

**TWAIN HARTE COMMUNITY
SERVICES DISTRICT**

**Financial Statements
And
Independent Auditor's Report**

For the Fiscal Year Ended June 30, 2018 and 2017



**TWAIN HARTE COMMUNITY SERVICES DISTRICT
OF TUOLUMNE COUNTY
TWAIN HARTE, CALIFORNIA
JUNE 30, 2018 and 2017**

GOVERNING BOARD

MEMBERS

OFFICE

Gary Sipperley

President

Bill McManus

Vice President

Jim Johnson

Director

Eileen Mannix

Director

Richard Knudson

Director

TWAIN HARTE COMMUNITY SERVICES DISTRICT

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TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2018 and 2017

This section of the annual financial report of the Twain Harte Community Services District (District) presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follows this section.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to customers and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the service provided and the safety of our employees and the general public will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities – The Fire Protection and Park and Recreation funds consist of this activity. Revenue for the Fire Protection fund is primarily derived from property taxes. Park and Recreation fund revenue is obtained from donations and special fees charged to use Park and Recreation facilities and funding through property taxes.

Business-type Activities – The District charges fees for water and sewer services to help cover the costs of certain services provided. These represent revenue from special fees, connection fees, and water and sewer usage charges.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2018 and 2017

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (Continued):

The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

Enterprise Funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's Enterprise funds are the same as the business-type activities we report in the government-wide financial statements, but provide more detail and additional information, such as cash flows, for enterprise funds.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Water and Sewer Division

- The water division's change in net position was \$560,127. The sewer division's change in net position was \$305,653. The total net position increased by \$865,780 or 24%.

Fire Protection Division

- Fire protection division received \$1,071,335 of tax revenue which consisted of 80% of total revenues for the division. The fire protection division's change in fund balance was \$157,314. The percentage increase in fund balance was 1.59% primarily due to increase in tax revenues and charges for service revenue and decrease in capital outlay.

Park and Recreation Division

- The park and recreation continue to rely on tax, donation, and grant revenues to fund projects. Tax revenue received was \$123,922. The tax revenues consist of 70% of total revenues. Grant, donation and other revenues received totaled \$54,297 or 30% of total revenues.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2018 and 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$8,390,664 for the fiscal year ended June 30, 2018, and \$7,253,162 for the fiscal year ended June 30, 2017 which is an increase of \$1,137,502. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use net position for day-to-day operations. Our analysis in the following pages focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.



TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion Analysis
June 30, 2018 and 2017

THE DISTRICT AS A WHOLE (Continued)

	<u>Table 1</u>			
	<u>2018</u>	<u>2017</u>	<u>Difference</u>	<u>Percent Difference</u>
Current and Other Assets	\$ 5,366,524	\$ 4,409,625	\$ 956,899	21.70%
Capital Assets - Net	5,665,095	5,648,780	16,315	0.29%
Total Assets	<u>\$ 11,031,619</u>	<u>\$ 10,058,405</u>	<u>\$ 973,214</u>	<u>9.68%</u>
Current Liabilities	\$ 685,856	\$ 737,300	\$ (51,444)	-6.98%
Long-Term Obligations	1,940,803	2,067,943	(127,140)	-6.15%
Total Liabilities	<u>2,626,659</u>	<u>2,805,243</u>	<u>(178,584)</u>	<u>-6.37%</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	3,993,551	3,781,239	212,312	5.61%
Restricted	142,823	150,200	(7,377)	-4.91%
Unrestricted	4,268,586	3,321,723	946,863	28.51%
Total Net Position	<u>8,404,960</u>	<u>7,253,162</u>	<u>1,151,798</u>	<u>15.88%</u>
Total Liabilities and Net Position	<u>\$ 11,031,619</u>	<u>\$ 10,058,405</u>	<u>\$ 973,214</u>	<u>9.68%</u>

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Managment's Discussion Analysis
June 30, 2018 and 2017

THE DISTRICT AS A WHOLE (Continued)

Table 2

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
Revenues			
Services Rendered	\$ 2,586,545	\$ 2,285,342	\$ 301,203
Operating Grants and Contributions	330,175	184,643	145,532
Interest Earnings	13,371	7,327	6,044
Taxes	1,297,148	1,263,949	33,199
Other Income (Expense)	218,748	241,845	(23,097)
Total Revenues	<u>4,445,987</u>	<u>3,983,106</u>	<u>462,881</u>
Expenses			
Fire Protection	1,050,555	1,026,831	23,724
Park & Recreation	186,626	195,642	(9,016)
Water	1,151,184	1,087,597	63,587
Sewer	920,120	869,318	50,802
Total Expenses	<u>3,308,485</u>	<u>3,179,388</u>	<u>129,097</u>
Change in Net Position	<u>\$ 1,137,502</u>	<u>\$ 803,718</u>	<u>\$ 333,784</u>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2018 and 2017**

THE DISTRICT AS A WHOLE (Continued)

As reported in the statement of activities, the cost of all our activities this year was \$3,308,485 which was an increase of \$129,097 compared to the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was \$1,297,148. Changes in net positions were \$1,137,502.

In Table 3, we have presented cost including depreciation of the District's functions.

Table 3

	2018	2017
	<u>Cost of Service</u>	<u>Cost of Service</u>
Park & Recreation	<u>\$ 186,626</u>	<u>\$ 195,642</u>
Fire	<u>\$ 1,050,555</u>	<u>\$ 1,026,831</u>
Water	<u>\$ 1,151,184</u>	<u>\$ 1,087,597</u>
Sewer	<u>\$ 920,120</u>	<u>\$ 869,318</u>

THE DISTRICT'S FUNDS

The District has elected to report two of the governmental funds as major funds, as such information may be of importance to certain financial statement users. As the District completed this year, our governmental funds reported a combined fund balance of \$1,470,151, which is an increase of \$141,024 compared to the prior year. The District's enterprise funds ended the year with a combined net position balance of \$4,503,417, which is an increase of \$865,780 compared to the prior year.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion Analysis
June 30, 2018 and 2017

THE DISTRICT'S FUNDS (Continued)

Table 4

	Balances		
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
Governmental Funds			
Park & Recreation	\$ 258,455	\$ 274,745	\$ (16,290)
Fire Protection	1,211,696	1,054,382	157,314
Total Governmental Funds	<u><u>\$ 1,470,151</u></u>	<u><u>\$ 1,329,127</u></u>	<u><u>\$ 141,024</u></u>
Proprietary Funds			
Water	\$ 2,840,238	\$ 2,280,111	\$ 560,127
Sewer	1,663,179	1,357,526	305,653
Total Proprietary Funds	<u><u>\$ 4,503,417</u></u>	<u><u>\$ 3,637,637</u></u>	<u><u>\$ 865,780</u></u>

