

**CLEAR CREEK COMMUNITY SERVICES  
DISTRICT**

**ANDERSON, CALIFORNIA**

**BASIC  
FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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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, 2020, 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, 2020, 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 2019 financial statements, and our report dated May 7, 2020, 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, 2019, 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 24-27, 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 June 2, 2021, 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 solely 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 effectiveness of 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 Clear Creek Community Services District’s internal control over financial reporting and compliance.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
June 2, 2021

Clear Creek Community Services District  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2020

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, 2020. 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, 2020

Table 1  
Business-type Net Position

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| Current and other assets                        | \$ 1,289,691        | \$ 1,308,447        |
| Capital assets, net of accumulated depreciation | 5,136,338           | 5,404,816           |
| Total assets                                    | <u>6,426,029</u>    | <u>6,713,263</u>    |
| Deferred outflows                               | 606,467             | 635,461             |
| Other liabilities                               | 455,479             | 430,908             |
| Long-term debt outstanding                      | 4,020,685           | 4,763,349           |
| Total liabilities                               | <u>4,476,164</u>    | <u>5,194,257</u>    |
| Deferred inflows                                | 915,085             | 330,826             |
| Net position:                                   |                     |                     |
| Invested in capital assets, net of related debt | 3,069,767           | 3,109,357           |
| Unrestricted                                    | <u>(1,428,520)</u>  | <u>(1,285,716)</u>  |
| Total net position                              | <u>\$ 1,641,247</u> | <u>\$ 1,823,641</u> |

Summary

Total net position of the District has decreased this year by \$182,394, primarily related to the increase of the net pension liability. Current assets decreased by \$18,756.

Liabilities have decreased this year by \$718,093 as a result of the decrease in the net OPEB and other debts.

Unrestricted net position has decreased \$142,804 due to the loss from operations. The overall change to the net position is a decrease of \$182,394, resulting in a June 30, 2020 balance of \$1,641,247.

Comparative Analysis of Current and Prior Year Activities and Balances

|                             | 6/30/20             | 6/30/19               | Change              |        |
|-----------------------------|---------------------|-----------------------|---------------------|--------|
| Operating revenues          | \$ 1,877,438        | \$ 1,607,888          | \$ 269,550          | Note 1 |
| Operating expenses          | <u>2,683,373</u>    | <u>2,877,748</u>      | <u>194,375</u>      | Note 2 |
| Net operating income (loss) | <u>\$ (805,935)</u> | <u>\$ (1,269,860)</u> | <u>\$ 463,925</u>   |        |
| Investment and other income | \$ 683,399          | \$ 1,245,397          | \$ (561,998)        | Note 3 |
| Interest expenses           | <u>59,858</u>       | <u>68,338</u>         | <u>8,480</u>        | Note 4 |
| Non-operating net income    | <u>\$ 623,541</u>   | <u>\$ 1,177,059</u>   | <u>\$ (553,518)</u> |        |

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

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

Note 3 – Decrease is due to revenue related to the Car Fire received in the prior year.

Note 4 – Interest expense decreased due to debt service requirements.

Clear Creek Community Services District  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2020

**Capital Assets**

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 2020. 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, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

