

DENNIS L. LORETTE
DENNIS L. LORETTE

Accountancy Corporation

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CROCKETT COMMUNITY SERVICES DISTRICT
CROCKETT, CALIFORNIA

REPORT ON FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2012 AND 2011

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

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 2012 and 2011, which collectively comprise CCSD's basic financial statements as listed in the table of contents. These financial statements are the responsibility of CCSD's management. Our responsibility is to express opinions on these financial statements based on our audits. Prior year summarized comparative information has been derived from our report dated October 5, 2011 in which we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCSD's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

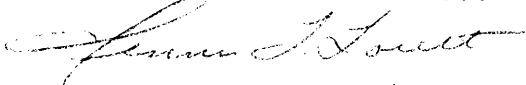
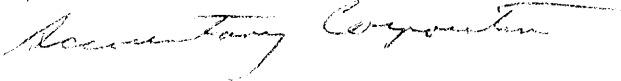
CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT (CONT'D)

In our opinion, the financial statements referred to previously 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, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2012 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 10, 2012

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	Department							Totals
	Community Services	Recreation	Maintenance Fund	Port Costa Operating Fund	Sanitary Crockett Operating Fund	Crockett Construction Fund	Crockett Reserve Fund	
ASSETS:								
Cash and investments (Note 2)	\$ 42,569	\$ 72,756	\$ 68,032	\$ 73,965	\$ 674,177	\$ 75,852	\$ 305	\$ 1,007,656
Investments	-	115,372	-	-	1,129,907	591,359	65,642	1,902,280
Advances on supplemental taxes	-	(2,074)	-	-	4,118	-	-	2,044
Accounts receivable	-	1,722	-	-	-	-	-	1,722
Capital assets, net	3,955	1,610,346	-	1,721,175	3,737,914	-	-	7,073,390
TOTAL ASSETS	\$ 46,524	\$ 1,798,122	\$ 68,032	\$ 1,795,140	\$ 5,546,116	\$ 667,211	\$ 65,947	\$ 9,987,092
LIABILITIES:								
Accounts payable (warrants)	\$ -	\$ 27,241	\$ 19,000	\$ 13,435	\$ 119,020	\$ -	\$ -	\$ 178,696
Due to C & H	-	-	-	-	604,815	-	-	604,815
Non-current liabilities:								
Due within one year	-	-	-	67,264	60,737	-	-	128,001
Due in more than one year	-	-	-	723,441	886,066	-	-	1,609,507
TOTAL LIABILITIES	-	27,241	19,000	804,140	1,670,638	-	-	2,521,019
NET ASSETS:								
Reserved for future capital projects (Note 8)	46,524	72,165	49,032	-	1,084,371	-	65,947	1,318,039
Invested in capital assets, net of related debt	-	1,698,716	-	930,468	2,791,107	-	-	5,420,291
Unreserved	-	-	-	60,532	-	667,211	-	727,743
TOTAL NET ASSETS	46,524	1,770,881	49,032	991,000	3,875,478	667,211	65,947	7,466,073
TOTAL LIABILITIES AND NET ASSETS	\$ 46,524	\$ 1,798,122	\$ 68,032	\$ 1,795,140	\$ 5,546,116	\$ 667,211	\$ 65,947	\$ 9,987,092

