

**CLEAR CREEK COMMUNITY
SERVICES DISTRICT**

ANDERSON, CALIFORNIA

**BASIC
FINANCIAL STATEMENTS**

JUNE 30, 2017

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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 Clear Creek Community Services District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clear Creek Community Services District'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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 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 Clear Creek Community Services District, as of June 30, 2017, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Clear Creek Community Services District's 2016 financial statements, and our report dated May 22, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 and the information on pages 23-25, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, 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
April 26, 2018

Clear Creek Community Services District
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017. 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 position 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, 2017

Table 1
Business-type Net Position

	2017	2016
Current and other assets	\$ 1,807,275	\$ 2,307,705
Capital assets, net of accumulated depreciation	5,675,704	5,246,232
Total assets	7,482,979	7,553,937
Deferred outflows	512,788	246,961
Other liabilities	443,296	567,307
Long-term debt outstanding	4,203,915	3,746,863
Total liabilities	4,647,211	4,314,170
Deferred inflows	152,125	113,310
Net position:		
Invested in capital assets, net of related debt	2,931,144	2,735,983
Unrestricted	265,287	637,435
Total net position	\$ 3,196,431	\$ 3,373,418

Summary

Total net position of the District has decreased this year by \$176,987, primarily related to the increase of the net pension liability. Current assets decreased by \$500,430.

Liabilities have increased this year by \$333,041 as a result of the increase in the net pension liability and the new State water loan.

Unrestricted net position has decreased \$372,148 due to the drop in agricultural water sales and related increase in costs. The overall change to the net position is a decrease of \$176,987, resulting in a June 30, 2017 balance of \$3,196,431.

Comparative Analysis of Current and Prior Year Activities and Balances

	6/30/17	6/30/16	Change	
Operating revenues	\$ 1,574,534	\$ 1,565,903	\$ 8,631	Note 1
Operating expenses	2,618,783	2,535,295	(83,488)	Note 2
Net operating income (loss)	\$ (1,044,249)	\$ (969,392)	\$ (74,857)	
Investment and other income	\$ 941,816	\$ 626,238	\$ 315,578	Note 3
Interest expenses	74,554	46,596	(27,958)	Note 4
Non-operating net income	\$ 867,262	\$ 579,642	\$ 287,620	

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

Note 2 – Decrease relates to the increases in well field development, transmission and pension and post retiree health costs.

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

Note 4 – Interest expense increased due to the increase of debt amounts outstanding.

Clear Creek Community Services District
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017

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 2017. 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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

<u>ASSETS</u>	2017	2016
Current assets:		
Cash and investments	\$ 17,782	\$ 412,263
Restricted cash and investments:		
Debt service	81,503	98,388
Filter plant	219,467	219,296
DWR filter plant	414,818	414,428
Chestnut assessment district	25,051	23,230
Bureau of reclamation	41,164	41,235
Expansion & modernization	421,804	546,070
Contingency fund	192,138	192,028
Customer deposits	81,877	71,304
Total cash and investments	1,495,604	2,018,242
Accounts receivable - water	228,943	211,022
Inventory	82,728	78,441
Total current assets	1,807,275	2,307,705
Capital assets:		
Non-depreciable assets	195,125	195,125
Depreciable assets (net of depreciation)	5,480,579	5,051,107
Total assets	7,482,979	7,553,937
<u>DEFERRED OUTFLOWS</u>		
Deferred outflows related to pensions	512,788	246,961
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Compensated absences	320,564	254,793
Customer deposits	77,097	66,524
Accrued expenses	45,635	245,990
Total current liabilities	443,296	567,307
Long-term liabilities:		
Due within one year	215,061	196,859
Due in more than one year	2,529,499	2,313,390
Net pension liability due in more than one year	1,459,355	1,236,614
Total long-term liabilities	4,203,915	3,746,863
Total liabilities	4,647,211	4,314,170
<u>DEFERRED INFLOWS</u>		
Deferred inflows related to pensions	152,125	113,310
Net position:		
Invested in capital assets, net of related debt	2,931,144	2,735,983
Unrestricted	265,287	637,435
Total net position	\$ 3,196,431	\$ 3,373,418