| <u>ASSETS</u>                                   | 2020         | 2019         |
|---|--------------|--------------|
| Current assets:                                 |              |              |
| Cash and investments                            | \$ 10,385    | \$ -         |
| Restricted cash and investments:                |              |              |
| Debt service                                    | 96,846       | 94,450       |
| Backwash Pond Savings Account                   | 64,337       | -            |
| CAL Fire Savings Account                        | 301,456      | 436,072      |
| DWR filter plant                                | 264,301      | 267,649      |
| Chestnut assessment district                    | 25,001       | 31,035       |
| Bureau of reclamation                           | 37,051       | 41,009       |
| Expansion & modernization                       | 104,324      | 107,195      |
| Customer deposits                               | 103,239      | 70,062       |
| Total cash and investments                      | 1,006,940    | 1,047,472    |
| Accounts receivable - water                     | 201,191      | 179,415      |
| Inventory                                       | 81,560       | 81,560       |
| Total current assets                            | 1,289,691    | 1,308,447    |
| Capital assets:                                 |              |              |
| Non-depreciable assets                          | 69,196       | 895,915      |
| Depreciable assets (net of depreciation)        | 5,067,142    | 4,508,901    |
| Total assets                                    | 6,426,029    | 6,713,263    |
| <u>DEFERRED OUTFLOWS</u>                        |              |              |
| Deferred outflows related to pensions           | 428,448      | 558,192      |
| Deferred outflows related to OPEB               | 178,019      | 77,269       |
| Total deferred outflows                         | 606,467      | 635,461      |
| <u>LIABILITIES AND NET POSITION</u>             |              |              |
| Current liabilities:                            |              |              |
| Compensated absences                            | 202,074      | 315,677      |
| Customer deposits                               | 98,459       | 94,830       |
| Accrued expenses                                | 154,946      | 20,401       |
| Total current liabilities                       | 455,479      | 430,908      |
| Long-term liabilities:                          |              |              |
| Due within one year                             | 229,510      | 227,678      |
| Due in more than one year                       | 1,837,061    | 2,067,781    |
| Other post employment benefit liability         | 298,785      | 902,896      |
| Net pension liability due in more than one year | 1,655,329    | 1,564,994    |
| Total long-term liabilities                     | 4,020,685    | 4,763,349    |
| Total liabilities                               | 4,476,164    | 5,194,257    |
| <u>DEFERRED INFLOWS</u>                         |              |              |
| Deferred inflows related to pensions            | 127,213      | 138,309      |
| Deferred inflows related to OPEB                | 787,872      | 192,517      |
| Total deferred inflows                          | 915,085      | 330,826      |
| Net position:                                   |              |              |
| Invested in capital assets, net of related debt | 3,069,767    | 3,109,357    |
| Unrestricted                                    | (1,428,520)  | (1,285,716)  |
| Total net position                              | \$ 1,641,247 | \$ 1,823,641 |

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, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

|   | 2020         | 2019         |
|---|--------------|--------------|
| Operating revenues:                     |              |              |
| Domestic water sales                    | \$ 1,442,744 | \$ 1,194,877 |
| Agricultural sales                      | 175,225      | 157,699      |
| Water services                          | 259,469      | 255,312      |
| Total operating revenues                | 1,877,438    | 1,607,888    |
| Operating expenses:                     |              |              |
| Source of supply                        | 163,813      | 161,986      |
| Water treatment                         | 464,907      | 475,477      |
| Transmission conduit                    | 57           | 6,839        |
| Transmission and distribution           | 496,082      | 545,867      |
| Customer accounts                       | 168,557      | 250,562      |
| Administrative and general              | 962,862      | 1,068,285    |
| Distribution system improvements        | 55,868       | 41,949       |
| Well field development & regulatory     | 102,749      | 88,716       |
| Depreciation                            | 268,478      | 238,067      |
| Total operating expenses                | 2,683,373    | 2,877,748    |
| Operating income (loss)                 | (805,935)    | (1,269,860)  |
| Non-operating revenues (expenses):      |              |              |
| Interest revenue                        | 1,095        | 69,868       |
| Interest expense                        | (59,858)     | (68,338)     |
| Taxes and assessments                   | 427,472      | 407,344      |
| Other revenues                          | 254,832      | 768,185      |
| Total non-operating revenues (expenses) | 623,541      | 1,177,059    |
| Changes in net position                 | (182,394)    | (92,801)     |
| Net position, beginning of period       | 1,823,641    | 1,916,442    |
| Net position, end of period             | \$ 1,641,247 | \$ 1,823,641 |