GENERAL FUND BUDGET INFORMATION

In June of each year, a budget is adopted for the subsequent year by the District's Board of Directors. Budget preparation begins with results from the current year and is completed with assumptions derived from various sources including the different department. The budget is updated during the year.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$5,665,095 in a broad range of capital assets net of accumulated depreciation, including land, buildings, and furniture and equipment. This amount represents an increase (including additions and deductions) of \$16,315 from the prior year.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion Analysis
June 30, 2018 and 2017

CAPITAL ASSET & DEBT ADMINISTRATION (Continued)

Table 5

	<u>2018</u>	<u>2017</u>	<u>Difference</u>	<u>Percent Difference</u>
Land	\$ 1,070,803	\$ 906,102	\$ 164,701	18.18%
Construction In Progress	226,011	177,063	48,948	361.74%
Plant and Equipment, Net of Accumulated Depreciation	<u>4,368,281</u>	<u>4,565,615</u>	<u>(197,334)</u>	<u>-4.32%</u>
Total	<u>\$ 5,665,095</u>	<u>\$ 5,648,780</u>	<u>\$ 16,315</u>	<u>0.29%</u>

Long-Term Obligations

At June 30, 2018, the District's outstanding long-term debt was \$1,671,544. During the fiscal year ended June 30, 2018, payments made on principal decreased long-term debt by \$1,959,997. We present a more detailed information regarding our long-term obligations in the notes to the financial statements.



**TWAIN HARTE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2018 and 2017**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Carolyn Higgins, Finance Officer, P.O. Box 649, Twain Harte, CA 95383 or call at (209) 586-3172.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Twain Harte Community Services District
Twain Harte, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Twain Harte Community Services District as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the 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 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 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 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 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 Twain Harte Community Services District, as of June 30, 2018 and 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9 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 November 8, 2018 on our consideration of the Twain Harte Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Twain Harte Community Services District's internal control over financial reporting and compliance.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, CA
November 8, 2018

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2018 and 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total - 2018</u>	<u>Total - 2017</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,427,969	\$ 2,373,427	\$ 3,801,396	\$ 3,183,765
Restricted Cash	4,405	138,418	142,823	154,856
Accounts Receivable	-	292,154	292,154	278,328
Taxes Receivable	63,944	5,652	69,596	15
Grants Receivable	31,727	331,725	363,452	412,492
Prepaid Expenses	26,069	4,124	30,193	5,161
Store Inventory	-	7,838	7,838	7,838
Due from Other Governments	32,167	-	32,167	-
Total Current Assets	<u>1,586,281</u>	<u>3,153,338</u>	<u>4,739,619</u>	<u>4,042,455</u>
Non-Current Assets				
Construction in Progress	-	226,011	226,011	177,063
Land	841,263	229,540	1,070,803	906,102
Structures and Improvements	1,798,215	775,950	2,574,165	2,403,356
Equipment	1,546,589	8,358,313	9,904,902	9,954,672
Less: Accumulated Depreciation	<u>(1,635,301)</u>	<u>(6,475,485)</u>	<u>(8,110,786)</u>	<u>(7,792,413)</u>
Total Non-Current Assets	<u>2,550,766</u>	<u>3,114,329</u>	<u>5,665,095</u>	<u>5,648,780</u>
Deferred Outflow of Resources				
Pension deferred charges	<u>256,208</u>	<u>370,697</u>	<u>626,905</u>	<u>367,170</u>
Total Assets	<u>\$ 4,393,255</u>	<u>\$ 6,638,364</u>	<u>\$ 11,031,619</u>	<u>\$ 10,058,405</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 33,032	\$ 180,283	\$ 213,315	\$ 316,923
Accrued Payables	49,399	37,819	87,218	54,720
Employee Benefits	33,699	61,668	95,367	78,072
Interest Payable	-	71,220	71,220	74,808
Current Portion of Long-Term Obligations	<u>36,812</u>	<u>181,924</u>	<u>218,736</u>	<u>212,777</u>
Total Current Liabilities	<u>152,942</u>	<u>532,914</u>	<u>685,856</u>	<u>737,300</u>
Non-Current Liabilities				
Net Pension Liability	174,115	258,041	432,156	224,524
Noncurrent Portion of Long-Term Obligations	194,852	1,476,692	1,671,544	1,867,541
Less: Current Portion of Long-Term Obligations	<u>(36,812)</u>	<u>(181,924)</u>	<u>(218,736)</u>	<u>(212,777)</u>
Total Non-Current Liabilities	<u>332,155</u>	<u>1,552,809</u>	<u>1,884,964</u>	<u>1,879,288</u>
Deferred Inflow of Resources				
Pension deferred credits	20,911	34,928	55,839	188,655
Deferred Income	<u>-</u>	<u>14,296</u>	<u>14,296</u>	<u>-</u>
Total Liabilities	<u>506,008</u>	<u>2,134,947</u>	<u>2,640,955</u>	<u>2,805,243</u>
NET POSITION				
Invested in Capital Assets, Net of Related Debt	2,355,914	1,637,637	3,993,551	3,781,239
Restricted for:				
Debt Service	4,405	138,418	142,823	150,200
Unrestricted	<u>1,526,928</u>	<u>2,727,362</u>	<u>4,254,290</u>	<u>3,321,723</u>
Total Net Position	<u>3,887,247</u>	<u>4,503,417</u>	<u>8,390,664</u>	<u>7,253,162</u>
Total Liabilities and Net Position	<u>\$ 4,393,255</u>	<u>\$ 6,638,364</u>	<u>\$ 11,031,619</u>	<u>\$ 10,058,405</u>

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

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Statement of Activities
For the Year Ended June 30, 2018 and 2017

	Governmental Activities	Business-Type Activities	Total - 2018	Total - 2017
PROGRAM EXPENSES				
Fire Protection	\$ 1,050,555	\$ -	\$ 1,050,555	\$ 1,026,831
Park & Recreation	186,626	-	186,626	195,642
Water	-	1,151,184	1,151,184	1,087,597
Sewer	-	920,120	920,120	869,318
Total Program Expenses	1,237,181	2,071,304	3,308,485	3,179,388
PROGRAM REVENUE				
Services Rendered	250,619	2,335,926	2,586,545	2,285,342
Operating Grants and Contributions	65,135	265,040	330,175	184,643
Total Program Revenues	315,754	2,600,966	2,916,720	2,469,985
Net Program Expenses (Income)	921,427	(529,662)	391,765	709,403
GENERAL REVENUES				
Property Taxes	1,195,257	101,891	1,297,148	1,263,949
Interest Income	3,744	9,627	13,371	7,327
Interest Expense	(6,573)	(64,354)	(70,927)	(78,208)
Miscellaneous	275	7,099	7,374	17,553
Sale of Assets/Land Donations	446	281,855	282,301	302,500
Total General Revenues	1,193,149	336,118	1,529,267	1,513,121
Excess of Revenues over Expenses	271,722	865,780	1,137,502	803,718
Change in Net Position	271,722	865,780	1,137,502	803,718
Net Position-Beginning of Year	3,615,525	3,637,637	7,253,162	6,449,444
Net Position-End of Year	\$ 3,887,247	\$ 4,503,417	\$ 8,390,664	\$ 7,253,162

