

**CROCKETT COMMUNITY SERVICES DISTRICT
CROCKETT, CALIFORNIA**

REPORT ON FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2015 AND 2014

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

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CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors
Crockett Community Services District
Crockett, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crockett Community Services District (CCSD), as of and for the years ended 2015 and 2014, and the related notes to the financial statements, which collectively comprise CCSD's basic financial statements as listed in the table of contents. Prior year summarized comparative information has been derived from our report dated August 29, 2014 in which we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT (CONT'D)

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

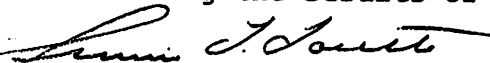
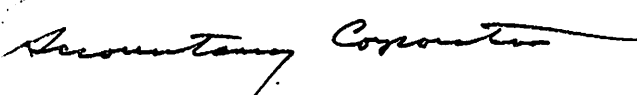
We believe that our audits provide a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of CCSD as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2015 on our consideration of CCSD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

DENNIS L. LORETTE
ACCOUNTANCY CORPORATION
Pinole, California
October 17, 2015

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

STATEMENTS OF NET ASSETS
JUNE 30, 2015 AND 2014

Page 1 of 1

	Department							Totals	
	Community Services	Recreation	Maintenance Fund	Port Costa Operating Fund	Sanitary Crockett Operating Fund	Crockett Construction Fund	Crockett Reserve Fund	2015	2014 *
ASSETS:									
Cash and cash equivalents (Note 2)	\$ 61,017	\$ 40,240	\$ 108,464	\$ 105,904	\$ 103,230	\$ 39,872	\$ 293	\$ 459,021	\$ 436,549
Investments	-	266,471	-	-	1,548,291	736,887	66,183	2,617,832	2,262,853
Advances on supplemental taxes	-	-	-	-	4,118	-	-	4,118	3,153
Accounts receivable	-	2,751	-	-	-	-	-	2,751	-
Intercompany loan receivable	-	-	-	-	217,831	-	-	217,831	272,289
Capital assets, net	-	1,483,871	-	1,525,850	3,823,708	-	-	6,833,429	6,854,715
Prepaid taxes	1,948	-	-	-	-	-	-	1,948	-
TOTAL ASSETS	\$ 62,965	\$ 1,793,333	\$ 108,464	\$ 1,631,754	\$ 5,697,179	\$ 776,759	\$ 66,476	\$ 10,136,930	\$ 9,829,559
LIABILITIES:									
Accounts payable	\$ -	\$ 3,225	\$ -	\$ 110,438	\$ -	\$ -	\$ -	\$ 113,663	\$ 112,032
Warrants	-	-	-	-	-	-	-	-	57,710
Intercompany loan payable	-	-	-	217,831	-	-	-	217,831	272,289
Payroll liabilities	-	-	-	-	-	-	-	-	137
Non-current liabilities:									
Due within one year	-	-	-	-	-	-	-	-	89,174
Due in more than one year	1,138,673	-	-	-	-	-	-	1,138,673	1,138,673
Net pension liability	-	23,849	-	4,893	49,424	-	-	78,166	-
TOTAL LIABILITIES	1,138,672	27,074	-	333,162	49,424	-	-	1,548,333	1,670,014
DEFERRED INFLOWS OF RESOURCES	-	10,013	-	2,054	20,752	-	-	32,819	-
NET ASSETS:									
Reserved for future capital projects (Note 8)	58,967	-	74,170	-	1,260,234	-	66,160	1,459,531	1,459,531
Invested in capital assets, net of related debt	-	1,691,729	-	1,010,517	3,288,975	-	-	5,991,221	5,624,230
Unreserved	(1,134,674)	64,517	34,294	286,021	1,077,794	776,759	316	1,105,026	1,075,783
TOTAL NET ASSETS	(1,075,708)	1,756,246	108,464	1,296,538	5,627,003	776,759	66,476	8,555,778	8,159,544
TOTAL LIABILITIES AND NET ASSETS	\$ 62,965	\$ 1,793,333	\$ 108,464	\$ 1,631,754	\$ 5,697,179	\$ 776,759	\$ 66,476	\$ 10,136,930	\$ 9,829,558