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, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Cash flows from operating activities:  |                     |                     |
| Receipts from customers  | \$ 1,855,662        | \$ 1,700,518        |
| Payments to suppliers  | (730,068)           | (1,601,881)         |
| Payments to employees  | <u>(1,560,779)</u>  | <u>(1,019,013)</u>  |
| Net cash provided (used) by operating activities   | <u>(435,185)</u>    | <u>(920,376)</u>    |
| Cash flows from non-capital financing activities:  |                     |                     |
| Taxes and assessments  | 427,472             | 407,344             |
| Other revenue  | <u>254,835</u>      | <u>768,185</u>      |
| Net cash provided (used) by non-capital financing activities                                   | <u>682,307</u>      | <u>1,175,529</u>    |
| Cash flows from capital and related financing activities:                                      |                     |                     |
| Interest expense   | (59,861)            | (68,341)            |
| Payment on principal - California CWSRF - Recycle Project                                      | (10,749)            | (10,749)            |
| Payment on principal - 1978 Assessment District No. 2  | (27,842)            | (25,000)            |
| Payment on principal - Filter Plant Expansion  | <u>(190,297)</u>    | <u>(184,935)</u>    |
| Net cash provided (used) by capital and related financing activities                           | <u>(288,749)</u>    | <u>(289,025)</u>    |
| Cash flows from investing activities:  |                     |                     |
| Interest earned  | <u>1,095</u>        | <u>69,868</u>       |
| Net cash provided by investing activities  | <u>1,095</u>        | <u>69,868</u>       |
| Net increase (decrease) in cash and cash equivalents   | (40,532)            | 35,996              |
| Cash and cash equivalents - beginning of period  | <u>1,047,472</u>    | <u>1,011,476</u>    |
| Cash and cash equivalents - end of period  | <u>\$ 1,006,940</u> | <u>\$ 1,047,472</u> |
| Reconciliation of operating income (loss) to net cash provided (used in) operating activities: |                     |                     |
| Operating income (loss)  | \$ (805,935)        | \$ (1,269,860)      |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                     |                     |
| Depreciation   | 268,478             | 238,067             |
| Changes in certain assets and liabilities:   |                     |                     |
| Accounts receivable - water  | (21,776)            | 92,630              |
| Inventory  | -                   | 1,168               |
| Accounts payable   | 134,545             | 14,845              |
| Compensated absences   | (113,603)           | (30,312)            |
| Deferred outflows  | 28,994              | 201,154             |
| Deferred inflows   | 584,259             | (51,383)            |
| Other post employment benefit liability  | (604,111)           | (62,345)            |
| Net pension liability  | 90,335              | (61,583)            |
| Customer deposits  | <u>3,629</u>        | <u>7,243</u>        |
| Net cash provided (used) by operating activities   | <u>\$ (435,185)</u> | <u>\$ (920,376)</u> |

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

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

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, 2020

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 \$268,478 and \$238,067 for the years ended June 30, 2020 and 2019, 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, 2020 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, 2020

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.

|                 | 2020         | 2019         |
|-----------------|--------------|--------------|
| Cash:           |              |              |
| Demand accounts | \$ 1,006,640 | \$ 1,047,172 |
| Cash on hand    | 300          | 300          |
| Total cash      | \$ 1,006,940 | \$ 1,047,472 |

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 counter party (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, 2020

NOTE 3 - CASH AND INVESTMENTS (concluded)

|                               | 2020       | 2019         |
|-------------------------------|------------|--------------|
| Restricted cash:              |            |              |
| Debt service                  | \$ 96,846  | \$ 94,450    |
| Backwash Pond Savings Account | 64,337     | -            |
| DWR filter plant              | 264,301    | 267,649      |
| Chestnut Assessment District  | 25,001     | 31,035       |
| Bureau of Reclamation         | 37,051     | 41,009       |
| Expansion & Modernization     | 104,324    | 107,195      |
| CAL Fire Savings Account      | 301,456    | 436,072      |
| Customer deposits             | 103,239    | 70,062       |
| Total restricted cash         | \$ 996,555 | \$ 1,047,472 |

Fair Value Reporting - Investments

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the District's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The District's holdings are classified in Level 1 of the fair value hierarchy.

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<br>(years) | Balance<br>June 30, 2019 | Additions | Deletions | Balance<br>June 30, 2020 |
|--|-----------------|--------------------------|-----------|-----------|--------------------------|
| 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 & equipment               | 10              | 57,209                   | -         | -         | 57,209                   |
| Shop equipment                             | 10              | 40,594                   | -         | -         | 40,594                   |
| Construction equipment                     | 8               | 342,183                  | -         | -         | 342,183                  |
| Automotive equipment                       | 4               | 246,464                  | -         | -         | 246,464                  |
| CIP Backwash Pond Project                  | N/A             | 826,719                  | -         | -         | 826,719                  |
| Land and improvements<br>(not depreciated) | N/A             | 69,196                   | -         | -         | 69,196                   |
|  |                 | 12,316,650               | \$ -      | \$ -      | 12,316,650               |
| Less: accumulated depreciation             |                 | (6,911,834)              |           |           | (7,180,312)              |
| Property, plant and equipment, net         |                 | \$ 5,404,816             |           |           | \$ 5,136,338             |

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

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, 2020 and June 30, 2019 was \$202,074 and \$315,677, respectively.

NOTE 6 - CONTINGENT LIABILITIES

In the opinion of management, the District has no claims or pending legal proceedings outstanding at June 30, 2020.

