek Community Services District's June 30, 2012 financial statements and, in our report dated September 27, 2012, we expressed an unqualified opinion on those financial statements.

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 State Controller's Minimum Audit Requirements for California Special Districts. 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 our 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, we consider internal control relevant to Clear Creek Community Services District'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 Clear Creek Community Services District'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 business-type activities and the major fund of the Clear Creek Community Services District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Clear Creek Community Services District
Board of Directors – Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of Clear Creek Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

R. J. Ricciardi, Inc.

R. J Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 19, 2013

Clear Creek Community Services District
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2013

This section of Clear Creek Community Services District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2013. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*.

The required financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Fund Net Position; and the Statement of Cash Flows. Notes to the financial statements and this summary support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the organization.

Statement of Net Position:

This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Position"; this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the organization as a whole.

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

This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net assets are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently revenues and/or expenditures reported during this fiscal year may result in changes to cash flows in a future period.

Statement of Cash Flows:

This statement reflects inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to the Financial Statements:

This additional information is essential to a full understanding of the data reported in the basic financial statements.

The District is a political sub-division of the State of California. It provides water services to its residents and is governed by an elected Board of Directors.

Analytical Overview

A. Business-type Activities

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position present a summary of the District's Business-type Activities that are composed of the District's Enterprise fund.

Clear Creek Community Services District
MANAGEMENT DISCUSSION AND ANALYSIS
 June 30, 2013

Table 1
Business-type Net Position

	2013	2012
Current and other assets	\$ 2,568,771	\$ 2,511,317
Capital assets, net of accumulated depreciation	5,782,403	6,013,209
Total assets	8,351,174	8,524,526
Other liabilities	420,967	398,008
Long-term debt outstanding	3,124,617	3,318,067
Total liabilities	3,545,584	3,716,075
Net position:		
Invested in capital assets, net of related debt	2,657,786	2,695,142
Unrestricted	2,147,804	2,113,309
Total net position	\$ 4,805,590	\$ 4,808,451

Summary

Total net position of the District has decreased this year by \$2,861, primarily related to the decrease of water purchases. Current assets increased by \$57,454.

Liabilities have decreased this year by \$170,491, as a result of current bonds payable.

Unrestricted net assets have increased \$34,495 due to increases in capital purchases. The overall change to the net position is a decrease of \$2,861, resulting in a June 30, 2013 balance of \$4,805,590.

Comparative Analysis of Current and Prior Year Activities and Balances

	6/30/13	6/30/12	Change	
Operating revenues	\$ 1,768,330	\$ 1,406,473	\$ 361,857	Note 1
Operating expenses	2,288,528	1,902,115	(386,413)	Note 2
Net operating income (loss)	\$ (520,198)	\$ (495,642)	\$ (24,556)	
Investment and other income	\$ 612,187	\$ 604,193	\$ 7,994	Note 3
Interest expenses	94,850	102,536	7,686	Note 4
Non-operating net income	\$ 517,337	\$ 501,657	\$ 15,680	

Note 1 – Increase is related to an increase in agricultural sales and water services to customers.

Note 2 – Increase relates to the increases in well field development, and source of supply of water.

Note 3 – Increase is due to an increase in property tax receipts related to the increase in property valuations.

Note 4 – Interest expense decreased due to the reduction of debt amounts outstanding.

Clear Creek Community Services District
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2013

Capital Assets

The District purchased no major additions to capital assets in the fiscal year. Capital assets are discussed in detail in Note 4 of the financial statements.

Debt Administration

The District issued no new bonded debt in the fiscal year 2013. The District made all scheduled repayments of existing debt. Each of the District's debt issues is discussed in detail in Note 7 to the financial statements.

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The District continues to be encouraged about its future growth and development even with the current economic slowdown. The District will continue to maintain a watchful eye over expenditures and remains committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting the District's Financial Management

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this Report should be directed to Clear Creek Community Services District, 5880 Oak Street, Anderson, CA 96007-9216.