* For comparative purposes only

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, 2012 AND 2011

	Department										Totals	
	Community Services	Maintenance Fund		Port Costa Operating Fund		Crockett Operating Fund		Sanitary Crockett Construction Fund		Crockett Reserve Fund	2012	2011 *
OPERATIONS:												
Revenues:												
Cost recovery	\$ -	\$ 14,490	\$ -	\$ 3,485	\$ 31,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,551	\$ 54,787
Facilities rent	-	81,722	-	-	-	-	-	-	-	-	81,722	65,613
Senior outreach	-	3,600	-	-	-	-	-	-	-	-	3,600	3,600
Outside classes	-	1,440	-	-	-	-	-	-	-	-	1,440	2,080
Damage/cleaning deposits	-	24,330	-	-	-	-	-	-	-	-	24,330	22,150
Pool/rents/concessions/lessons	-	22,696	-	-	-	-	-	-	-	-	22,696	9,009
Security services	-	4,381	-	-	-	-	-	-	-	-	4,381	4,604
Cleaning services	-	2,840	-	-	-	-	-	-	-	-	2,840	2,330
Aquatic programs	-	36,301	-	-	-	-	-	-	-	-	36,301	23,787
Donations-restricted	-	3,983	1,581	-	-	-	-	-	-	-	5,564	895
Grants-unrestricted	-	7,550	-	-	-	-	-	-	-	-	7,550	8,690
Sewer use charges	-	-	-	215,084	1,207,048	-	-	-	-	-	1,422,132	1,502,637
Permit service fees	-	-	-	460	2,160	-	-	-	-	-	2,620	2,880
Capacity charges	-	-	-	-	-	-	-	-	-	-	-	1,617
Parking fines	-	2,636	-	-	-	-	-	-	-	-	2,636	2,082
TOTAL OPERATING REVENUES	\$ -	\$ 205,969	\$ 1,581	\$ 219,029	\$ 1,240,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,667,363	\$ 1,706,761

* For comparative purposes only

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, 2012 AND 2011

	Department										Totals	
	Community Services			Port Costa			Sanitary			Crockett Reserve Fund	2012	2011 *
	Recreation	Maintenance Fund	Operating Fund	Operating Fund	Operating Fund	Crockett Operating Fund	Crockett Construction Fund	Crockett Reserve Fund				
Operating Expenses:	\$ -	\$ 543	\$ 9,760	\$ 132,012	\$ -	\$ -	\$ -	\$ -	\$ 258,268	\$ 247,362		
Salaries and wages	-	29	57,492	95,069	-	-	-	-	224,872	288,833		
Maintenance and repairs	-	23	85	3,982	-	-	-	-	4,457	4,360		
Memberships	-	-	247	1,812	-	-	-	-	25,614	13,939		
Program supplies	-	22	53	2,501	-	-	-	-	4,070	6,219		
Office	-	1,494	963	69,277	-	-	-	-	73,834	93,896		
Professional services (Note 7)	-	3,437	523	7,634	-	-	-	-	13,186	2,319		
Printing/publications	-	4,538	-	1,600	-	-	-	-	2,370	324		
Training/travel	-	770	-	-	-	-	-	-	9,353	7,426		
Food concession supplies	-	9,353	-	-	-	-	-	-	56,062	63,822		
Utilities	-	35,832	2,369	16,990	-	-	-	-	6,237	9,902		
County charges	-	2,465	322	3,437	9	9	9	4	38,739	47,139		
Insurance	-	9,715	2,970	25,749	-	-	-	-	-	2,114		
Easements	-	-	-	-	-	-	-	-	38,810	66,862		
Employee benefits (Note 6)	-	69	1,176	16,965	-	-	-	-	2,361	1,432		
Vehicles	-	239	318	1,804	-	-	-	-	5,904	5,760		
Office rent	-	-	-	5,904	-	-	-	-	5,416	7,100		
Telephone	-	-	-	1,998	-	-	-	-	24,720	22,791		
Refunds	-	3,418	-	-	-	-	-	-	12,586	19,043		
Recoverable charges	-	24,720	-	-	-	-	-	-	579	1,203		
Uniforms	-	2,878	-	9,708	-	-	-	-	-	198		
Electrons	-	579	-	-	-	-	-	-	553,024	598,895		
C&H - JTP OM	-	-	-	-	-	-	-	-	38,486	151,401		
Capital replacement	-	8,772	9,042	20,672	-	-	-	-	12,459	8,225		
Other operating	-	588	4,540	7,329	-	-	-	-	1,411,407	1,670,565		
TOTAL OPERATING EXPENSES	-	341,555	89,860	977,467	9	9	9	4	\$ 255,956	\$ 36,196		
Operating income (loss)	-	\$ (931)	\$ 129,169	\$ 263,317	\$ (9)	\$ (9)	\$ (9)	\$ (4)				