NOTE 7 - LONG-TERM LIABILITIES

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

|                             | Balance<br>June 30, 2019 | Additions   | Retirements       | Balance<br>June 30, 2020 | Current<br>Portion |
|-----------------------------|--------------------------|-------------|-------------------|--------------------------|--------------------|
| State Water Resource Loan   | \$ 402,344               | \$ -        | \$ 10,749         | \$ 391,595               | \$ 11,034          |
| 1978 Assessment Dist. No. 2 | 49,847                   | -           | 27,842            | 22,005                   | 22,005             |
| Filter Plant Expansion      | <u>1,843,268</u>         | <u>-</u>    | <u>190,297</u>    | <u>1,652,971</u>         | <u>196,471</u>     |
|                             | 2,295,459                | <u>\$ -</u> | <u>\$ 228,888</u> | 2,066,571                | <u>\$ 229,510</u>  |
| Less: current maturities    | <u>(227,678)</u>         |             |                   | <u>(229,510)</u>         |                    |
| Total long-term liabilities | <u>\$ 2,067,781</u>      |             |                   | <u>\$ 1,837,061</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, 2020, and restricted as required.

| <u>Years Ended June 30</u> | 1978 Assessment<br>District No. 2 |                |                 |
|----------------------------|-----------------------------------|----------------|-----------------|
|                            | Principal                         | Interest       | Total           |
| 2021                       | \$ 22,005                         | \$ 2,892       | \$ 24,897       |
| Total outstanding          | 22,005                            | 2,892          | 24,897          |
| Less: current portion      | <u>(22,005)</u>                   | <u>(2,892)</u> | <u>(24,897)</u> |
| Net long-term portion      | <u>\$ -</u>                       | <u>\$ -</u>    | <u>\$ -</u>     |

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 7 - LONG-TERM LIABILITIES (continued)

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 1<sup>st</sup> and 2<sup>nd</sup> 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<br>June 30 | Filter Plant Expansion |                   |                      |                  |                     | Total |
|------------------------|------------------------|-------------------|----------------------|------------------|---------------------|-------|
|                        | 1 <sup>st</sup> Loan   |                   | 2 <sup>nd</sup> Loan |                  |                     |       |
|                        | Principal              | Interest          | Principal            | Interest         |                     |       |
| 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                   | <u>1,025</u>           | <u>-</u>          | <u>18,615</u>        | <u>134</u>       | <u>19,954</u>       |       |
| Total outstanding      | 1,482,692              | 182,279           | 170,279              | 19,179           | 1,854,429           |       |
| Less: current portion  | <u>(179,146)</u>       | <u>-</u>          | <u>(17,325)</u>      | <u>-</u>         | <u>(196,471)</u>    |       |
| Net long-term portion  | <u>\$ 1,303,546</u>    | <u>\$ 182,279</u> | <u>\$ 152,954</u>    | <u>\$ 19,179</u> | <u>\$ 1,657,958</u> |       |

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:



Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 7 - LONG-TERM LIABILITIES (concluded)

| State Water Resource Loan |                   |                  |                   |
|---------------------------|-------------------|------------------|-------------------|
| Years Ended June 30       | Principal         | Interest         | Total             |
| 2021                      | \$ 11,034         | \$ 6,655         | \$ 17,689         |
| 2022                      | 11,221            | 6,468            | 17,689            |
| 2023                      | 11,412            | 6,277            | 17,689            |
| 2024                      | 11,606            | 6,083            | 17,689            |
| 2025                      | 11,803            | 5,886            | 17,689            |
| 2026                      | 12,004            | 5,685            | 17,689            |
| 2027                      | 12,208            | 5,481            | 17,689            |
| 2028                      | 12,415            | 5,274            | 17,689            |
| 2029                      | 12,627            | 5,062            | 17,689            |
| 2030                      | 12,841            | 4,848            | 17,689            |
| 2031                      | 13,060            | 4,629            | 17,689            |
| 2032                      | 13,282            | 4,407            | 17,689            |
| 2033                      | 13,507            | 4,182            | 17,689            |
| 2034                      | 13,737            | 3,952            | 17,689            |
| 2035                      | 13,970            | 3,719            | 17,689            |
| 2036                      | 14,208            | 3,481            | 17,689            |
| 2037                      | 14,449            | 3,240            | 17,689            |
| 2038                      | 14,695            | 2,994            | 17,689            |
| 2039                      | 14,945            | 2,744            | 17,689            |
| 2040                      | 15,199            | 2,490            | 17,689            |
| 2041                      | 15,457            | 2,232            | 17,689            |
| 2042                      | 15,720            | 1,969            | 17,689            |
| 2043                      | 15,987            | 1,702            | 17,689            |
| 2044                      | 16,259            | 1,430            | 17,689            |
| 2045                      | 16,536            | 1,153            | 17,689            |
| 2046                      | 16,817            | 872              | 17,689            |
| 2047                      | 17,103            | 586              | 17,689            |
| 2048                      | <u>17,393</u>     | <u>296</u>       | <u>17,689</u>     |
| Total outstanding         | 391,495           | 103,797          | 495,292           |
| Less: current portion     | <u>(11,034)</u>   | <u>(6,655)</u>   | <u>(17,689)</u>   |
| Net long-term portion     | <u>\$ 380,461</u> | <u>\$ 97,142</u> | <u>\$ 477,603</u> |