* For comparative purposes only

Differences due to rounding

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

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
JUNE 30, 2015 AND 2014

	Department							Totals	
	Community Services	Recreation	Maintenance Fund	Sanitary			Crockett Reserve Fund	2015	2014 *
				Port Costa Operating Fund	Crockett Operating Fund	Crockett Construction Fund			
OPERATIONS:									
Revenues:									
Cost recovery	\$ -	\$ 26,323	\$ -	\$ -	\$ 42,510	\$ -	\$ -	\$ 68,833	\$ 83,833
Facilities rent	-	105,831	-	-	-	-	-	105,831	71,094
Senior outreach	-	3,500	-	-	-	-	-	3,500	3,600
Outside classes	-	3,931	-	-	-	-	-	3,931	1,440
4 Damage/cleaning deposits	-	34,440	-	-	-	-	-	34,440	24,200
Pool/rents/concessions/lessons	-	25,992	-	-	-	-	-	25,992	29,551
Security services	-	11,600	-	-	-	-	-	11,600	7,697
Cleaning services	-	6,570	-	-	-	-	-	6,570	2,975
Aquatic programs	-	47,502	-	-	-	-	-	47,502	43,779
Donations-restricted	-	150	24,500	-	-	-	-	24,650	26,345
Donations-operations	-	2,525	2,318	-	-	-	-	4,843	2,622
Grants unrestricted	-	78,136	3,000	-	-	-	-	81,136	-
Sewer use charges	-	-	-	220,849	1,376,604	-	-	1,597,453	1,490,922
Permit service fees	-	-	-	60	3,155	-	-	3,215	2,490
Capacity charges	-	-	-	-	-	-	-	-	7,276
Parking fines	-	1,639	-	-	-	-	-	1,639	2,110
Miscellaneous	-	593	-	-	-	-	-	593	844
TOTAL OPERATING REVENUES	\$ -	\$ 348,732	\$ 29,818	\$ 220,909	\$ 1,422,269	\$ -	\$ -	\$ 2,021,728	\$ 1,800,778

* For comparative purposes only

Differences due to rounding

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CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

JUNE 30, 2015 AND 2014

	Department							Totals	
	Community Services	Recreation	Maintenance Fund	Sanitary			Crockett Reserve Fund	2015	2014 *
				Port Costa Operating Fund	Crockett Operating Fund	Crockett Construction Fund			
Operating Expenses:									
Salaries and wages	\$ -	\$ 158,036	\$ 991	\$ 14,513	\$ 145,041	\$ -	\$ -	\$ 318,581	\$ 289,908
Maintenance and repairs	-	74,255	145	69,395	123,017	-	-	266,812	332,676
Memberships	-	385	-	-	4,240	-	-	4,625	4,583
Program supplies	-	7,108	-	-	-	-	-	7,108	13,970
Office	-	4,120	19	257	4,798	-	-	9,194	9,385
Professional services (Note 7)	-	7,467	498	2,595	17,580	-	-	28,140	32,973
Printing/publications	-	717	-	334	362	-	-	1,413	2,780
Training/travel	-	785	-	-	299	-	-	1,084	1,682
Food concession supplies	-	6,441	-	-	-	-	-	6,441	6,762
Utilities	-	43,591	94	3,474	31,945	-	-	79,104	59,608
County charges	-	5,079	29	449	7,723	8	4	13,292	9,946
Insurance	-	11,669	1,180	1,482	32,529	-	-	46,860	48,105
Easements	-	-	-	-	2,310	-	-	2,310	2,274
Employee benefits (Note 6)	-	24,473	115	1,616	12,032	-	-	38,236	37,525
Vehicles	-	2,623	-	16	1,010	-	-	3,649	1,735
Office rent	-	-	-	-	2,400	-	-	2,400	5,451
Office relocation	-	-	-	-	366	-	-	366	28,507
Telephone	-	5,134	-	-	2,508	-	-	7,642	7,056
Refunds	-	35,862	-	-	-	-	-	35,862	24,328
Recoverable charges	-	3,832	-	3,161	13,936	-	-	20,929	10,486
Uniforms	-	913	-	-	-	-	-	913	2,100
Elections	-	200	-	13	188	-	-	401	-
C&H - JTP OM	-	-	-	-	668,588	-	-	668,588	635,053
Capital replacement	-	44,817	347	-	48,163	-	-	93,327	25,723
Net pension expenses	-	4,431	-	909	9,183	-	-	14,523	-
Other operating	-	9,150	-	62	3,998	-	-	13,210	4,243
TOTAL OPERATING EXPENSES	-	451,088	3,418	98,276	1,132,216	8	4	1,685,010	1,584,859
Operating income (loss)	\$ -	\$ (102,356)	\$ 26,400	\$ 122,633	\$ 290,053	\$ (8)	\$ (4)	\$ 336,718	\$ 215,919