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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Domestic water sales	\$ 980,459	\$ 1,084,564
Agricultural sales	143,087	213,571
Water services	<u>450,988</u>	<u>267,768</u>
Total operating revenues	<u>1,574,534</u>	<u>1,565,903</u>
Operating expenses:		
Source of supply	196,403	109,162
Water treatment	418,637	287,132
Transmission conduit	20,420	11,100
Transmission and distribution	345,221	281,680
Customer accounts	178,087	172,581
Administrative and general	1,109,987	976,179
Distribution system improvements	43,028	47,889
Well field development & regulatory	93,569	415,293
Depreciation	<u>213,431</u>	<u>234,279</u>
Total operating expenses	<u>2,618,783</u>	<u>2,535,295</u>
Operating income (loss)	<u>(1,044,249)</u>	<u>(969,392)</u>
Non-operating revenues (expenses):		
Interest revenue	1,282	1,172
Interest expense	(74,554)	(46,596)
Taxes and assessments	662,587	331,671
Other revenues	<u>277,947</u>	<u>293,395</u>
Total non-operating revenues (expenses)	<u>867,262</u>	<u>579,642</u>
Changes in net position	(176,987)	(389,750)
Net position, beginning of period	<u>3,373,418</u>	<u>3,763,168</u>
Net position, end of period	<u>\$ 3,196,431</u>	<u>\$ 3,373,418</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,556,613	\$ 1,536,412
Payments to suppliers	(1,529,896)	(900,716)
Payments to employees	<u>(1,008,025)</u>	<u>(1,008,025)</u>
Net cash provided (used) by operating activities	<u>(981,308)</u>	<u>(372,329)</u>
Cash flows from non-capital financing activities:		
Taxes and assessments	662,587	331,671
Other revenue	<u>277,786</u>	<u>293,234</u>
Net cash provided (used) by non-capital financing activities	<u>940,373</u>	<u>624,905</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(642,902)	(155,325)
Debt proceeds	431,330	
Interest expense	(74,554)	(46,596)
Payment on principal - 1976 Water Revenue Bond	-	(20,000)
Payment on principal - 1978 Assessment District No. 2	(22,000)	(21,000)
Payment on principal - Filter Plant Expansion	<u>(174,859)</u>	<u>(161,916)</u>
Net cash provided (used) by capital and related financing activities	<u>(482,985)</u>	<u>(404,837)</u>
Cash flows from investing activities:		
Interest earned	<u>1,282</u>	<u>1,172</u>
Net cash provided by investing activities	<u>1,282</u>	<u>1,172</u>
Net increase (decrease) in cash and cash equivalents	(522,638)	(151,089)
Cash and cash equivalents - beginning of period	<u>2,018,242</u>	<u>2,169,331</u>
Cash and cash equivalents - end of period	<u>\$ 1,495,604</u>	<u>\$ 2,018,242</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	\$ (1,044,249)	\$ (969,392)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	213,431	234,279
Changes in certain assets and liabilities:		
Accounts receivable - water	(17,921)	(29,491)
Inventory	(4,287)	19,688
Accounts payable	(200,355)	64,597
Compensated absences	65,771	16,080
Deferred outflows	(265,827)	(99,536)
Deferred inflows	38,815	168,697
Net pension liability	222,741	201,873
Customer deposits	<u>10,573</u>	<u>20,876</u>
Net cash provided (used) by operating activities	<u>\$ (981,308)</u>	<u>\$ (372,329)</u>

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

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

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 position 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, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$213,431 and \$234,279 for the years ended June 30, 2017 and 2016, 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, 2017 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.

K. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Clear Creek Community Services District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

	2017	2016
Cash:		
Demand accounts	\$ 1,495,146	\$ 2,017,784
Cash on hand	458	458
Total cash	\$ 1,495,604	\$ 2,018,242

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.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (concluded)

	2017	2016
Restricted cash:		
Debt service	\$ 81,503	\$ 98,388
Filter plant	219,467	219,296
DWR filter plant	414,818	414,428
Chestnut Assessment District	25,051	23,230
Bureau of Reclamation	41,164	41,235
Expansion & Modernization	421,804	546,070
Contingency Fund	192,138	192,028
Customer deposits	81,877	71,304
Total restricted cash	\$ 1,477,822	\$ 1,605,979

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, 2016	Additions	Deletions	Balance June 30, 2017
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	113,313	103,224	-	216,538
CIP Backwash Pond Project	N/A	125,928	539,678	-	665,606
Land and improvements (not depreciated)	N/A	69,037	159	-	69,196
		11,482,550	\$ 643,061	\$ -	12,125,611
Less: accumulated depreciation		(6,236,318)			(6,449,907)
Property, plant and equipment, net		\$ 5,246,232			\$ 5,675,704

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 - COMPENSATED ABSENCES

Unpaid vacation is recorded as a liability as the employees accrue vested benefits. Depending on the circumstances an employee will forfeit and shall not be compensated for (any) accrued sick leave under specific conditions. Total accumulated accrued vacation payable at June 30, 2017 and June 30, 2016 was \$320,564 and \$254,793, respectively.

NOTE 6 - CONTINGENT LIABILITIES

The District was involved in litigation regarding 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 District discontinued its case against the United States Bureau of Reclamation in late 2017.