The notes are an integral part of these financial statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018 and 2017

	Park & Recreation	Fire Protection	Total Governmental Funds - 2018	Total Governmental Funds - 2017
ASSETS				
Current Assets				
Cash and Investments	\$ 239,939	\$ 1,188,030	\$ 1,427,969	\$ 1,441,514
Restricted Cash	450	3,955	4,405	5,306
Taxes Receivable	6,583	57,361	63,944	14
Grants Receivable	22,392	9,335	31,727	2,981
Prepaid Expenses	382	25,687	26,069	726
Due from Other Governments	-	32,167	32,167	-
Total Assets	\$ 269,746	\$ 1,316,535	\$ 1,586,281	\$ 1,450,541
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 5,592	\$ 27,440	\$ 33,032	\$ 78,621
Accrued Payables	1,791	47,608	49,399	19,162
Compensated Absences	3,908	29,791	33,699	23,631
Total Liabilities	11,291	104,839	116,130	121,414
FUND BALANCES				
Nonspendable	382	25,387	25,769	726
Restricted	450	3,955	4,405	5,306
Assigned	72,892	508,799	581,691	581,539
Committed	184,731	673,555	858,286	741,556
Total Fund Balances	258,455	1,211,696	1,470,151	1,329,127
Total Liabilities and Fund Balances	\$ 269,746	\$ 1,316,535	\$ 1,586,281	\$ 1,450,541

The notes are an integral part of these financial statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018 and 2017

	<u>Park & Recreation</u>	<u>Fire Protection</u>	<u>Total Governmental Funds - 2018</u>	<u>Total Governmental Funds - 2017</u>
GENERAL REVENUES				
Taxes and Assessments	\$ 123,922	\$ 1,071,335	\$ 1,195,257	\$ 1,156,268
Interest	1,337	2,407	3,744	2,051
Charges for Services	2,760	247,859	250,619	149,761
Grants	22,392	14,147	36,539	26,450
Donations	27,710	886	28,596	22,227
Miscellaneous	98	177	275	13,271
Total Revenues	<u>178,219</u>	<u>1,336,811</u>	<u>1,515,030</u>	<u>1,370,028</u>
EXPENDITURES				
Operating Expenditures				
Salaries and Benefits	12,013	787,868	799,881	732,724
Materials, Supplies, and Services	110,723	271,539	382,262	388,214
Capital Outlay	72,476	78,432	150,908	162,147
Debt Service	-	42,365	42,365	42,365
Total Expenditures	<u>195,212</u>	<u>1,180,204</u>	<u>1,375,416</u>	<u>1,325,450</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,993)</u>	<u>156,607</u>	<u>139,614</u>	<u>44,578</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Sale of Assets	703	707	1,410	-
Total Other Financing Sources and Uses	<u>703</u>	<u>707</u>	<u>1,410</u>	<u>-</u>
Net Change in Fund Balances	<u>(16,290)</u>	<u>157,314</u>	<u>141,024</u>	<u>44,578</u>
Fund Balances - Beginning	<u>274,745</u>	<u>1,054,382</u>	<u>1,329,127</u>	<u>1,284,549</u>
Fund Balances - Ending	<u>\$ 258,455</u>	<u>\$ 1,211,696</u>	<u>\$ 1,470,151</u>	<u>\$ 1,329,127</u>

The notes are an integral part of these financial statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018 and 2017

	2018	2017		
Total Fund Balance-Governmental Funds			\$ 1,470,151	\$ 1,329,127
 Amounts Reported for Governmental Activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.				
	2018	2017		
Capital Assets	4,186,067	4,036,575		
Accumulated Depreciation	(1,635,301)	(1,505,137)	2,550,766	2,531,438
Deferred pension charges not reported in funds balance sheet			256,208	151,000
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			(194,852)	(230,644)
Deferred pension credits not reported in funds balance sheet			(20,911)	(81,639)
Net Pension liability not reported in funds balance sheet			(174,115)	(83,757)
Total Net Position-Governmental Activities			\$ 3,887,247	\$ 3,615,525

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

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018 and 2017

	2018	2017
Net Change in Fund Balances - Governmental Funds	\$ 141,024	\$ 44,578
Amounts reported for governmental activities in the statement of net position are different because:		
Capital outlays is reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions of \$150,908 was more than depreciation of \$130,609 in the current period.	20,299	293,510
Adjustment for book value of assets sold	(970)	-
Pension expense adjustment for deferred items	75,577	66,847
Payments of long-term debt is reported in governmental funds as expenditures. However, in the government-wide financial statements the payments of long-term debt are recorded as a reduction of liability.	35,792	34,800
Change in Net Position of Governmental Activities	\$ 271,722	\$ 439,735

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

TWAIN HARTE COMMUNITY SERVICES DISTRICT

**Enterprise Funds
Statement of Net Position
June 30, 2018 and 2017**

	Business-Type Activities Enterprise Funds			
	Water	Sewer	Total - 2018	
ASSETS				
Current Assets				
Cash and Investments	\$ 1,444,839	\$ 928,588	\$ 2,373,427	\$ 1,742,251
Restricted Cash	138,418	-	138,418	149,550
Accounts Receivable	165,087	127,067	292,154	278,328
Taxes Receivable	5,652	-	5,652	1
Grants Receivable	231,716	100,009	331,725	409,511
Prepaid Expenses	2,655	1,489	4,144	4,435
Stores Inventories	6,069	1,769	7,838	7,838
Total Current Assets	1,994,436	1,158,922	3,153,358	2,591,914
Noncurrent Assets				
Construction in Progress	208,670	17,341	226,011	123,626
Land	103,322	126,218	229,540	97,428
Structures and Improvements	529,810	246,140	775,950	775,481
Equipment	6,609,704	1,748,609	8,358,313	8,408,083
Less: Accumulated Depreciation	(5,080,506)	(1,394,979)	(6,475,485)	(6,287,276)
Total Noncurrent Assets	2,371,000	743,329	3,114,329	3,117,342
Deferred Outflow of Resources				
Pension deferred charges	233,539	137,158	370,697	216,170
Total Assets	\$ 4,598,975	\$ 2,039,409	\$ 6,638,384	\$ 5,925,426
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 62,583	\$ 117,700	\$ 180,283	\$ 238,302
Accrued Payables	18,484	19,335	37,819	35,558
Compensated Absences	39,883	21,785	61,668	54,441
Interest Payable	67,823	3,397	71,220	74,808
Current Portion of Long-Term Obligations	168,328	13,596	181,924	176,985
Total Current Liabilities	357,101	175,813	532,914	580,094
Noncurrent Liabilities				
Net Pension Liability	162,566	95,475	258,041	140,767
Noncurrent Portion of Long-Term Obligations	1,371,097	105,595	1,476,692	1,636,897
Less: Current Portion of Long-Term Obligations	(168,328)	(13,596)	(181,924)	(176,985)
Deferred Inflow of Resources				
Pension deferred credits	22,005	12,923	34,928	107,016
Deferred Revenue	14,296	-	14,296	-
Total Liabilities	1,758,737	376,210	2,120,651	2,287,789
NET POSITION				
Invested in Capital Assets, Net of Related Debt	999,903	637,734	1,637,637	1,458,471
Restricted	138,418	-	138,418	149,550
Unrestricted	1,701,917	1,025,465	2,727,382	2,029,616
Total Net Position	2,840,238	1,663,199	4,503,437	3,637,637
Total Liabilities and Net Position	\$ 4,598,975	\$ 2,039,409	\$ 6,638,384	\$ 5,925,426