* For comparative purposes only

Differences due to rounding

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

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
JUNE 30, 2015 AND 2014

	Department							Totals	
	Community Services	Recreation	Maintenance Fund	Port Costa Operating Fund	Sanitary				
					Crockett Operating Fund	Crockett Construction Fund	Crockett Reserve Fund		
NON-OPERATING REVENUES:									
Taxes	\$ 255,577	\$ 163,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 419,398	\$ 371,327
Grants (Note 5)	-	61,048	-	-	75,143	-	-	136,191	162,551
Cost recovery and other	-	-	-	3,888	-	-	-	3,888	1,163
Interest	-	291	-	-	6,051	1,797	161	8,300	5,763
TOTAL NON-OPERATING REVENUES	255,577	225,160	-	3,888	81,194	1,797	161	567,777	540,803
NON-OPERATING EXPENSES:									
Depreciation	-	107,678	-	104,287	176,311	-	-	388,276	382,696
Other	-	23,523	-	-	-	-	-	23,523	-
TOTAL NON-OPERATING EXPENSES	-	131,201	-	104,287	176,311	-	-	411,799	382,696
TOTAL NON-OPERATING REVENUES OVER EXPENSES	255,577	93,959	-	(100,399)	(95,117)	1,797	161	155,978	158,108
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	255,577	(8,397)	26,400	22,234	194,936	1,789	157	492,696	374,027
CAPITAL CONTRIBUTIONS:									
Transfers in (out)									
Cash	(260,000)	42,980	(6,706)	(3,104)	226,830	-	-	-	-
Capital assets	(1,122,632)	84,678	(5,015)	324,912	683,631	34,425	158	-	-
CHANGE IN NET ASSETS	(1,127,055)	119,261	14,679	344,042	1,105,397	36,214	158	492,696	374,027
GASB 68 ADJUSTMENT	-	(29,431)	-	(6,038)	(60,993)	-	-	(96,462)	-
NET ASSETS, BEGINNING OF YEAR	51,347	1,666,416	93,785	958,534	4,582,599	740,545	66,318	8,159,544	7,756,837
NET ASSETS, END OF YEAR	\$ (1,075,708)	\$ 1,756,246	\$ 108,464	\$ 1,296,538	\$ 5,627,003	\$ 776,759	\$ 66,476	\$ 8,555,778	\$ 8,159,544

* For comparative purposes only

Differences due to rounding

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

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2015</u>	<u>2014</u> *
Increase (Decrease) in net assets	\$ 492,696	\$ 402,707
Adjustments to reconcile change in in net assets to net cash provided by operations:		
Depreciation and amortization	388,276	382,698
Changes in certain assets and liabilities:		
Accounts receivable	(2,751)	1,750
Advance of supplemental taxes	(965)	(855)
Prepaid taxes	(1,948)	
Accounts payable/warrants payable	(56,079)	(3,127)
Accrued expenses	(137)	(3,285)
Net pension liability	78,166	
Deferred inflows of resources	32,819	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>930,077</u>	<u>779,888</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments	<u>(89,174)</u>	<u>(380,711)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(89,174)</u>	<u>(380,711)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net (decrease)increase in investments	(354,979)	(29,772)
Increase in depreciable assets (Note 3)	<u>(366,990)</u>	<u>(277,528)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(721,969)</u>	<u>(307,300)</u>
NET (DECREASE) INCREASE IN CASH	118,934	91,877
CASH, BEGINNING OF YEAR	436,549	344,672
CASH 68 ADJUSTMENT	(96,462)	-
CASH, END OF YEAR	<u>\$ 459,021</u>	<u>\$ 436,549</u>