* For comparative purposes only

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, 2012 AND 2011

	Department							Totals	
	Community Services	Recreation	Maintenance Fund	Port Costa Operating Fund	Crockett Operating Fund	Sanitary Construction Fund	Crockett Reserve Fund	2012	2011 *
NON-OPERATING REVENUES:									
Taxes	\$ 240,843	\$ 61,700	\$ 9,295	\$ -	\$ -	\$ -	\$ -	\$ 311,838	\$ 323,554
Grants (Note 5)	-	258,891	34,460	21,313	90,663	-	-	405,327	586,100
Interest	-	677	-	-	7,677	-	-	8,354	8,382
TOTAL NON-OPERATING REVENUES	240,843	321,268	43,755	21,313	98,340	-	-	725,519	918,036
NON-OPERATING EXPENSES:									
Depreciation	281	87,804	-	104,424	169,515	-	-	362,024	321,102
Other	-	-	-	-	750,000	-	-	750,000	-
TOTAL NON-OPERATING EXPENSES	281	87,804	-	104,424	919,515	-	-	1,112,024	321,102
TOTAL NON-OPERATING REVENUES OVER EXPENSES	240,562	233,464	43,755	(83,111)	(821,175)	-	-	(386,505)	596,934
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	240,562	97,878	42,824	46,058	(557,858)	(9)	(4)	(130,549)	633,130
CAPITAL CONTRIBUTIONS:									
Transfers in (out)									
Cash	(232,000)	41,741	7,295	(2,209)	121,173	64,000	-	-	-
Capital Assets	8,170	1,935	(26,015)	9,551	3,709	2,386	264	-	-
CHANGE IN NET ASSETS	16,732	141,554	24,104	53,400	(432,976)	66,377	260	(130,549)	633,130
NET ASSETS, BEGINNING OF YEAR	29,792	1,629,327	24,928	937,600	4,308,454	600,834	65,687	7,596,622	6,963,492
NET ASSETS, END OF YEAR	\$ 46,524	\$ 1,770,881	\$ 49,032	\$ 991,000	\$ 3,875,478	\$ 667,211	\$ 65,947	\$ 7,466,073	\$ 7,596,622

* For comparative purposes only

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, 2012 AND 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2012</u>	<u>2011</u> *
(Decrease) Increase in net assets	\$ (130,549)	\$ 633,130
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	362,024	321,102
Changes in certain assets and liabilities:		
Accounts receivable	(1,722)	1,960
Advance of supplemental taxes	136	(141)
Accounts payable	(113,217)	201,272
C & H Settlement-net	<u>604,815</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>721,487</u>	 <u>1,157,323</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments	<u>(122,579)</u>	<u>(117,400)</u>
 NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	 <u>(122,579)</u>	 <u>(117,400)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net (decrease)increase in investments	497,646	(304,106)
Increase in depreciable assets (Note 3)	<u>(392,609)</u>	<u>(855,035)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>105,037</u>	 <u>(1,159,141)</u>
 NET INCREASE (DECREASE) IN CASH	 703,945	 (119,218)
CASH, BEGINNING OF YEAR	<u>303,711</u>	<u>422,929</u>
CASH, END OF YEAR	\$ <u>1,007,656</u>	\$ <u>303,711</u>
 Supplementary cash flow information Cash paid during the year for:		
Interest paid on Board Financing	\$ <u>82,922</u>	\$ <u>88,102</u>

* 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

Page 1 of 12

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 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.

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 Basis of Accounting (cont'd)

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.

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 - 40 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.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

Page 3 of 12

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

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.