The notes are an integral part of these financial statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018 and 2017

	Business-Type Activities Enterprise Funds			Total - 2017
	Water	Sewer	Total - 2018	
OPERATING REVENUES				
Service Charges	\$ 1,327,680	\$ 1,008,246	\$ 2,335,926	\$ 2,135,581
Other Operating Revenues	187,150	77,890	265,040	135,966
Total Operating Revenues	<u>1,514,830</u>	<u>1,086,136</u>	<u>2,600,966</u>	<u>2,271,547</u>
OPERATING EXPENSES				
General and Administrative	239,218	127,244	366,462	372,425
Plant	700,587	730,460	1,431,047	1,284,521
Depreciation	211,379	62,416	273,795	299,969
Total Operating Expenses	<u>1,151,184</u>	<u>920,120</u>	<u>2,071,304</u>	<u>1,956,915</u>
Net Operating Income (Loss)	<u>363,646</u>	<u>166,016</u>	<u>529,662</u>	<u>314,632</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	6,284	3,343	9,627	5,276
Taxes and Assessments	101,891	-	101,891	107,681
Interest Expense	(60,412)	(3,942)	(64,354)	(70,643)
Lease Property	3,196	3,196	6,392	3,110
Gain on Sale of Assets	145,060	136,795	281,855	2,500
Miscellaneous	462	245	707	1,427
Total Nonoperating Revenues (Expenses)	<u>196,481</u>	<u>139,637</u>	<u>336,118</u>	<u>49,351</u>
Income (Loss) Before Transfers	<u>560,127</u>	<u>305,653</u>	<u>865,780</u>	<u>363,983</u>
Change in Net Position	560,127	305,653	865,780	363,983
Total Net Position - Beginning	<u>2,280,111</u>	<u>1,357,526</u>	<u>3,637,637</u>	<u>3,273,654</u>
Total Net Position - Ending	<u>\$ 2,840,238</u>	<u>\$ 1,663,179</u>	<u>\$ 4,503,417</u>	<u>\$ 3,637,637</u>

The notes are an integral part of the financial statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2018 and 2017

	Business-Type Activities Enterprise Funds			Total - 2017
	Water	Sewer	Total - 2018	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,647,792	\$ 1,017,134	\$ 2,664,926	\$ 2,337,760
Cash Payments for Goods and Services	(540,359)	(703,038)	(1,243,397)	(1,084,892)
Cash Payments to Employees and benefits	(487,249)	(210,129)	(697,378)	(653,170)
Net Cash Provided (Used) by Operating Activities	<u>620,184</u>	<u>103,967</u>	<u>724,151</u>	<u>599,698</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Cash Received from Property Taxes	96,240	-	96,240	107,770
Miscellaneous, Non Operating Income (Expense)	3,658	3,441	7,099	4,537
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>99,898</u>	<u>3,441</u>	<u>103,339</u>	<u>112,307</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principle Payments to Loans	(160,205)	-	(160,205)	(180,992)
Interest Expense on Long-Term Loans	(67,397)	(545)	(67,942)	(81,692)
Acquisition of Capital Assets	(212,212)	(65,297)	(277,509)	(149,857)
Proceeds from Sale of Asset	150,674	137,909	288,583	2,500
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(289,140)</u>	<u>72,067</u>	<u>(217,073)</u>	<u>(410,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	6,284	3,343	9,627	5,276
Net Cash Provided (Used) from Investing Activities	<u>6,284</u>	<u>3,343</u>	<u>9,627</u>	<u>5,276</u>
Net Increase (Decrease) in Cash	437,226	182,818	620,044	307,240
Cash-Beginning of Year	<u>1,146,031</u>	<u>745,770</u>	<u>1,891,801</u>	<u>1,584,561</u>
Cash-End of Year	<u>\$ 1,583,257</u>	<u>\$ 928,588</u>	<u>\$ 2,511,845</u>	<u>\$ 1,891,801</u>

The notes are an integral part of these financial statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Enterprise Funds
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018 and 2017

	Business-Type Activities		Enterprise Funds	
	<u>Water</u>	<u>Sewer</u>	<u>Total - 2018</u>	<u>Total - 2017</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (loss)	\$ 363,646	\$ 166,016	\$ 529,662	\$ 314,632
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	211,379	62,416	273,795	299,969
Changes in Assets and Liabilities:				
Receivables	132,962	(69,002)	63,960	24,450
Inventories	-	-	-	354
Prepaid Expenses	94	217	311	(776)
Accounts Payable and Other Accrued Liabilities	(37,130)	(18,628)	(55,758)	78,592
Compensated Absences	3,821	3,406	7,227	7,965
Pension Adjustment	(68,884)	(40,458)	(109,342)	(125,488)
Deferred Revenue	14,296	-	14,296	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 620,184</u>	<u>\$ 103,967</u>	<u>\$ 724,151</u>	<u>\$ 599,698</u>

The notes are an integral part of the financial statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

Financial Reporting Entity

Twain Harte Community Services District (“District”) was formed in 1996 under Section 3 of the County District Act of 1923. The District’s primary function is to provide water, sewer, fire protection, and parks and recreation services to properties in a specific geographical area in the Twain Harte area of Tuolumne County.

Budgetary Reporting

The District’s annual budget is a management tool that assists its users in analyzing financial activity for the fiscal year ended June 30, 2018. Budgets are formally adopted by the Board in June and take effect the following July 1. The budget disclosed is the original budget which is updated during the year. A department head is allowed to transfer line item expenditures within the same fund up to a maximum of \$5,000. An amount over \$5,000 for any line item transfer requires Board approval. Use of any capital asset funds for anything other than their intended purpose requires Board approval.

Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund net position, revenues, and expenditures or expenses, as appropriate. The various funds are summarized by type in the general-purpose financial statements. Fund types used by the District are described below:

Governmental Fund Types:

Fire Protection: The fire protection fund is authorized fire protection services, rescue services, hazardous material emergency response services, and ambulance services in the same manner as a fire protection District. All transactions related to fire protection are recorded in the fire protection fund. In addition, 10% of administrative costs of the District are allocated to the fire protection fund.