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.

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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, 2020, are summarized as follows:

|  | <u>District Miscellaneous</u>       |  |
|--|-------------------------------------|--|
|  | <u>Prior to<br/>January 1, 2013</u> | <u>On or after<br/>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, 2020, the contributions recognized as part of pension expense for each Plan were as follows:

|                          |                                   |
|--------------------------|-----------------------------------|
| Contributions - employer | <u>Miscellaneous</u><br>\$156,457 |
|--------------------------|-----------------------------------|

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

|               |   |
|---------------|---|
| Miscellaneous | <u>Proportionate<br/>Share of Net<br/>Pension<br/>Liability</u><br>\$ 1,655,329 |
|---------------|---|

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and June 30, 2019 was as follows:

| <u>District's Miscellaneous Plan</u> | <u>Miscellaneous</u> |
|--------------------------------------|----------------------|
| Proportion - June 30, 2018           | .0415%               |
| Proportion - June 30, 2019           | .0413%               |
| Change – Increase (Decrease)         | (.0003%)             |

For the year ended June 30, 2020, the District recognized pension expense of \$365,440. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date  | \$ 156,457                           | \$ -                                |
| Differences between actual and expected experience  | 114,971                              | 8,907                               |
| Changes in assumptions  | 78,934                               | 27,982                              |
| Net differences between projected and actual earnings<br>on plan investments                                  | -                                    | 28,941                              |
| Change in proportion and differences between actual<br>contributions and proportionate share of contributions | 78,083                               | 61,383                              |
| Total   | \$ 428,445                           | \$ 127,213                          |

The \$156,457 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, 2021.

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> |    |         |
|---------------------------|----|---------|
| 2021                      | \$ | 129,549 |
| 2022                      |    | (5,737) |
| 2023                      |    | 15,115  |
| 2024                      |    | 5,848   |
| Thereafter                |    | -       |

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

|                            |  |
|----------------------------|--|
| Actuarial Cost Method      | Entry-Age Normal   |
| Amortization Method/Period | For details, see June 30, 2017 Funding Valuation Report, Section 2   |
| Asset Valuation Method     | Market Value with Direct Rate Smoothing. For details see June 30, 2017 Funding Valuation   |
| Inflation                  | 2.625%   |
| Salary Increases           | Varies by Entry Age and Service  |
| Payroll Growth             | 2.875%   |
| Investment Rate of Return  | 7.25% Net of Pension Plan Investment and Administrative Expenses; includes inflation.  |
| Retirement Age             | The probabilities of Retirement are based on the Dec 2017 CalPERS Experience Study for the period 1997 to 2015.  |
| Mortality                  | The probabilities of mortality are based on the Dec 2017 CalPERS Experience Study based on data observed from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. |

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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+ 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.

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (concluded)

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, 2016.

| <u>Asset Class</u>  | <u>Allocation</u> |
|---------------------|-------------------|
| Global Equity       | 49.0%             |
| Global Fixed Income | 22.0%             |
| Inflation Sensitive | 6.0%              |
| Private Equity      | 8.0%              |
| Real Estate         | 12.0%             |
| Liquidity           | <u>3.0%</u>       |
| Total               | <u>100.00%</u>    |

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           | 6.15%                |
| Net Pension Liability | \$2,483,812          |
| Current Discount Rate | 7.15%                |
| Net Pension Liability | \$1,655,329          |
| 1% Increase           | 8.15%                |
| Net Pension Liability | \$971,475            |

Pension Plan Fiduciary Net Position

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

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.