Supplementary cash flow information
Cash paid during the year for:

Interest paid on Board Financing	<u>\$ 54,104</u>	<u>\$ 72,986</u>
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* For comparative purposes only

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

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

o Organization

On June 6, 2006 residents of the towns of Crockett and Port Costa approved Measure D which voted into existence the Crockett Community Services District (DISTRICT). On July 13, 2006, the Crockett Community Services District (CCSD) officially came into existence by combining what were formerly the Crockett-Valona Sanitary District, the Port Costa Sanitation District No. 5 and Crockett's P-1 advisory committee.

The District is governed by an elected Board of Directors. The District is a qualified not-for-profit public benefit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The financial statements of CCSD includes the Port Costa sanitary operations, for which the final transfer of assets and authority effective was May 14, 2008. By binding Agreement, neither town will subsidize the other.

o Basis of Accounting

In accordance with the *Governmental Accounting Standards Board* (GASB) No. 34, the District is a proprietary entity that adheres, to the best of its ability, to the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The District's books and records are established on a fund basis for each separate cost center. Under this method of accounting, results of operations (change in net assets - pages 4 - 6) are measured similar to firms in the private sector.

District operations are accounted using a flow-of- economic-resources method. Specifically, all assets and liabilities associated with operations of its funds are included on the Statement of Net Assets. Net Assets (page 3) are segregated into reserved for future capital projects, invested in capital assets and unreserved components which report increases and decreases in total net assets.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

o Budget

The annual budget for CCSD is approved and adopted by the Board of Directors.

o Capital Assets

The District depreciates its capital assets using the straight-line method with estimated lives of 10 - 80 years.

The District follows provisions of GASB Statement No. 34 which specifies that capital assets must be reported at original acquisition cost. The District engaged an independent appraiser who estimated the acquisition costs and the related depreciation of buildings, pumping and treatment facilities, and capital improvements. For purposes of this report, depreciation was not taken on the Crockett Community Center facility obtained by the County. Specifically, due to its age its estimated fair market value, the facility has been fully depreciated. Estimates of sewer facilities acquisition costs were conducted by management but are not depreciated in accordance with generally accepted accounting principles.

In 2009, Contra Costa County donated the Memorial Hall to CCSD. The Memorial Hall property was in poor condition, therefore, no value was included in CCSD's financial statement in 2009.

o Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect: reported amounts of assets and liabilities; disclosures of contingent assets and liabilities; and reported revenues and expenses. Actual results could differ from estimates used.

o Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)o Pensions (cont'd)

and additions to/deductions from the 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 2 - CASH AND INVESTMENTS

All cash and investments are held in County accounts under control of the County Treasurer and are insured or collateralized at the County level. Investments are stated at cost.

The California Government Code (Section 53601) requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110 percent of a district's deposits.

For purposes of the Statements of Cash Flows (page 7), the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Balances in this account (Page 3) at June 30, were:

	<u>2015</u>	<u>2014</u>
Crockett Community Services	\$ 61,017	\$ 48,331
Crockett Recreation Department	306,711	286,830
Maintenance Department	108,464	93,785
Crockett Sanitary Department	1,651,522	1,381,504
Crockett Sanitary - Department Construction Reserve	776,759	740,545
Port Costa Sanitary Department	105,904	82,089
Crockett Sanitary - Department Capital Reserve	<u>66,476</u>	<u>66,318</u>
	<u>\$ 3,076,853</u>	<u>\$ 2,699,402</u>

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

As explained in Note 1, the District changed its reporting of capital assets and related depreciation from a modified optional method to original acquisition cost and straight-line method.