Clear Creek Community Services District
STATEMENTS OF NET POSITION
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and investments	\$ 682,873	\$ 900,380
Restricted cash and investments:		
Debt service	108,604	104,769
Filter plant	218,266	217,417
DWR filter plant	413,183	258,041
Chestnut assessment district	26,960	18,201
Bureau of reclamation	41,328	41,063
Expansion & modernization	543,072	540,517
Contingency fund	191,337	88,617
Customer deposits	37,296	34,564
Total cash and investments	<u>2,262,919</u>	<u>2,203,569</u>
Accounts receivable - water	207,723	197,926
Inventory	<u>98,129</u>	<u>109,822</u>
Total current assets	<u>2,568,771</u>	<u>2,511,317</u>
Capital assets:		
Non-depreciable assets	69,037	69,037
Depreciable assets (net of depreciation)	<u>5,713,366</u>	<u>5,944,172</u>
Total assets	<u>8,351,174</u>	<u>8,524,526</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Compensated absences	166,714	178,917
Customer deposits	32,516	29,784
Accrued expenses	<u>221,737</u>	<u>189,307</u>
Total current liabilities	<u>420,967</u>	<u>398,008</u>
Long-term liabilities:		
Due within one year	199,227	193,628
Due in more than one year	<u>2,925,390</u>	<u>3,124,439</u>
Total long-term liabilities	<u>3,124,617</u>	<u>3,318,067</u>
Total liabilities	<u>3,545,584</u>	<u>3,716,075</u>
Net position:		
Invested in capital assets, net of related debt	2,657,786	2,695,142
Unrestricted	<u>2,147,804</u>	<u>2,113,309</u>
Total net position	<u>\$ 4,805,590</u>	<u>\$ 4,808,451</u>

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

Clear Creek Community Services District
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Domestic water sales	\$ 1,135,083	\$ 1,042,088
Agricultural sales	435,128	175,711
Water services	198,119	188,674
	<u>1,768,330</u>	<u>1,406,473</u>
Operating expenses:		
Source of supply	245,675	132,644
Water treatment	268,975	256,646
Transmission conduit	5,209	25,227
Transmission and distribution	287,186	251,973
Customer accounts	162,232	187,585
Administrative and general	1,025,404	750,770
Distribution system improvements	17,268	11,048
Well field development & regulatory	45,773	63,113
Depreciation	230,806	223,109
	<u>2,288,528</u>	<u>1,902,115</u>
Operating income (loss)	<u>(520,198)</u>	<u>(495,642)</u>
Non-operating revenues (expenses):		
Interest revenue	5,663	16,249
Interest expense	(94,850)	(102,536)
Taxes and assessments	329,751	324,767
Other revenues	276,773	263,177
	<u>517,337</u>	<u>501,657</u>
Changes in net position	(2,861)	6,015
Net position, beginning of period	<u>4,808,451</u>	<u>4,802,436</u>
Net position, end of period	<u>\$ 4,805,590</u>	<u>\$ 4,808,451</u>

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

Clear Creek Community Services District
STATEMENTS OF CASH FLOWS
 For the Year Ended June 30, 2013
 (With Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
Cash flows from operating activities:		
Receipts from customers	\$ 1,758,533	\$ 1,342,128
Payments to suppliers	(1,370,960)	(1,064,672)
Payments to employees	(652,110)	(652,110)
Net cash provided (used) by operating activities	(264,537)	(374,654)
Cash flows from non-capital financing activities:		
Taxes and assessments	329,751	324,767
Other revenue	276,951	263,177
Net cash provided (used) by non-capital financing activities	606,702	587,944
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	-	(62,756)
Interest expense	(94,850)	(102,536)
Payment on Current Portion of Bonds	-	-
Payment on principal - 1976 Water Revenue Bond	(20,000)	(20,000)
Payment on principal - 1978 Assessment District No. 2	(18,000)	-
Payment on principal - Filter Plant Expansion	(155,628)	(150,625)
Net cash provided (used) by capital and related financing activities	(288,478)	(335,917)
Cash flows from investing activities:		
Interest earned	5,663	16,248
Net cash provided by investing activities	5,663	16,248
Net increase (decrease) in cash and cash equivalents	59,350	(106,379)
Cash and cash equivalents - beginning of period	2,203,569	2,309,948
Cash and cash equivalents - end of period	\$ 2,262,919	\$ 2,203,569
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	\$ (520,198)	\$ (495,642)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	230,806	223,109
Changes in certain assets and liabilities:		
Accounts receivable - water	(9,797)	(64,345)
Prepaid items	-	-
Inventory	11,693	-
Accounts payable	32,430	12,323
Compensated absences	(12,203)	(52,624)
Customer deposits	2,732	2,525
Net cash provided (used) by operating activities	\$ (264,537)	\$ (374,654)