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

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

The District's Board of Directors will not be funding the plan in the current year but will follow a pay-as-you-go approach. The Board will review the funding requirements and policy annually.

Membership of the District as of the valuation date consisted of the following:

|  |                  |
|--|------------------|
| Active plan members  | 12               |
| Inactive employees or beneficiaries currently receiving benefit payments | <u>3</u>         |
| Total  | <u><u>15</u></u> |

Contribution

As of June 30, 2020, the District has accumulated \$1,155,900 in an irrevocable trust toward this liability.

With the District's approval, the discount rate used in this valuation is 7% as of June 30, 2019, the long term expected return on trust assets.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

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

|                             |  |
|-----------------------------|--|
| Valuation date              | 6/30/19  |
| Actuarial cost method       | Entry Age Normal, Level % of Pay                           |
| Amortization method         | Level % of pay; 30 Years Closed                            |
| Amortization period         | 20 Years Remain  |
| Asset valuation method      | Market Value   |
| Inflation                   | 2.5%   |
| Healthcare cost trend rates | 6.5% in 2021, fluctuates until ultimate rate of 4% in 2076 |
| Salary increases            | 3.00%  |
| Investment rate of return   | 6.90%  |
| Retirement age              | 50 to 75   |
| Mortality                   | CalPERS 2017 Experience Study                              |
| Mortality improvement       | MW Scale 2020 generationally                               |

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate. The discount rate as of June 30, 2019 is 7%.

Change in the Net OPEB Liability

**Plan Summary Information**

*Measurement date is:*

June 30, 2019

***Items impacting Net Position:***

|                            |                  |
|----------------------------|------------------|
| Total OPEB Liability       | \$ 1,415,166     |
| Fiduciary Net Position     | <u>1,116,381</u> |
| Net OPEB Liability (Asset) | 298,785          |

Deferred (outflows) inflows of resources due to:

|  |                  |
|--|------------------|
| Assumption Changes                           | (63,208)         |
| Plan Experience                              | 787,872          |
| Investment Experience                        | (3,097)          |
| Contributions Subsequent to Measurement Date | <u>(111,714)</u> |
| Net Deferred (outflows) inflows of resources | 609,853          |

**Impact on Statement of Net Position**

\$ 908,638

Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

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

**Items impacting OPEB expense:**

|                             |    |          |
|-----------------------------|----|----------|
| Service cost                | \$ | 74,074   |
| Cost of plan changes        |    | -        |
| Interest cost               |    | 147,921  |
| Expected earnings on assets |    | (78,042) |
| Administrative expenses     |    | 233      |
| Other expenses              |    | -        |

*Recognized deferred resource items:*

|                       |  |           |
|-----------------------|--|-----------|
| Assumption changes    |  | 14,053    |
| Plan experience       |  | (155,174) |
| Investment experience |  | (857)     |

OPEB Expense \$ 2,208

Sensitivity of Liabilities to Changes in the Discount Rate and Medical Cost Inflation

The discount rate used for the fiscal year end June 30, 2020 is 7%. Medical Cost Inflation was assumed to start at 5.4% and grade down to 4.00% for years 2076 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

| <u>Plan's Net OPEB Liability / (Asset)</u> |                       |                    |
|--|-----------------------|--------------------|
| Discount Rate – 1%                         | Current Discount Rate | Discount Rate + 1% |
| (6%)                                       | (7%)                  | (8%)               |
| \$ 472,253                                 | \$ 298,785            | \$ 155,298         |

| <u>Plan's Net OPEB Liability / (Asset)</u> |                       |                    |
|--|-----------------------|--------------------|
| Medical Trend – 1%                         | Current Medical Trend | Medical Trend + 1% |
| (-1%)                                      | (+1%)                 | (+1%)              |
| \$ 144,747                                 | \$ 298,785            | \$ 486,192         |

Deferred Resources and Expected Future Recognition

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$2,208. At June 30, 2020, the District reported deferred resources from OPEB from the following:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Changes of assumptions   | \$ 63,208                                 | \$ -                                     |
| Difference between expected and actual experience                  | -   | 787,872                                  |
| Net difference between projected and actual earnings on investment | 3,097                                     | -  |
| Contributions made subsequent to the measurement date              | 111,714                                   | -  |
| Total  | <u>\$ 178,019</u>                         | <u>\$ 787,872</u>                        |

\$111,714 reported as the net deferred (outflows) / inflows of resources related to contributions subsequent to measurement date will be recognized as increase of the net OPEB liability in the year ended June 30, 2021.