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.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTSPage 4 of 12NOTE 2 - CASH AND INVESTMENTS (CONT'D)

For purposes of the Statement 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>2012</u>	<u>2011</u>
Crockett Community Services	\$ 42,568	\$ 25,556
Crockett Recreation Department	188,128	183,753
Maintenance Department	68,032	24,928
Crockett Sanitary Department	1,804,084	1,768,772
Crockett Sanitary - Department Construction Reserve	667,211	600,834
Port Costa Sanitary Department	73,965	34,107
Crockett Sanitary - Department Capital Reserve	65,948	65,687
	<u>\$ 2,909,936</u>	<u>\$ 2,703,637</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		Balance 6/30/12	Accumulated Depreciation		Net Assets 6/30/12
	Balance 7/1/11	Additions		Balance 7/1/11	Current year Depreciation	
COMMUNITY SERVICES						
Community Services	\$ 255,334	\$ -	\$ 255,334	\$ 251,098	\$ 281	\$ 3,955
Maintenance Department:						
Plaza/street lighting	570,105	12,646	582,751	247,614	1,205	333,932
Fences	93,082	-	93,082	6,512	1,030	85,540
	663,187	12,646	675,833	254,126	2,235	419,472
Recreation Dept.:						
Outdoor facilities	1,087,528	-	1,087,528	440,156	50,328	597,044
Swimming pool remodel	491,260	105,491	596,751	-	29,838	566,913
Capital equipment	14,971	22,851	37,822	5,502	5,403	26,917
	1,593,759	128,342	1,722,101	445,658	85,569	1,190,874
	2,256,946	140,988	2,397,934	699,784	87,804	1,610,346
PORT COSTA SANITARY						
Land	181	-	181	-	-	181
Treatment plant	88,812	7,681	96,493	4,233	1,485	90,775
Building & improvements	890,187	53,510	943,697	133,527	48,914	761,256
Long-term debt-treatment plant	1,080,513	-	1,080,513	157,525	54,025	868,963
	2,059,693	61,191	2,120,884	295,285	104,424	1,721,175
SANITARY DEPT.						
Land	1,712	-	1,712	-	-	1,712
Office equipment	18,762	-	18,762	15,953	938	1,871
Capital equipment	85,149	-	85,149	68,337	8,515	8,297
Pump/treatment plant	2,991,888	-	2,991,888	2,460,021	85,483	446,384
Sewers	5,775,910	190,430	5,966,340	2,612,111	74,579	3,279,650
	8,873,421	190,430	9,063,851	5,156,422	169,515	3,737,914
TOTALS	\$ 13,445,394	\$ 392,609	\$ 13,838,003	\$ 6,402,589	\$ 362,024	\$ 7,073,390

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 4 - NON-CURRENT LIABILITIES

At June 30, 2012, 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 6/30/12	\$ 61,943
Current portion of principal	<u>(6,047)</u>
	<u>\$ 55,896</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 6/30/12	\$ 315,614
Current portion of principal	<u>(26,945)</u>
	<u>\$ 288,669</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 6/30/12	\$ 569,246
Current portion of principal	<u>(27,745)</u>
	<u>\$ 541,501</u>

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

Page 7 of 12

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

(d) Municipal Finance Corporation

On May 16, 2006 CCSD 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. The loan is payable for a term of 20 years at an interest rate of 5.10 percent per annum.:

Loan balance at 6/30/12	\$ 449,003
Current portion of principal	<u>(21,562)</u>
	<u>\$ 427,441</u>

(e) State Revolving Loan Fund

On July 24, 2007, CCSD borrowed \$ 485,000 from the County of Contra Costa. The loan was to finance sewer replacement and treatment facility upgrades at Port Costa. The interest rate is 5 per cent per annum. over 10 years.