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

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - ORGANIZATION

Clear Creek Community Services District (the District) is a political subdivision of the State of California. It provides water services to its residents and is governed by an elected Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District is the only entity included in these financial statements.

B. Basis of Presentation and Accounting

The activities of the District are accounted for as an Enterprise Fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 20, the District has chosen to apply all applicable GASB pronouncements and all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

C. Budgetary Accounting

The District's procedures in establishing the budgetary data reflected in the financial statements are as follows:

The District Manager submits a proposed operating budget to the District's Governing Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to September 7, the budget is legally enacted through a Governing Board action.

D. Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash and investments are used in preparing the statement of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Inventory

Inventory represents pipes, valves, meters, and various related materials that have been stated at cost determined by the first-in, first-out method. The costs of inventories are recorded as expenses when consumed rather than when purchased.

G. Prepaid Insurance

Prepaid insurance is calculated and adjusted at year-end to properly charge funds in the period benefited.

H. Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Depreciation expense was \$230,806 and \$223,109 for the years ended June 30, 2013 and 2012, respectively. The threshold for capitalizing capital expenses is \$3,000.

I. Accounts Receivable - Water and Water Revenues

Customer water meters are read on a monthly cyclical basis. Estimates of unbilled water revenues related to water delivered through June 30, 2013 are accrued.

J. Taxes and Assessments

The State of California (the State) Constitution Article XIII-A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters have approved an additional amount for general obligation debt. Assessed value is calculated at 100% of market value as defined by Article XIII-A and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts and other districts, such as Clear Creek Community Services District.

The District receives a portion of Shasta County property taxes. The taxes are levied as of July 1, and installments are collected in December and April. Shasta County collects and administers the taxes. The District records these amounts as non-operating revenues at the time of the levy.

NOTE 3 - CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent possible pursuant to the District Board approved Investment Policy and Guidelines and State Government Code.

	<u>2013</u>	<u>2012</u>
Cash:		
Demand accounts	\$ 2,262,461	\$ 2,203,111
Cash on hand	458	458
Total cash	<u>\$ 2,262,919</u>	<u>\$ 2,203,569</u>

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (concluded)

Custodial Credit Risk - Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal depository insurance.

Restricted and Designated Cash and Equivalents:

The District segregates certain cash and equivalents that have legal or Board of Director's designated restrictions as to their uses.

The District is required under the terms of certain long-term debt covenants to segregate and maintain certain funds for debt service. The District's Board of Directors has designated certain funds to be used for customer deposit refunds. Such designation can be removed at the discretion of the Board.

	2013	2012
Restricted cash:		
Debt service	\$ 108,604	\$ 104,769
Filter plant	218,266	217,417
DWR filter plant	413,183	258,041
Chestnut Assessment District	26,960	18,201
Bureau of Reclamation	41,328	41,063
Expansion & Modernization	543,072	540,517
Contingency Fund	191,337	88,617
Customer deposits	37,296	34,564
Total restricted cash	\$ 1,580,046	\$ 1,303,189

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of changes in property, plant and equipment during the years ended June 30:

	Life (years)	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Well No. 1	50	\$ 219,847	\$ -	\$ -	\$ 219,847
Well No. 2	50	346,426	-	-	346,426
Well No. 3	50	351,527	-	-	351,527
Booster station	50	175,074	-	-	175,074
Pipeline	50	613,589	-	-	613,589
Water tank	50	333,421	-	-	333,421
Water distribution system	50	3,134,433	-	-	3,134,433
Water treatment plant general	50	5,082,954	-	-	5,082,954
Buildings	40	477,014	-	-	477,014
Office furniture and equipment	10	57,209	-	-	57,209
Shop equipment	10	40,594	-	-	40,594
Construction equipment	8	342,183	-	-	342,183
Automotive equipment	4	83,755	-	-	83,755
Land and improvements (not depreciated)	N/A	<u>69,037</u>	<u>-</u>	<u>-</u>	<u>69,037</u>
		11,327,063	\$ -	\$ -	11,327,063
Less: accumulated depreciation		<u>5,313,854</u>			<u>5,544,660</u>
Property, plant and equipment, net		<u>\$ 6,013,209</u>			<u>\$ 5,782,403</u>

NOTE 5 - COMPENSATED ABSENCES

Unpaid vacation and sick leave are recorded as a liability as the employee's accrue vested benefits. Only half of the unpaid sick leave is payable to an employee upon termination, for any reason other than death or retirement. Total accumulated accrued vacation and sick leave payable at June 30, 2013 and June 30, 2012 was \$166,714 and \$178,917, respectively.

NOTE 6 - CONTINGENT LIABILITIES

The District seeks damages and declaratory relief as to the terms and enforceability of certain water contracts between the District and the United States Bureau of Reclamation. The issues to be resolved include the existence, nature or terms of District maintenance responsibility for federal facilities known as the Muletown conduit. A further issue is whether the District has the ability to freely use or convert water quantities in its water service contract above the 8,400 acre-foot threshold between agricultural and municipal uses. The costs of the litigation in the future are expected to exceed \$10,000. However, based upon the opinion of legal counsel, there is not expected to be any monetary liability to the District.

The District is involved in various other claims and litigation arising in the ordinary course of business. District management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the District's financial position or results of operations.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in general long-term liabilities during the years ended June 30:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
1976 Water Revenue Bond	\$ 80,000	\$ -	\$ 20,000	\$ 60,000
1978 Assessment District No. 2	179,847	-	-	179,847
Filter Plant Expansion	3,040,220	-	155,450	2,884,770
	3,300,067	\$ -	\$ 175,450	3,124,617
Less: current maturities	(194,628)			(199,227)
Total long-term liabilities	<u>\$ 3,105,439</u>			<u>\$ 2,925,390</u>

1976 Water Revenue Bond and 1978 Assessment District No. 2:

In 1976 and 1980 (1978 Special Assessment bonds issued in 1980), the District issued bonds in the amounts of \$450,000 and \$481,400, respectively, to the Farmers Home Administration for system construction. The interest rate is 5% per issue. Principal is paid annually with interest payments due in January and July. Principal and interest payments on the 1976 series debt are to be paid from operating revenues. Principal and interest payments on the 1980 series debt are to be paid from the proceeds of special tax assessments.

The provision of the bonds issued requires the District to maintain certain amounts in a Bond Service Fund and a Bond Reserve Fund as a guarantee to meet current interest and principal requirements. The necessary amounts were on hand at June 30, 2013, and restricted as required.

Years Ended June 30	1976 Water Revenue Bond		1978 Assessment District No. 2		Total
	Principal	Interest	Principal	Interest	
2012	\$ -	\$ -	\$ -	\$ -	-
2013	-	-	19,000	-	19,000
2014	20,000	5,000	20,000	9,742	54,742
2015	20,000	4,000	21,000	8,742	53,742
2016	20,000	3,000	22,000	7,692	52,692
2017	-	-	23,000	6,592	29,592
2018	-	-	25,000	5,442	30,442
2019	-	-	26,000	4,192	30,192
2020	-	-	23,848	2,892	26,740
Total outstanding	60,000	12,000	179,848	45,294	297,142
Less: current portion	20,000	5,000	19,000	9,742	53,742
Net long-term portion	<u>\$ 40,000</u>	<u>\$ 7,000</u>	<u>\$ 160,848</u>	<u>\$ 35,552</u>	<u>\$ 243,400</u>

1993 CSDA Certificates of Participation:

On April 1, 1993, the District financed the well, pipeline and booster station improvements with certificates of participation for \$475,000 at variable interest rates between 3.8 and 6.4%, and principal and interest payment dates of May 1 and November 1.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 7 - LONG-TERM LIABILITIES (concluded)

Filter Plant Expansion:

Under the Safe Drinking Water Bond Law of 1988, the Department of Water Resources provided two loans in the amount of \$4,600,000 and a \$400,000 grant to the District.