Clear Creek Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

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

The District will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

| Fiscal Year Ending<br>June 30, | Recognized Net<br>Deferred Outflows<br>(Inflows) of<br>Resources |
|--------------------------------|--|
| 2021                           | \$ (141,978)   |
| 2022                           | (141,978)  |
| 2023                           | (138,831)  |
| 2024                           | (136,340)  |
| 2025                           | (112,807)  |
| Thereafter                     | (49,633)   |

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.

NOTE 13 - CONTINGENCIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. Since all District staff are considered “essential”, the immediate impact to the District’s operations includes restrictions on employees’ work location, dividing the operations and maintenance staff into two separate and isolated teams and planning heightened sanitation awareness requirements on office staff. It is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

REQUIRED SUPPLEMENTARY INFORMATION

Clear Creek Community Services District  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET) - MISCELLANEOUS  
 June 30, 2020

| Measurement Date, June 30  | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability  | 0.04134%     | 0.04156%     | 0.04126%     | 0.04201%     | 0.01802%     | 0.01663%     |
| Proportion share of the net pension liability  | \$ 1,655,359 | \$ 1,564,994 | \$ 1,626,577 | \$ 1,459,355 | \$ 1,236,614 | \$ 1,034,741 |
| Covered - employee payroll   | \$ 1,175,201 | \$ 1,036,236 | \$ 658,572   | \$ 612,795   | \$ 585,429   | \$ 388,187   |
| Proportionate share of the net pension liability as a percentage of covered-employee payroll | 140.86%      | 151.03%      | 246.99%      | 238.15%      | 211.23%      | 266.56%      |
| Plan fiduciary net position as a percentage of the total pension liability                   | 73.13%       | 71.95%       | 67.69%       | 68.33%       | 72.89%       | 76.49%       |

\* Fiscal year 2015 was the 1st year of implementation.

Clear Creek Community Services District  
SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS  
 June 30, 2020

| <u>Fiscal Year Ending June 30</u>  | <u>Miscellaneous Plan</u> |                  |                  |                  |                  |
|--|---------------------------|------------------|------------------|------------------|------------------|
|  | <u>2020</u>               | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      |
| Contractually required contribution<br>(actuarially determined)          | \$ 156,457                | \$ 240,637       | \$ 215,778       | \$ 169,347       | \$ 118,900       |
| Contributions in relation to the actuarially<br>determined contributions | <u>(156,457)</u>          | <u>(240,637)</u> | <u>(215,778)</u> | <u>(169,347)</u> | <u>(118,900)</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>               | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| <br>Covered - employee payroll   | <br>\$ 1,100,107          | <br>\$ 1,175,201 | <br>\$ 1,036,236 | <br>\$ 658,572   | <br>\$ 585,429   |
| <br>Contributions as a percentage of<br>covered-employee payroll         | <br>14.22%                | <br>20.48%       | <br>25.71%       | <br>20.31%       | <br>24.17%       |

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes of Assumptions: There were no changes of assumptions.

\* Fiscal year 2015 was the 1st year of implementation.

Clear Creek Community Services District  
**REQUIRED SUPPLEMENTARY INFORMATION**  
SCHEDULE OF CONTRIBUTIONS - OPEB  
For the Year Ended June 30, 2020

|  | 2020           | 2019             | 2018           |
|--|----------------|------------------|----------------|
| Actuarial Determined Contribution                                    | \$ 91,504      | \$ 151,451       | \$ 161,555     |
| Contributions in relation to the actuarially determined contribution | (111,714)      | (34,423)         | (202,761)      |
|  | \$ (20,210)    | \$ 117,028       | \$ (41,206)    |
| <br>Covered payroll  | <br>\$ 921,756 | <br>\$ 1,165,401 | <br>\$ 995,360 |
| Contributions as a percentage of covered payroll                     | 12.12%         | 2.95%            | 20.37%         |

Notes to Schedule:

The schedules present information to illustrate changes in Clear Creek's contributions over a ten year period when the information is available.

GASB 75 requires this information for plans funding with OPEB trusts to be reported in the employer's Required Supplemental Information for 10 years or as many years as are available upon implementation. The plan was not funded with an OPEB trust prior to June 30, 2018. The District adopted GASB 75 for the fiscal year ending June 30, 2018.