Loan balance at 6/30/12	\$ 341,705
Current portion of principal	<u>(45,702)</u>
	<u>\$ 296,003</u>

In summary, the above liabilities are:

	<u>Non-current</u>	<u>Current</u>
<u>Crockett:</u>		
Loan (a)	\$ 55,896	\$ 6,047
Loan (b)	288,669	26,945
Loan (c)	<u>541,501</u>	<u>27,745</u>
	<u>\$ 886,066</u>	<u>\$ 60,737</u>
 <u>Port Costa:</u>		
Loan (d)	\$ 427,441	\$ 21,562
Loan (e)	<u>296,003</u>	<u>45,702</u>
	<u>\$ 723,444</u>	<u>\$ 67,264</u>

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - GRANTS

Grants totaling \$ 405,327 were received during the year.

NOTE 6 - EMPLOYEE PENSION PLAN

Effective October 1, 2007, CCSD began participating in the Public Employees' Retirement System (CALPERS). Because CCSD had less than 100 active Plan members since June 30, 2003, it is required to participate in a "Miscellaneous 2 percent at 60 Risk Pool". This plan is a cost-sharing multiple-employer defined benefit plan. Under Government Auditing Standards Board (GASB) Statement No. 27, employers are required to report required Supplementary Information (Page 21) for the most recent valuation and the two years preceding valuations. This requirement results in identifying the employers contractually Required Plan Contributions (ARC). The ARC for any fiscal year is the CALPERS employer contribution rate for that fiscal year multiplied by the employer payroll for that same fiscal year.

GASB requires the following information in the notes to the employers (District) financial statements applicable to the Plan:

o Plan Description

The Plan is part of the "Miscellaneous 2 percent at 60 Risk Pool, a cost-sharing multiple - employer defined benefit plan.

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - EMPLOYEE PENSION PLAN (CONT'D)o Description of Major Plan Benefits

	<u>Coverage Group</u>
	70001 *
<u>Benefit Provisions</u>	
Benefit Formula	<u>2.0%@60</u>
Social Security Coverage	no
Full/Modified	full
Final Average Compensation Period	36 mos.
Sick Leave Credit	yes
Non-Industrial Disability	standard
Industrial Disability	no
	<u>Coverage Group</u>
	70001 *
<u>Benefit Provisions</u>	
Pre-Retirement Death Benefits	
Optional Settlement 2W	yes
1959 Survivor Benefit Level	level 4
Special	no
Alternate (firefighters)	no
Post-Retirement Death Benefits	
Lump Sum	\$500
Survivor Allowance (PRSA)	no
COLA	2%
Employee Contributions	
Contractual employer paid	no
Contractual employee cost sharing	0%

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - EMPLOYEE PENSION PLAN (CONT'D)

* District's Coverage Group

The above benefits are established under authority and may be amended by CALPERS. The District does not issue a stand-alone financial report. The District's Plan is included in the public employer retirement system and can be obtained via www.CALPERS.CA.GOV.

o Funding policy

- Authority

The authority under which the obligation to contribute to the Plan by members and the District are established and may be amended is CALPERS.

- Required contribution rate - Members

Active Plan members must contribute 7.0 percent of their earnings.

- Required contribution rate - District

<u>Fiscal Year</u>	
2009/2010	31.225 %
2010/2011	21.115 %
2011/2012	7.733 %
2012/2013	7.846 %
2013/2014	8.000 % (Projected)

o Annual Pension Cost (APC)

For each plan the employer must expense the annual pension cost (APC). The APC equals the annual required contribution (ARC) plus one year's interest on the beginning of year net pension obligation (NPA), which is the accumulated difference between the APC and the actual contributions made, minus an amortization

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 - EMPLOYEE PENSION PLAN (CONT'D)o Annual Pension Cost (APC) (cont'd)

of the NPO at the beginning of the year. In addition, there is a "look-back" provision in GASB 27 that requires the employer to calculate an initial NPO at the time of adoption of GASB 27 by retroactively applying the NPO calculation mechanism to all fiscal years commencing after December 15, 1986.