Upon completion of the Project, the District will make semiannual payments to the State for a period not to exceed 30 years until the principal amount of the loans is paid in full.

There will be level annual repayments of principal and interest on the loans, based on a standard semiannual payment loan amortization method to be determined by the State. The standard loan amortization method will incorporate the outstanding loan principal and the loan interest rates of 2.973% and 2.542% for the 1st and 2nd loans, respectively.

Loan principal and interest payments are due and payable within 30 days from the date of the invoice. The first semiannual payment was due and payable on October 1, 1997. The remaining amounts shall be made semiannually thereafter commencing on April 1, 1998 until the principal amount of the loans is repaid in full. The final semiannual payment will be in an amount equal to the then unpaid portion of the principal amount of the loans plus interest accrued.

Years Ended June 30	Filter Plant Expansion				Total
	1 st Loan		2 nd Loan		
	Principal	Interest	Principal	Interest	
2013	\$ -	\$ -	\$ -	\$ -	-
2014	145,710	76,168	14,517	6,821	243,216
2015	150,075	71,804	14,888	6,450	243,217
2016	154,569	67,309	15,269	6,069	243,216
2017	159,199	62,679	15,660	5,679	243,217
2018	163,967	57,911	16,060	5,278	243,216
2019	168,878	53,000	16,471	4,867	243,216
2020	173,936	47,942	16,893	4,446	243,217
2021	179,146	42,732	17,325	4,014	243,217
2022	184,511	37,367	17,768	3,570	243,216
2023	190,038	31,841	18,222	3,116	243,217
2024	195,729	26,149	18,689	2,650	243,217
2025	201,592	20,286	19,167	2,172	243,217
2026	207,629	14,249	19,657	1,681	243,216
2027	213,848	8,030	20,160	1,179	243,217
2028	122,602	1,625	20,676	663	145,566
2029	-	-	11,919	134	12,053
Total outstanding	2,611,429	619,092	273,341	58,789	3,562,651
Less: current portion	145,710	76,168	14,517	6,821	243,216
Net long-term portion	<u>\$ 2,465,719</u>	<u>\$ 542,924</u>	<u>\$ 258,824</u>	<u>\$ 51,968</u>	<u>\$ 3,319,435</u>

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description:

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

Funding Policy:

Participants are required to contribute 8% of their annual covered salary. The District is required to contribute at an actuarially determined rate; the current rate is 18.692% for non-safety employees of annual covered payroll for the period July 1, 2012 through June 30, 2013.

The contribution requirements of plan members and the District are established, and may be amended, by PERS.

Annual Pension Cost:

For the year ended June 30, 2013, the District's annual pension cost of \$123,638 for PERS was equal to the District's required and actual contributions. A summary of principle assumptions and methods used to determine the Annual Required Contribution (ARC) is shown below.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increase	3.30% to 14.45% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 8 - DEFINED BENEFIT PENSION PLAN (concluded)

Three-Year Trend Information for Clear Creek Community Services District PERS:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ 125,938	100.0%	-0-
6/30/12	\$ 127,780	100.0%	-0-
6/30/13	\$ 123,638	100.0%	-0-

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
6/30/09	\$2,140,438,884	\$1,674,260,302	\$466,178,582	78.2%	\$440,071,499	105.9%
6/30/10	\$2,297,871,345	\$1,815,671,616	\$482,199,729	79.0%	\$434,023,381	111.1%
6/30/11	\$2,486,708,579	\$1,981,073,089	\$505,635,490	79.6%	\$434,023,381	116.5%

NOTE 9 - NET POSITION

Net position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement 34. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

Invested in Capital, net of related debt describes the portion of net position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets. *Restricted* describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. The District has no restricted net position. *Unrestricted* describes the portion of net position that is not restricted to use.