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>	Current <u>Portion</u>
State Water Resource Loan	\$ -	\$ 431,170	\$ -	\$ 431,170	\$ 12,034
1978 Assessment Dist. No. 2	119,847	-	22,000	97,847	23,000
Filter Plant Expansion	<u>2,390,402</u>	<u>-</u>	<u>174,859</u>	<u>2,215,543</u>	<u>180,027</u>
	2,510,249	<u>\$ 431,170</u>	<u>\$ 196,859</u>	2,744,560	<u>\$ 215,061</u>
Less: current maturities	<u>(196,859)</u>			<u>(215,061)</u>	
Total long-term liabilities	<u>\$ 2,313,390</u>			<u>\$ 2,529,499</u>	

1978 Assessment District No. 2:

In 1980 (1978 Special Assessment bonds issued in 1980), the District issued bonds in the amount of \$481,400 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 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, 2017, and restricted as required.

<u>Years Ended June 30</u>	1978 Assessment District No. 2		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 23,000	\$ 6,592	\$ 29,592
2019	25,000	5,442	30,442
2020	26,000	4,192	30,192
2021	<u>23,847</u>	<u>2,892</u>	<u>26,739</u>
Total outstanding	97,847	19,118	116,965
Less: current portion	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Net long-term portion	<u>\$ 74,847</u>	<u>\$ 19,118</u>	<u>\$ 93,965</u>

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES (continued)

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.

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	
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	208,246	8,030	20,160	1,179	237,615
2028	114,596	1,625	20,676	663	137,560
2029	-	-	26,187	134	26,321
Total outstanding	1,988,268	341,132	227,275	33,770	2,590,445
Less: current portion	163,967	-	16,060	-	180,027
Net long-term portion	<u>\$ 1,824,301</u>	<u>\$ 341,132</u>	<u>\$ 211,215</u>	<u>\$ 33,770</u>	<u>\$ 2,410,418</u>

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES (concluded)

State Water Resource Loan:

The District was ordered to construct and operate backwash recycling procedures at the filter plant. Total project costs equal \$933,143, with half of the money provided through a grant and the other half, \$431,170, from a 1.7% low interest loan through the State Revolving Fund, State Water Resources Control Board. Loan payments begin in June 2019, with a loan duration of 30 years. Construction began in 2016 and will be completed in early 2018. The loan amortization schedule is as follows:

State Water Resource Loan			
Years Ended June 30	Principal	Interest	Total
2018	\$ 12,034	\$ 6,393	\$ 18,427
2019	11,302	7,125	18,427
2020	11,494	6,933	18,427
2021	11,689	6,738	18,427
2022	11,888	6,539	18,427
2023	12,090	6,337	18,427
2024	12,296	6,131	18,427
2025	12,505	5,922	18,427
2026	12,717	5,710	18,427
2027	12,934	5,494	18,428
2028	13,153	5,274	18,427
2029	13,377	5,050	18,427
2030	13,604	4,823	18,427
2031	13,836	4,591	18,427
2032	14,071	4,356	18,427
2033	14,310	4,117	18,427
2034	14,553	3,874	18,427
2035	14,801	3,626	18,427
2036	15,052	3,375	18,427
2037	15,308	3,119	18,427
2038	15,569	2,859	18,428
2039	15,833	2,594	18,427
2040	16,102	2,325	18,427
2041	16,376	2,051	18,427
2042	16,655	1,773	18,428
2043	16,938	1,490	18,428
2044	17,226	1,202	18,428
2045	17,518	909	18,427
2046	17,816	611	18,427
2047	18,123	308	18,431
Total outstanding	431,170	121,649	552,819
Less: current portion	(12,034)	(6,393)	(18,427)
Net long-term portion	\$ 419,136	\$ 115,256	\$ 534,392

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's following cost-sharing multiple employer defined benefit pension plans (Plans):

- District Miscellaneous (Tier 1)
- District Miscellaneous (Tier 2)
- District Miscellaneous (Tier 3)

The Plans are administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that 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 the ages reported below based on years of credited service. All members are eligible for non-duty disability benefits after 10 years of 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.

The Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>District Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensations	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	18.391%	6.5%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions - employer	<u>Miscellaneous</u> \$169,347
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Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,459,355

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2015 and June 30, 2016 was as follows:

<u>District's Miscellaneous Plan</u>	<u>Miscellaneous</u>
Proportion - June 30, 2015	.0451%
Proportion - June 30, 2016	.0420%
Change – Increase (Decrease)	.0031%

For the year ended June 30, 2017, the District recognized pension expense of \$165,077. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 169,347	\$ -
Differences between actual and expected experience	5,302	1,215
Changes in assumptions	-	50,166
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	77,044	100,744
Net differences between projected and actual earnings on plan investments	261,092	-
Total	\$ 512,785	\$ 152,125

The \$169,347 amount reported as deferred outflows of resources related to contributions, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2018	\$ 14,700
2019	11,915
2020	97,072
2021	67,626
2022	-
Thereafter	-

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.65% ⁽²⁾
Mortality	Derived from CalPERS Membership Data for all Funds ⁽³⁾

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Change of Assumptions

GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses. All other assumptions for the June 30, 2015 measurement date were the same as those used for the June 30, 2016 measurement date.