	Fixed Assets			Accumulated Depreciation			Net Assets 6/30/15
	Balance 7/1/14	Additions	Balance 6/30/15	Balance 7/1/14	Current year Depreciation	Balance 6/30/15	
COMMUNITY SERVICES							
Community Services	\$ 255,334	\$ -	\$ 255,334	\$ 251,941	\$ 281	\$ 252,222	\$ 3,112
Maintenance Department:							
Plaza/street lighting	598,339	6,582	604,921	275,126	13,370	288,496	316,425
Fences	93,082	-	93,082	11,678	2,068	13,746	79,336
	691,421	6,582	698,003	286,804	15,438	302,242	395,761
Recreation Dept.:							
Outdoor facilities	1,145,619	85,502	1,231,121	601,254	59,418	660,673	570,448
Swimming pool remodel	609,688	1,731	611,419	89,837	30,528	120,365	491,054
Capital equipment	40,160	178	40,338	14,831	2,012	16,843	23,495
	1,795,467	87,411	1,882,878	705,922	91,959	797,881	1,084,997
	2,742,222	93,993	2,836,215	1,244,667	107,678	1,352,345	1,483,870
PORT COSTA SANITARY							
Land	181	-	181	-	-	-	181
Treatment plant	187,528	24,865	212,392	10,234	3,076	13,310	199,083
Building & improvements	943,697	-	943,697	276,811	47,185	323,996	619,701
Long-term debt-treatment plant	1,080,513	-	1,080,513	319,602	54,026	373,628	706,885
	2,211,919	24,865	2,236,783	606,647	104,287	710,934	1,525,850
SANITARY DEPT.							
Land	1,712	-	1,712	-	-	-	1,712
Office equipment	18,762	-	18,762	18,762	-	18,762	-
Capital equipment	106,191	619	106,810	97,003	9,807	106,810	-
Pump/treatment plant	3,010,210	14,967	3,025,177	2,716,682	86,121	2,802,803	222,374
Sewers	6,287,568	232,546	6,520,114	2,840,108	80,382	2,920,490	3,599,623
	9,424,443	248,132	9,672,576	5,672,556	176,310	5,848,866	3,823,709
TOTALS	\$ 14,378,584	\$ 366,990	\$ 14,745,574	\$ 7,523,870	\$ 388,276	\$ 7,912,145	\$ 6,833,429

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CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 4 - NON-CURRENT LIABILITIES

As June 30, 2015, the District had the following non-current liabilities:

(a) State Revolving Loan Fund

On May 24, 2002, CCSD borrowed \$ 122,291 from the State of California - State Water Resources Control Board Revolving Loan Fund. The loan is for replacement of the High School Sewer Line in Crockett. The interest rate is 2.4% per annum over 20 years:

Loan balance at 6/30/15	\$ 43,361
Current portion of principal	<u>(6,491)</u>
	<u>\$ 36,870</u>

(b) State Revolving Loan Fund

On December 9, 2002 and July 2, 2003, CCSD borrowed a total of \$ 553,065 from the State of California-State Water Resource Control Board Revolving Loan Fund. The loan was to construct approximately 1,000 feet of replacement interceptor sewer in Crockett. The interest rate is 2.7% per annum over 20 years:

Loan balance at 6/30/15	\$ 232,576
Current portion of principal	<u>(28,769)</u>
	<u>\$ 203,807</u>

(c) Municipal Finance Corporation

On July 17, 2006 CCSD borrowed \$ 700,000 from the Municipal Finance Corporation to finance its share of the costs of constructing improvements to the Crockett wastewater collection system. The agreement has a 20-year repayment period at an interest rate of 4.90 per annum:

Loan balance at 6/30/15	\$ 481,818
Current portion of principal	<u>(31,965)</u>
	<u>\$ 449,853</u>

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 4 - NON-CURRENT LIABILITIES (CONT'D)