Park and Recreation: The park and recreation fund operate a variety of public park facilities including Eproson Park, Community Center/American Legion Hall, and Twain Harte Tennis Courts. Also, the District is currently evaluating the possibility of providing senior and/or teen services at the Community Center. Ten percent of administrative costs of the District are allocated to the park and recreation fund.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund Types:

Enterprise Funds: Account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent to the Board of Directors is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District applies all applicable GASB statements effective as of fiscal year end. The water and sewer funds are considered Enterprise Funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in current net position.

All enterprise funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Basis of Accounting – Measurement Focus

Government – Wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the enterprise fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government – Wide Financial Statements (Continued): The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue funds and the restrictions on their net position use.

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated to the general fund.

Governmental Funds: All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds: Enterprise funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement revenues, expenses, and changes in fund net position present increases (revenues) and decreases (expenses) to total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise funds.

Revenues – Exchange and Non-Exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end. Service charges and interest are considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received or when assessed if received within 60 days of the fiscal year-end. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Hookup Fees

Fees charged for hookup of water and sewer services are considered income in the period the service is performed.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventory

Inventories in the enterprise funds are stated at cost, using the first-in first-out method.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statements. The valuation basis for capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the enterprise funds are capitalized in the fund in which they are utilized. The valuation basis for enterprise fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position and governmental funds balance sheet.

Sick leave is accumulated for each employee at the rate of one day for each month worked to a limit of 960 hours for regular employees and 1,328 hours for Fire Department shift employees. Leave with pay is provided when employees are absent for health reasons.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The employees gain a vested right to accumulated sick leave of up to 480 hours for regular employees and 664 hours for Fire Department employees.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and any special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Fund Balance

In pursuant of GASB 54, District procedures to classify fund balance are as follows:

- Restricted
- Nonspendable
- Committed
- Assigned
- Unassigned

In the Governmental Fund Balance Sheet, the District has three classifications of fund balances: nonspendable, assigned, and unassigned. The District has classified nonspendable fund balance to the extent of prepaid expense amounts. Assigned represents designated fund balances by the Board of Directors or management. The unassigned fund balance is used to classify the fund balance that has not been assigned to other funds and that has not been restricted, or committed to a specific purpose.

Net Position

Net positions represent the difference between assets and liabilities. Net position invested in capital assets; net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The government-wide financial statements report \$142,823 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the District, these revenues are water and sewer usage fees. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unsecured property taxes are payable in one installment on or before August 31. The County of Tuolumne bills and collects the taxes on behalf of the District. Revenue from property taxes is recognized in the fiscal year in which the taxes are received or assessed if received within 60 days of the fiscal year.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018 and 2017 are classified in the accompanying financial statements as follows:

US Bank:	<u>2018</u>	<u>2017</u>
General and Capital Funds	\$ 2,660,930	\$ 2,057,571
Restricted:		
Davis Grunsky #1	68,006	73,726
Davis Grunsky #2	70,412	75,824
LAIF	<u>1,144,871</u>	<u>1,131,500</u>
Total Deposits and Investments	<u>\$ 3,944,219</u>	<u>\$ 3,338,621</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or it's agencies; bankers acceptances; commercial paper; certificates of deposits placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in the State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of investments in the pool is determined quarterly.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis with funds generally available next business day.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment; generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates

The District manages its exposures to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment is not required to be rated, nor has it been rated as of June 30, 2018.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Cash balances held in banks and revolving funds are insured up to \$250,000 per institution by the Federal Depository Insurance Corporation (“FDIC”). All cash held by the financial institutions is fully insured or collateralized, except the amount that exceeds the maximum insured levels of the FDIC.



TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018, consisted of the following:

	<u>Park & Recreation</u>	<u>Fire Protection</u>	<u>Total Governmental Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>
Local Government						
Taxes	\$ 6,583	\$ 57,361	\$ 63,944	\$ 5,652	\$ -	\$ 5,652
Utility Billings	-	-	-	165,087	127,067	292,154
Grants Receivable	<u>22,392</u>	<u>9,335</u>	<u>31,727</u>	<u>231,716</u>	<u>100,009</u>	<u>331,725</u>
Total	<u>\$ 28,975</u>	<u>\$ 66,696</u>	<u>\$ 95,671</u>	<u>\$ 402,455</u>	<u>\$ 227,076</u>	<u>\$ 629,531</u>

NOTE 4 - CAPITAL ASSETS

A summary of the government-wide property plant and equipment at June 30, 2018, is as follows:

Governmental Activities:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance June 30, 2018</u>
Fire & Park and Recreation				
Capital Assets not being Depreciated				
Land	\$ 808,674	\$ 32,589	\$ -	\$ 841,263
Construction in Progress	<u>53,437</u>	<u>-</u>	<u>(53,437)</u>	<u>-</u>
Total Assets not being Depreciated	<u>862,111</u>	<u>32,589</u>	<u>(53,437)</u>	<u>841,263</u>
Capital Assets being Depreciated				
Structures and Improvements	1,627,875	118,319	52,021	1,798,215
Equipment	<u>1,546,589</u>	<u>-</u>	<u>-</u>	<u>1,546,589</u>
Total Assets being Depreciated	<u>3,174,464</u>	<u>118,319</u>	<u>52,021</u>	<u>3,344,804</u>
Total Capital Assets	4,036,575	150,908	(1,416)	4,186,067
Accumulated Depreciation	<u>(1,505,137)</u>	<u>(130,609)</u>	<u>445</u>	<u>(1,635,301)</u>
Total Book Value	<u>\$ 2,531,438</u>	<u>\$ 20,299</u>	<u>\$ (971)</u>	<u>\$ 2,550,766</u>

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the District's water service fixed assets is as follows:

Enterprise Funds:

<u>Water</u>	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital Assets not being Depreciated				
Land	\$ 97,428	\$ 8,754	\$ (2,860)	\$ 103,322
Construction in Progress	98,434	123,214	(12,978)	208,670
Total Assets not being Depreciated	<u>195,862</u>	<u>131,968</u>	<u>(15,838)</u>	<u>311,992</u>
Capital Assets being Depreciated				
Building and Improvements	531,336	24,268	(25,794)	529,810
Plant and Equipment	6,570,953	68,954	(30,203)	6,609,704
Total Capital Assets	7,298,151	225,190	(71,835)	7,451,506
Accumulated Depreciation	<u>(4,922,370)</u>	<u>(211,379)</u>	<u>53,243</u>	<u>(5,080,506)</u>
Total Book Value	<u>\$ 2,375,781</u>	<u>\$ 13,811</u>	<u>\$ (18,592)</u>	<u>\$ 2,371,000</u>

A summary of changes in the District's sewer service fixed assets is as follows:

<u>Sewer</u>	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital Assets not being Depreciated				
Land	\$ -	\$ 4,863	\$ 121,355	\$ 126,218
Construction in Progress	25,192	17,341	(25,192)	17,341
Total Assets not Depreciated	<u>25,192</u>	<u>22,204</u>	<u>96,163</u>	<u>143,559</u>
Capital Assets being Depreciated				
Building and Improvements	244,144	46,898	(44,902)	335,944
Plant and Equipment	1,837,130	22,388	(110,909)	1,748,609
Total Capital Assets	2,081,274	69,286	(155,811)	1,994,749
Accumulated Depreciation	<u>(1,364,906)</u>	<u>(62,416)</u>	<u>32,343</u>	<u>(1,394,979)</u>
Total Book Value	<u>\$ 741,560</u>	<u>\$ 29,074</u>	<u>\$ (27,305)</u>	<u>\$ 743,329</u>

Depreciation Expense was charged as follows:

Governmental Activities	
Park and Recreation	\$ 63,890
Fire Protection	66,719
Total Depreciation Expense-Governmental Activities	<u>\$ 130,609</u>
Business-Type Activities	
Water Fund	\$ 211,379
Sewer Fund	62,416
Total Depreciation Expense Business-Type Activities	<u>\$ 273,795</u>

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 5 - ALLOCATION FROM GENERAL FUND

The District allocates a percentage of administrative expenses to each of the four funds of the District. The following shows the allocation percentages to allocate the administrative expenses:

Water	47.0%
Sewer	25.0%
Park and Recreation	10.0%
Fire Protection	18.0%

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	<u>Park & Recreation</u>	<u>Fire Protection</u>	<u>Total Governmental Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>
Vendor Payables	\$ 5,592	\$ 27,440	\$ 33,032	\$ 62,583	\$ 117,700	\$ 180,283
Accrued Payables	1,791	47,608	49,399	18,484	19,335	37,819
Total	<u>\$ 7,383</u>	<u>\$ 75,048</u>	<u>\$ 82,431</u>	<u>\$ 81,067</u>	<u>\$ 137,035</u>	<u>\$ 218,102</u>

NOTE 7 - COMPENSATED ABSENCES

The District's compensated absences at June 30, 2018 consisted of the following:

	<u>Park & Recreation</u>	<u>Fire Protection</u>	<u>Total Governmental Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>
Compensated Absences	<u>\$ 3,908</u>	<u>\$ 29,791</u>	<u>\$ 33,699</u>	<u>\$ 39,883</u>	<u>\$ 21,785</u>	<u>\$ 61,668</u>

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits and limited sick leave. A portion of these benefits is paid to the employee upon separation of employment from the District. The liability has been provided for in the government-wide financial statements, governmental funds financial statements, and enterprise funds.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM OBLIGATIONS

Summary – Enterprise Activities

The changes to the District’s long-term obligations for its enterprise activities during the year consisted of the following:

Enterprise Funds:	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Due in One Year</u>
Water Fund					
Davis – Grunsky loan #1. Original indebtedness – \$950,000, payable in annual installments of Principal and semi-annual installments of interest At 2.5%, maturity date is 2023.	\$ 208,469	\$ -	\$ (32,636)	\$ 175,833	\$ 33,451
Davis – Grunsky #1, deferred interest, payable in annual installments without interest, original indebtedness - \$84,239, maturity date is 2023.	21,974	-	(3,662)	18,312	3,662
Davis – Grunsky #2. Original indebtedness – \$860,535, payable in annual installments of Principal and semi-annual installments of interest At 2.5% maturity is 2023.	204,839	-	(32,068)	172,771	32,869
Porter/Cal-Western loan, payable in monthly Installments of principal plus interest at 2.97% Beginning January 1, 2010 through August 1, 2019	57,063	-	(28,771)	28,292	28,292
Municipal Finance Corporation, payable in annual installments and interest of 4.98%, maturity date is 2028	<u>1,060,931</u>	<u>-</u>	<u>(66,730)</u>	<u>994,201</u>	<u>70,054</u>
Total-Water Fund	<u>1,553,276</u>	<u>-</u>	<u>(163,867)</u>	<u>1,389,409</u>	<u>168,328</u>
Sewer Fund					
US Bancorp, payable in annual installments of \$17,478, maturity date is August 2024	<u>105,595</u>	<u>-</u>	<u>-</u>	<u>105,595</u>	<u>13,596</u>
Total-Sewer Fund	<u>105,595</u>	<u>-</u>	<u>-</u>	<u>105,595</u>	<u>13,596</u>
Total	<u>\$ 1,658,871</u>	<u>\$ -</u>	<u>\$ (163,867)</u>	<u>\$ 1,495,004</u>	<u>\$ 181,924</u>
Governmental Activities-Fire Fund					
Municipal Finance Corporation, payable in annual installments and interest of 2.85% per annum Beginning February 1, 2013 through February 1, 2023	<u>\$ 230,644</u>	<u>\$ -</u>	<u>\$ (35,792)</u>	<u>\$ 194,852</u>	<u>\$ 36,812</u>

* Fiscal Year 2018 installment was paid in Fiscal Year 2017.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements to Maturity

The debt matures through 2028 as follows:

Fiscal Year	Fire Fund Loans		Sewer Fund Sewer Bonds		Water Fund Loans and Deferred Interest		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 36,812	\$ 5,553	\$ 13,596	\$ 3,882	\$ 168,328	\$ 58,729	\$ 218,736	\$ 68,164
2020	37,861	4,504	14,093	3,385	145,184	53,079	197,138	60,968
2021	38,940	3,425	14,608	2,870	150,545	47,718	204,093	54,013
2022	40,050	2,315	15,141	2,337	156,132	42,130	211,323	46,782
2023-2028	41,189	1,174	48,157	3,609	769,220	100,349	858,566	105,132
Total	\$ 194,852	\$ 16,971	\$ 105,595	\$ 16,083	\$ 1,389,409	\$ 302,005	\$ 1,689,856	\$ 335,059

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2019, the date these financial statements were available.



TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 10 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The assets and any related income are maintained in a third party trust and are not included in the District’s financial statements.