Clear Creek Community Services District  
**REQUIRED SUPPLEMENTARY INFORMATION**  
SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY AND RELATED RATIOS  
For the Year Ended June 30, 2020

| <b>Total OPEB Liability</b>  | 2020             | 2019           | 2018           |
|--|------------------|----------------|----------------|
| Service cost   | \$ 74,074        | \$ 71,741      | \$ 60,882      |
| Interest   | 147,921          | 137,704        | 141,292        |
| Change of benefit terms  | -                | -              | -              |
| Difference between expected and actual experience                                  | (760,890)        | -              | (256,202)      |
| Change of assumptions  | 34,415           | -              | 60,264         |
| Benefit payments, included refunds of employee contributions                       | (76,316)         | (66,554)       | (66,228)       |
| <b>Net change in total OPEB liability</b>  | (580,796)        | 142,891        | (59,992)       |
| <b>Total OPEB liability - beginning of year</b>                                    | 1,995,962        | 1,853,071      | 1,913,063      |
| <b>Total OPEB liability - end of year</b>  | \$ 1,415,166     | \$ 1,995,962   | \$ 1,853,071   |
| <br><b>Plan Fiduciary Net Position</b>   |                  |                |                |
| Net investment income  | \$ 65,441        | \$ 70,678      | \$ 64,009      |
| Contributions  |                  |                |                |
| Employer   | 34,423           | 202,761        | 388,138        |
| Benefit payments, included refunds of employee contributions                       | (76,316)         | (66,554)       | (66,228)       |
| Other expenses   | -                | (1,175)        | -              |
| Administrative expense   | (233)            | (474)          | (345)          |
| <b>Net change in plan fiduciary net position</b>                                   | 23,315           | 205,236        | 385,574        |
| <b>Plan fiduciary net position - beginning of year</b>                             | 1,093,066        | 887,830        | 502,256        |
| <b>Plan fiduciary net position - end of year</b>                                   | 1,116,381        | 1,093,066      | 887,830        |
| <br><b>District's net OPEB liability - end of year</b>                             | <br>\$ 298,785   | <br>\$ 902,896 | <br>\$ 965,241 |
| <br><b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | <br>78.89%       | <br>54.76%     | <br>47.91%     |
| <br><b>Covered-employee payroll</b>  | <br>\$ 1,165,401 | <br>\$ 995,360 | <br>\$ 995,360 |
| <br><b>Net OPEB liability as a percentage of covered-employee payroll</b>          | <br>25.64%       | <br>90.71%     | <br>96.97%     |

Notes to Schedule:

The schedules present information to illustrate changes in Clear Creek Community Service District's changes in the net OPEB liability over a ten year period when the information is available. The District adopted GASB 75 for the fiscal year ending June 30, 2018.

## OTHER REPORTS

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, 2020, and have issued our report thereon dated June 2, 2021. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as item number 2020-01 that we consider to be material weaknesses.

Response to Findings

Clear Creek Community Services District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Clear Creek Community Services District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



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  
June 2, 2021

Clear Creek Community Services District  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2020

FINDING 2020-01

Criteria:

The Water Customers Subsidiary accounts receivable ledger was not materially misstated based upon audit procedures performed. However, Clear Creek Community Services District's (the District's) management did not have the correct information during the year to use for decision-making because the subsidiary ledger was not reconciled to the general ledger.

Condition:

During the course of our audit we noted the Water Customers Accounts Receivable Balance on the District's general ledger differed from the accounts receivable subsidiary ledger by \$197,223. This was caused by an accounting error to Water Customers Accounts Receivable Balance and does not appear to be a loss of revenue (see cause). The account balance was corrected at June 30, 2020 (see perspective).

Cause:

The District does not reconcile their accounts receivable subsidiary ledger with the related general ledger balance.

Effect:

The Water Customers Accounts Receivable amount reported on the District's general ledger was materially misstated.

Perspective:

The total Water Accounts Receivable Balance at June 30, 2020 was \$202,870 and the audit adjustment required to correct the balance was \$197,223 or 97% of the June 30, 2020 balance.

Recommendation:

We recommend the District reconcile their customer accounts receivable subsidiary ledger to the general ledger to investigate and correct any errors or irregularities on a monthly basis.

Views of Responsible Officials

District Management agrees with the recommendation and will be utilizing the audit firms services for the first few months to review the District's monthly reconciliation of the customer accounts receivable in an effort to correct this issue and improve the District's year end reports.