(d) Municipal Finance Corporation

On May 16, 2006 Contra Costa County Sanitation District #5, borrowed \$ 550,000 from the Municipal Finance Corporation to finance the upgrades mandated by the Regional Water Quality Control Board to the Port Costa wastewater treatment plant. Later in 2006 the loan was transferred to CCSD. The loan is payable for a term of 20 years at an interest rate of 5.10 percent per annum.:

Loan balance at 6/30/15	\$ 380,918
Current portion of principal	<u>(25,046)</u>
	<u>\$ 355,872</u>

In summary, the above liabilities are:

	<u>Non-current</u>	<u>Current</u>
<u>Crockett:</u>		
Loan (a)	\$ 36,870	\$ 6,491
Loan (b)	203,807	28,769
Loan (c)	<u>449,853</u>	<u>31,965</u>
	<u>\$ 690,530</u>	<u>\$ 67,225</u>
<u>Port Costa:</u>		
Loan (d)	<u>\$ 355,872</u>	<u>\$ 25,046</u>

NOTE 5 - GRANTS

Grants totaling \$ 162,551 were received during the year.

NOTE 6 - PENSION PLANS

A. General Information about the pension Plans

o Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - PENSION PLANS (CONT'D)

o Plan Description, Benefits Provided and Employees Covered

not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

o Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 6.880 percent of annual pay, and the average employer's contribution rate is 8.049 percent of annual payroll. Employer contributions rates may change if plan contracts are emended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - PENSION PLANS (CONT'D)o Contribution Description (cont'd)

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting		
Schedule	3 years service	3 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.092% to 2,418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.005%	6.25%

o Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but Not yet receiving benefits	1
Active employees	<u>3</u>
Total	6

B. Net Pension Liability

Crockett Community Services District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below:

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - EMPLOYEE PENSION PLAN (CONT'D)o Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	(1)
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	(2)
Investment Rate of Return	7.5% (3)
Mortality	(4)

(1) Entry-Age in accordance with the requirements of GASB Statement No. 68.

(2) Varies by entry age and service.

(3) Net of pension plan investment expenses, including inflation.

(4) Derived using CalPERS' membership data for all funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website including updates to salary increase, mortality and retirement rates.

o Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - PENSION PLANS (CONT'D)

o Discount Rate (cont'd)

Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained by CalPERS' website under the GASB 68 section.

According to paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 9 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - PENSION PLANS (CONT'D)o Discount Rate (cont'd)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of 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 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. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years (1)	Real Return Years 1-10	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%		5.71%
Global Fixed Income	19.0	0.99		2.43
Inflation Sensitive	6.0	0.45		3.36
Private Equity	12.0	6.83		6.95
Real Estate	11.0	4.50		5.13
Infrastructure and Forestland	3.0	4.50		5.09
Liquidity	2.0	(0.55)		(1.05)

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

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

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - PENSION PLANS (CONT'D)1. Changes in Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at 6/30/13	\$ 12,374,543,647	\$ 9,097,875,216	\$ 3,276,668,431
Changes Recognized for the Measurement Period:			
Service Cost	338,829,351		338,829,351
Interest on the Total Pension Liability	921,162,366		921,162,366
Changes of Benefit Terms			
Differences between Expected And Actual Experience			
Changes of Assumptions			
Contributions from Employers		316,207,965	(316,207,965)
Contributions from Employees		159,834,203	(159,834,203)
Net investment Income		1,589,130,702	(1,589,130,702)
Benefit payments, including Refunds of Employee Contributions	(523,586,912)	(523,586,912)	
Net Changes During 2013-14	\$ 736,404,805	\$ 1,541,585,958	\$ (805,181,153)
Balance at; 6/30/2014	\$ 13,110,948,452	\$ 10,639,461,174	\$ 2,471,487,278

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - PENSION PLANS (CONT'D)1. Changes in Net Pension Liability (cont'd)

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at 6/30/13 (VD)	\$ 434,711	\$ 327,908	\$ 106,803
Balance at 6/30/14 (MD)	\$ 460,580	\$ 382,414	\$ 78,166
Net Changes during 2013-14	\$ 25,869	\$ 54,506	\$ (28,637)

o Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate = 1% (8.50%)
Plan's net Pension Liability/(Asset)	\$ 139,268	\$ 78,166	\$ 27,458

o Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves,

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - PENSION PLANS (CONT'D)o Pension Plan Fiduciary Net Position (cont'd)

fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your finding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015 (measurement date), Crockett Community Services District incurred a pension expense of \$ 14,523.