NOTE 11 – FUND BALANCES

Fund balances of the governmental funds are composed of the following elements:

	<u>Park & Recreation</u>	<u>Fire</u>	<u>Total Governmental Funds- 2018</u>	<u>Total Governmental Funds-2017</u>
Nonspendable	\$ 382	\$ 25,387	\$ 25,769	\$ 726
Restricted	450	3,955	4,405	5,306
Assigned	72,892	508,799	581,691	581,539
Total Assigned	<u>72,892</u>	<u>508,799</u>	<u>581,691</u>	<u>581,539</u>
Committed	<u>184,731</u>	<u>673,555</u>	<u>858,286</u>	<u>741,556</u>
Total Committed	<u>184,731</u>	<u>673,555</u>	<u>858,286</u>	<u>741,556</u>
Total Fund Balances	<u>\$ 258,455</u>	<u>\$ 1,211,696</u>	<u>\$ 1,470,151</u>	<u>\$ 1,329,127</u>

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 12 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2018, the following District major funds compared to budgeted amounts as follows:

Funds	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Park & Recreation			
Employee Cost	\$ 12,047	\$ 12,013	\$ 34
General Operating Cost	133,190	110,723	22,467
Capital Outlay	94,900	72,476	22,424
Total Park and Recreation	<u>\$ 240,137</u>	<u>\$ 195,212</u>	<u>\$ 44,925</u>
Fire			
Employee Costs	\$ 766,859	\$ 787,868	\$ (21,009)
General Operating Cost	299,540	271,539	28,001
Capital Outlay	422,462	78,432	344,030
Debt Services	42,365	42,365	-
Total Fire	<u>\$ 1,531,226</u>	<u>\$ 1,180,204</u>	<u>\$ 351,022</u>

NOTE 13 – RISK MANAGEMENT

The Twain Harte Community Services District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. During the year ended June 30, 2018, the District contracted with the Special District Risk Management Authority (the Authority) for workers' compensation, and property and liability insurance coverage. The relationship between the District and the Authority is such that it is not a component unit of the District for financial reporting purposes. The Authority has reporting requirements independent of members units and its financial statements are not presented in these final statements. Audited financial statements are generally available from the Authority.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is not currently a party to any legal proceedings.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

A. Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS annual financial report may be obtained from their Executive Office – 400 Q Street, Sacramento, CA 95814.

A. DEFINED BENEFITS PENSION PLANS - (Safety Plan)

The District provides eligible employee's pension plans benefits through the Twain Harte Community Services District – Safety Plan.

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 not accounting purposes, and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2016 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 contribution rate of employees. For the Safety Plan measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 8.982 percent of annual pay, the average employer's contribution rate is 16.842 percent of annual payroll, and the projected payroll unfunded accrued liability contribution is 1.063 percent.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

A. DEFINED BENEFITS PENSION PLANS - Safety Plan (Continued)

Employer contributions rates may change if plan contracts are amended. 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.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Delivered using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 results 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 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund.

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

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

A. DEFINED BENEFITS PENSION PLANS - Safety Plan (Continued)

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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Global Equity	47.0%	4.9%	5.38%
Global Fixed Income	19.0	0.08	2.3
Inflation Sensitive	6.0	0.60	1.4
Private Equity	12.0	6.60	6.6
Real Estate	11.0	2.80	5.2
Infrastructure and Forestland	3.0	3.90	5.4
Liquidity	2.0	(0.40)	(0.9)

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

	<u>Plan Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Plan Net Pension Liability/(Asset) (c) = (a) - (b)</u>
Balance at : 6/30/2016 (MD)	\$ 1,067,060	\$ 983,303	\$ 83,757
Balance at : 6/30/2017 (MD)	\$ 1,214,518	\$ 1,040,403	\$ 174,115
Net Changes during 2015-16	\$ 147,458	\$ 57,100	\$ 90,358

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

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

A. DEFINED BENEFITS PENSION PLANS - Safety Plan (Continued)

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1 % (6.15 %)	Current Discount Rate (7.15 %)	Discount Rate + 1 % (8.15 %)
Plan's Net Pension Liability/(Asset)	\$ 344,047	\$ 174,115	\$ 35,204

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

PENSION EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS

For the fiscal year ended June 30, 2018 and 2017, pension expense recognized is as follows:

	2018	2017
Total Service Costs	\$ 12,496	\$ 45,071
Interest on TPL	41,645	166,435
Recognize Changes of Assumptions	6,815	(10,461)
Changes of Benefit Terms	5	50
Plans Share of Employee Contribution	(4,336)	(16,979)
Net Plan to Plan Resource Movement	(4,679)	148
Projected Earnings on PPI	(28,493)	(128,907)
Recognized Difference Between Projected and Actual Plan Earnings	79	(2,358)
Recognized Portion of Adjustment Due to Difference in Proportions	(205)	13,060
Administrative Expenses	602	1,037
Total Pension Expense Recognized	\$ 23,929	\$ 67,096

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

A. DEFINED BENEFITS PENSION PLANS - Safety Plan (Continued)

For the measurement period ended June 30, 2017 (the measurement date), Twain Harte Community Services District incurred a pension expense of \$23,929 for the Plan (the pension expense for risk pool for the measurement period is \$821,201,709).

As of June 30, 2018, the Twain Harte Community Services District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 3,547	\$ 925
Changes of Assumptions	51,438	3,946
Net Difference between Projected and Actual Earnings on Pension Plan Investments	11,216	-
Difference between Employer's Contribution and Proportionate Share of Contribution	24,223	-
Pension Contributions made Subsequent to Measurement Date	58,566	-
Changes in Employees Proportion	<u>107,218</u>	<u>16,040</u>
Total	<u>\$ 256,208</u>	<u>\$ 20,911</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2019	81,284
2020	58,764
2021	43,246
2022	(6,563)
2023	-
Thereafter	-

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

B. DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan

The District provides eligible employee's pension plans benefits through the Twain Harte Community Services District – Miscellaneous Plan (The Plan).

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 not accounting purposes, and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2016 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 contribution rate of employees. For the Miscellaneous Plan measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 7.771 percent of annual pay, the average employer's contribution rate is 12.036 percent of annual payroll, and unfunded accrued liability is 1.022 percent. Employer contributions rates may change if plan contracts are amended. 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

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

B. DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Delivered using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 results 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 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

B. DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Global Equity	47.0%	4.9%	5.38%
Global Fixed Income	19.00	0.80	2.27
Inflation Sensitive	6.00	0.60	1.39
Private Equity	12.00	6.60	6.63
Real Estate	11.00	2.80	5.21
Infrastructure and Forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)

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

	<u>Plan Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Plan Net Pension Liability/(Asset)</u> (c) = (a) - (b)
Balance at : 6/30/2016 (MD)	\$ 1,311,492	\$ 1,170,725	\$ 140,767
Balance at : 6/30/2017 (MD)	\$ 1,582,826	\$ 1,324,785	\$ 258,041
Net Changes during 2016-17	\$ 271,334	\$ 154,060	\$ 117,274

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

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

B. DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

	Discount Rate - 1 % (6.15 %)	Current Discount Rate (7.15 %)	Discount Rate + 1 % (8.15 %)
Plan's Net Pension Liability/(Asset)	\$ 475,754	\$ 258,041	\$ 77,727

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

PENSION EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS

For the fiscal year ended June 30, 2018 and June 30, 2017, pension expense recognized is as follows:

	2018	2017
Total Service Costs	\$ 25,649	\$ 76,018
Interest on TPL	70,539	229,385
Recognize Changes of Assumptions	11,455	(14,148)
Changes of Benefit Terms	126	238
Plans Share of Employee Contribution	(11,011)	(5,294)
Net Plan to Plan Resource Movement	1,705	(35,700)
Projected Earnings on PPI	(50,830)	(184,384)
Recognized Difference Between Projected and Actual Plan Earnings	(1,389)	1,267
Recognized Portion of Adjustment Due to Difference in Proportions	(201)	19,249
Administrative Expenses	1,064	1,499
Total Pension Expense Recognized	\$ 47,107	\$ 88,130

For the measurement period ended June 30, 2017 (the measurement date), the Twain Harte Community Services District incurred a pension expense/(income) of \$47,107 for the Plan (the pension expense for risk pool for the measurement period is \$719,747,608).