Discount Rate - The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 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 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN (concluded)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns on all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10⁽¹⁾</u>	<u>Real Return Years 11+(²)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	(0.55)%	(1.05)%
Total	<u>100.00%</u>		

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period.

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

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

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$2,079,815
Current Discount Rate	7.65%
Net Pension Liability	\$1,459,355
1% Increase	8.65%
Net Pension Liability	\$946,575

Pension Plan Fiduciary Net Position

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

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

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.

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. Employees are required to pay into the OPEB fund at a rate of 10% each pay period. For the fiscal year ending June 30, 2017, the District paid approximately \$0 for retiree healthcare plan benefits as amounts were paid from the State benefit trust account. As of July 1, 2015 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 No. 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.

Clear Creek Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

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

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, 2017, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

	June 30, 2017
Annual Required Contributions	\$ 156,690
Interest on Net OPEB Obligation/(Asset)	12,969
Adjustment to Annual Required Contributions	(12,541)
Annual OPEB cost (expense)	157,118
Contributions made	(349,352)
Increase in Net OPEB Obligation/(Asset)	(192,234)
Net OPEB Obligation/(Asset) – beginning of year	198,495
Net OPEB Obligation/(Asset) – end of year	\$ 6,261

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, 2013:

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$ 101,534	\$ 81,227	80%	\$ 158,692
6/30/16	\$ 104,651	\$ 64,848	62%	\$ 198,495
6/30/17	\$ 157,118	\$ 349,352	222%	\$ 6,261

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, 2013 actuarial valuation, the entry age normal cost, level percent of pay method was used. The actuarial assumptions included a 7.5% 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.

REQUIRED SUPPLEMENTARY INFORMATION

Clear Creek Community Services District
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 Required Supplementary Information
 Last 10 Years*

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Proportion of the net pension liability	0.01663%	0.01802%	0.042009%
Proportionate share of the net pension liability	\$ 1,034,741	\$ 1,236,614	\$ 1,459,355
Covered-employee payroll	\$ 388,187	\$ 585,429	\$ 612,795
Proportionate share of the net pension liability as a percentage of covered-employee payroll	266.56%	211.23%	238.15%
Plan fiduciary net position as a percentage of the total pension liability	76.49%	72.89%	68.33%

NOTES TO SCHEDULE:

Changes in Benefit Terms- None

Changes in Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent in 2015 to correct for an adjustment to exclude administrative expense.

* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Clear Creek Community Services District
SCHEDULE OF CONTRIBUTIONS
 Required Supplementary Information
 Last 10 Years*

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Actuarially determined contribution	\$ 93,807	\$ 118,900	\$ 169,347
Contributions in relation to the actuarially determined contribution	<u>(93,807)</u>	<u>(118,900)</u>	<u>(169,347)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employee -covered payroll	\$ 388,187	\$ 585,429	\$ 658,572
Contributions as a percentage of covered-employee payroll	24.17%	20.31%	25.71%

* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Clear Creek Community Services District
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
 Required Supplementary Information

Schedule of Funding Progress:

Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) Unfunded Liability (Excess Assets) [(B)-(A)]	(D) Funded Status [(A)/(B)]	(E) Annual Covered Payroll	(F) UAAL as a % of Payroll $\frac{\{(B)-(A)\}}{(E)}$
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%
7/01/13	\$ 287,820	\$ 1,118,022	\$ 830,196	26%	\$ 556,795	149%
7/01/15	\$ 524,222	\$ 2,897,196	\$ 2,372,974	18%	\$ 579,197	409%

NOTE 1 - SCHEDULE DESCRIPTION

Clear Creek Community Services District (the District) sponsors a defined benefit postemployment healthcare plan (the Plan) to subsidize healthcare benefits to eligible retired employees. The above schedule presents information about the funded status for the Plan's two actuarial valuations.

NOTE 2 - ACTUARIAL VALUATIONS

Actuarial valuations of an on-going plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Information regarding the actuarial methods and assumptions for the July 1, 2015 actuarial valuation can be found in Note 11 of the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

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, as listed in the table of contents, of Clear Creek Community Services District as of and for the year ended June 30, 2017, and have issued our report thereon dated April 26, 2018. 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 of the financial statements, we considered Clear Creek Community Services District'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 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. Accordingly, we do not express an opinion on the effectiveness of Clear Creek Community Services District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clear Creek Community Services District'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 Clear Creek Community Services District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clear Creek Community Services District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
April 26, 2018