The APC and actual contributions made by the District for FY 2012 and 2011 were \$ 18,751 and \$ 38,715, respectively:

<u>Fiscal Year</u>	<u>ARC Amount</u>	<u>Int. Amort. on NPO</u>	<u>of NPO</u>	<u>APC Amount</u>	<u>Contr. Made</u>	<u>NPO Beg. Of Year</u>	<u>NPO End of Year</u>	<u>CALPERS Amort. Factor</u>	<u>Int. Rate</u>
2008	\$32,754	-	-	\$32,754	\$ 35,590	-	\$(2,836)	36.833	7.75%
2009	\$23,010	\$220	\$89	\$23,141	\$ 28,101	\$(2,836)	\$(4,960)	31.949	7.75%
2010	\$26,240	\$347	\$84	\$27,671	\$ 36,823	\$(4,960)	\$(9,152)	24.253	7.75%
2011	\$33,868	\$372	\$86	\$34,326	\$ 38,715	\$(9,152)	\$(4,389)	21.115	7.75%
2012	\$20,297	\$187	\$41	\$20,069	<u>\$ 18,751</u>	\$(4,389)	\$ 1,318	17.258	7.75%
					<u>\$157,980</u>				

The above \$ 18,751 is included in employee benefits on page 5 to this report.

NOTE 7 - PROFESSIONAL SERVICES

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

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

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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. It rents its administration facilities on a month-to-month basis.

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. As of June 30, 2012, a settlement had not been reached but the District believed an agreement and final settlement was near. On September 6, 2012 a settlement agreement and release of claims was finalized. As a result of this agreement the District has 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 is offset by sewer charges of \$ 145,185 that C&H owes the Crockett Sanitary Department for the fiscal year ended June 30, 2012. The District has sufficient reserves to satisfy the total liability of \$ 604,815 to C&H.

SUPPLEMENTARY INFORMATION

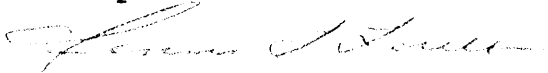

CROCKETT COMMUNITY SERVICES DISTRICT

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, 2012 and 2011, and have issued our report thereon dated October 10, 2012, which 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 10, 2012

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

EMPLOYER PENSION PLAN - REQUIRED

GASB 27 states that the employer should disclose required supplementary information for the most recent actuarial valuation and the two preceding valuations.

o Four-year history of valuation date- ACTUARIAL VALUE OF PLAN ASSETS

2008 -	\$ 24,448
2009 -	-0-
2010 -	-0-
2011 -	-0-

- ACTUARIAL ACCURED LIABILITY

2008 -	-0-
2009 -	-0-
2010 -	-0-
2011 -	-0-

- TOTAL UNFUNDED ACCRUED LIABILITY

2008 -	-0-
2009 -	-0-
2010 -	-0-
2011 -	-0-

- FUNDED RATIO

2008 -	100.5 %
2009 -	97.4 %
2010 -	69.2 %
2011 -	74.9 %

- ANNUAL COVERED PAYROLL

2008 -	\$ 72,020
2009 -	\$ 64,776
2010 -	\$ 161,168
2011 -	\$ 196,041

- UNFUNDED LIABILITY

2008 -	-0-
2009 -	-0-
2010 -	-0-
2011 -	-0-

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

BOARD OF DIRECTORS AND MANAGEMENT

JUNE 30, 2012

Harold Burnett

Fred Clerici

Patrick Glover

John MacKenzie

Kris Vickers

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 the financial statements of Crockett Community Services District (CCSD) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated October 10, 2012. 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.

Internal Control Over Financial Reporting

Management of CCSD is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered CCSD's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCSD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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


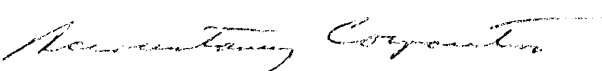
Page 2 of 2

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

DENNIS L. LORETTE
ACCOUNTANCY CORPORATION
Pinole, California
October 10, 2012

CROCKETT COMMUNITY SERVICES DISTRICT

CROCKETT, CALIFORNIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED JUNE 30, 2011 AND 2010

There were no material audit findings in prior years.