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 15 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

B. DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

As of June 30, 2018, Twain Harte 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
Difference between Expected and Actual Experience	\$ 532	\$ 7,626
Changes of Assumptions	66,048	5,036
Net Difference between Projected and Actual Earnings on Pension Plan Investments	14,937	-
Difference between Employer's Contribution and Proportionate Share of Contribution	39,744	-
Pension Contributions made Subsequent to Measurement Date	82,407	-
Changes in Employees Proportion	167,029	22,266
Total	\$ 370,697	\$ 34,928

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	125,474
2020	78,848
2021	57,912
2022	(8,869)
2023	-
Thereafter	-

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Schedules of Required Supplementary Information - Safety Plan
June 30, 2018

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date in Relation to PERF C

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00115%	0.00563%	0.00294%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 174,115	\$ 83,756	\$ 43,065
Plan's Covered-Employee Payroll	\$ 339,294	\$ 318,228	\$ 293,367
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	51.32%	26.32%	14.68%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	85.66%	89.27%	94.43%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 3,697	\$ 2,172	\$ 1,554

Schedule of Plan Contributions

	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 58,566	\$ 54,826	\$ 60,458
Contributions in Relation to the Actuarially Determined Contribution	<u>(58,566)</u>	<u>(54,826)</u>	<u>(60,458)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 339,294	\$ 318,227	\$ 293,367
Contributions as a Percentage of Covered-Employee Payroll	17.26%	17.23%	20.61%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 as they have minimal cost impact.

Change in Assumptions: None

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Schedules of Required Supplementary Information - Miscellaneous Plan
June 30, 2018

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date in Relation to PERF C

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00161%	0.00911%	0.00339%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 258,041	\$ 140,775	\$ 111,247
Plan's Covered-Employee Payroll	\$ 644,354	\$ 626,570	\$ 509,316
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	40.05%	22.47%	21.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	92.15%	92.15%	72.73%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 7,000	\$ 4,885	\$ 33,034

Schedule of Plan Contributions

	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 82,407	\$ 75,332	\$ 79,387
Contributions in Relation to the Actuarially Determined Contribution	<u>(82,407)</u>	<u>(75,332)</u>	<u>(79,387)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 644,354	\$ 626,570	\$ 509,316
Contributions as a Percentage of Covered-Employee Payroll	12.79%	12.02%	15.59%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 as they have minimal cost impact.

Change in Assumptions: None

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Park and Recreation
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances-</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
				<u>to Actual</u>
REVENUES				
Taxes and Assessments	\$ 123,012	\$ 123,012	\$ 123,922	\$ 910
Interest/Lease	650	900	1,435	535
Charges for Services	3,500	3,500	2,760	(740)
Donations/Grants	38,600	52,600	50,102	(2,498)
Total Revenues	<u>165,762</u>	<u>180,012</u>	<u>178,219</u>	<u>(1,793)</u>
EXPENDITURES				
Current				
Employee Costs	12,100	12,047	12,013	34
General Operating Costs	133,686	133,190	110,723	22,467
Capital Outlay	88,200	94,900	72,476	22,424
Total Expenditures	<u>233,986</u>	<u>240,137</u>	<u>195,212</u>	<u>44,925</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(68,224)</u>	<u>(60,125)</u>	<u>(16,993)</u>	<u>43,132</u>
Other Financing Sources (Uses):				
Proceeds from the sale of assets	-	-	703	703
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>703</u>	<u>703</u>
NET CHANGE IN FUND BALANCES	(68,224)	(60,125)	(16,290)	43,835
Fund Balance – Beginning	<u>274,745</u>	<u>274,745</u>	<u>274,745</u>	<u>-</u>
Fund Balance – Ending	<u>\$ 206,521</u>	<u>\$ 214,620</u>	<u>\$ 258,455</u>	<u>\$ 43,835</u>

The notes are integral part of these statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Fire Protection Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances-</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
				<u>to Actual</u>
REVENUES				
Taxes and Assessments	\$ 1,050,290	\$ 1,050,290	\$ 1,071,335	\$ 21,045
Interest/Lease	1,170	1,620	2,584	964
Charges for Services	8,400	196,855	247,859	51,004
Grant Revenues	11,700	17,020	14,147	(2,873)
Donations	-	-	886	886
	<u>1,071,560</u>	<u>1,265,785</u>	<u>1,336,811</u>	<u>71,026</u>
EXPENDITURES				
Current				
Employee Costs	674,239	766,859	787,868	(21,009)
General Operating Costs	300,993	299,540	271,539	28,001
Capital Outlay	137,500	422,462	78,432	344,030
Debt Service	42,365	42,365	42,365	-
	<u>1,155,097</u>	<u>1,531,226</u>	<u>1,180,204</u>	<u>351,022</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(83,537)</u>	<u>(265,441)</u>	<u>156,607</u>	<u>422,048</u>
Other Financing Sources (Uses):				
Proceeds of Sale of Assets	-	-	707	707
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>707</u>	<u>707</u>
NET CHANGE IN FUND BALANCES	<u>(83,537)</u>	<u>(265,441)</u>	<u>157,314</u>	<u>422,755</u>
Fund Balance – Beginning	<u>1,049,526</u>	<u>1,049,526</u>	<u>1,049,526</u>	<u>-</u>
Fund Balance – Ending	<u>\$ 965,989</u>	<u>\$ 784,085</u>	<u>\$ 1,206,840</u>	<u>\$ 422,755</u>

The notes are an integral part of these statements.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Notes to Required Supplementary Information
June 30, 2018

BUDGETARY BASIS OF ACCOUNTING

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 of the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for all governmental fund types. Unused appropriations for the budgeted funds lapse at the end of the fiscal year. Budgets are adopted on a modified accrual basis. Expenditures in excess of budgeted amounts are approved individually by the Board.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

**INDEPENDENT AUDITORS' 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***

Governing Board
Twain Harte Community Services District
Twain Harte, California

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Twain Harte Community Services District as of and for the year ended June 30, 2018 and 2017, which collectively comprise Twain Harte Community Services District basic financial statements and have issued our report thereon dated November 8, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *State Controller's Minimum Audit Requirements for California Special Districts*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

A significant deficiency is a deficiency or combination of control deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 result of the testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, CA
November 8, 2018