NOTE 10 - JOINT VENTURES (JOINT POWERS AGREEMENT)

The District participates in a joint venture under a joint powers agreement with the Association of California Water Agencies, Joint Powers Insurance Authority (JPIA). JPIA arranges for and provides public auto and general liability (up to \$10,000,000 limit), workers' compensation (up to \$2,000,000 limit) and property insurance (\$50,000,000 limit) for its members. The Association of California Water Agencies was created effective July 5, 1979 by a joint powers agreement among water districts and agencies originated and operating under the laws of the State of California. JPIA is organized pursuant to the provisions of the California Government Code for the purposes outlined above.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 10 - JOINT VENTURES (JOINT POWERS AGREEMENT) (concluded)

JPIA provides joint protection coverage for losses in excess of member districts' specified self-insurance retention levels. Individual and aggregate claims in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers. Complete audited financial statements for JPIA can be obtained from the Authority's office at 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610 or at acwajpia.com.

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (OPEB)

Plan Description. The District defined benefit post-employment healthcare plan provides medical benefits to eligible District employees who retire from the District at age 50 or older and are eligible for a CalPERS pension.

The District provides retiree healthcare benefits to employees retiring directly from the District under CalPERS. Medical coverage is provided through PEMHCA. Medical benefits are continued to a surviving spouse and eligible dependents, if any, upon the retiree's death.

Funding Policy. There is no statutory requirement for the District to prefund its OPEB obligation. The District currently pays for retiree healthcare benefits on a pay as you go basis. There are no employee contributions. For the fiscal year ending June 30, 2013, the District paid approximately \$3,344 for retiree healthcare plan benefits. As of July 1, 2011 the plan membership consisted of 11 active participants.

The District is required to contribute or accrue the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

	June 30, 2013
Annual Required Contributions	\$ 108,771
Interest on Net OPEB Obligation/(Asset)	9,051
Adjustment to Annual Required Contributions	(7,730)
Annual OPEB cost (expense)	110,092
Contributions made	(70,895)
Increase in Net OPEB Obligation/(Asset)	39,197
Net OPEB Obligation/(Asset) – beginning of year	120,674
Net OPEB Obligation/(Asset) – end of year	\$ 159,871

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (concluded)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows, based on the District's actuarial valuation as of July 1, 2011:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$110,092	64%	\$ 159,871
6/30/12	\$ 91,459	98.3%	\$ 120,674
6/30/11	\$ 87,086	100%	\$ 119,131

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2013, was as follows:

(A) Valuation Date	(B) Actuarial Value of Assets	(C) Actuarial Accrued Liability	(D) Unfunded Liability (Excess Assets) [(B)-(A)]	(E) Funded Status [(A)/(B)]	(F) Annual Covered Payroll	(G) UAAL as a % of Payroll {[(B)-(A)]/(F)}
7/01/09	\$ 0	\$ 857,681	\$ 857,681	0%	\$499,570	172%
7/01/11	\$ 88,699	\$ 1,095,172	\$ 1,006,473	8%	\$691,951	145%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and the assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the entry age normal cost, level percent of pay method was used. The actuarial assumptions included a 7.5% percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns from assets used to pay benefits; and a 3.25% annual increase in projected payroll. Assumptions include a healthcare cost trend rate of 8.0% initially, reduced by 0.3% per year to an ultimate rate of 4.5% after 7 years. The UAAL is being amortized over a fixed 30 year period as a level percentage of projected payroll.

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Clear Creek Community Services District
Anderson, California

We have audited the basic financial statements of the Clear Creek Community Services District as of and for the year ended June 30, 2013, and have issued our report thereon dated December 19, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clear Creek Community Services District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clear Creek Community Services District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clear Creek Community Services District's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such there is a reasonable possibility that a material misstatement of Clear Creek Community Services District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clear Creek Community Services District's basic financial statements are free of 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*. However, we noted certain matters that we reported to management of Clear Creek Community Services District in a separate letter dated December 19, 2013.

Clear Creek Community Services District
Board of Directors – Page 2

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

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 19, 2013