As of June 30, 2015, the Crockett Community Services District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Differences between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions	0	0
Net Difference between projected and Actual Earnings on Pension Plan Investments	0	(26,268)
Adjustment due to Differences in Proportions	0	(6,551)
Total	\$ 0	\$ (32,819)

The amounts above are net of outflows and inflows recognized in the 2013-15 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

CROCKETT COMMUNITY SERVICES DISTRICT
 CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS (CONT'D)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (8,907)
2016	(8,907)
2017	(8,438)
2018	(6,567)
2019	0
Thereafter	0

E. Payable to the pension Plan

At June 30, 2015, the Local Government reported a payable of \$ 1,797.03 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 7 - PROFESSIONAL SERVICES

These represent payments to outside contractors for engineering, auditing, legal services, and various other contractors.

NOTE 8 - RESERVED FOR FUTURE CAPITAL PROJECTS

The Board approved Resolution No. 07-08-14 allocating \$ 682,450 for wastewater capital improvement projects and \$ 205,505 for debt services.

NOTE 9 - LEASE COMMITMENTS

The District has long-term lease commitments for one railroad sewer easement, one outfall easement lease from the State of California, and two treatment facility leases from the State of California.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 10 - C & H SETTLEMENT

The Crockett Sanitary Department of the District was involved in a dispute with the C & H Sugar Corporation (C&H) over unpaid charges for use of sewer facilities and services rendered. On September 6, 2012 a settlement agreement and release of claims was finalized. As a result of this agreement the District agreed to pay C&H \$ 750,000 as full payment for overpayments paid by C&H for past C&H sewage fees and for the past Joint Treatment Plant charges due C&H from the District. This amount was offset by sewer charges of \$ 145,185 that C&H owed the Crockett Sanitary Department for the fiscal year ended June 30, 2012. The financial effect of this suit was recorded in the June 30, 2012 financial statements. The payment amounts and receipt of the sewer charges were completed in October 2012.

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS

The Crockett Community Services District has evaluated subsequent events through August 29, 2014, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DENNIS L. LORETTE
DENNIS L. LORETTE

Accountancy Corporation
Member American Institute of CPA's
Member California Society of CPA's


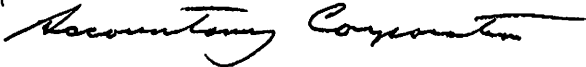
CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To: The Board of Directors
Crockett Community Services District
Crockett, California

We have audited the financial statements of Crockett Community Services District as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated October 17, 2015 contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DENNIS L. LORETTE
ACCOUNTANCY CORPORATION
Pinole, California
October 17, 2015

CROCKETT COMMUNITY SERVICES DISTRICT
CROCKETT, CALIFORNIA

BOARD OF DIRECTORS AND MANAGEMENT

JUNE 30, 2015

Harold Burnett, Member

Fred Clerici, President

Alicia Johnson, Member

John MacKenzie, Member

Kristopher Vickers, Vice-President

GENERAL MANAGER

Dale A. McDonald

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

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

Page 1 of 2

To: The Board of Directors
Crockett Community Services District
Crockett, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Crockett Community Services District (CCSD) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise CCSD's basic financial statements, and have issued our report thereon dated October 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered CCSD'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 CCSD's internal control. Accordingly, we do not express an opinion on the effectiveness of CCSD'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 CCSD'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.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

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

Page 2 of 2



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 audits 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 CCSD's financial statements are free of material misstatements, 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 audits 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 CCSD's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCSD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DENNIS L. LORETTE
ACCOUNTANCY CORPORATION
Pinole, California
October 17, 2015

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

There were no material audit findings in prior years.