

**TWAIN HARTE COMMUNITY SERVICES  
DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2020**





# TWAIN HARTE COMMUNITY SERVICES DISTRICT

JUNE 30, 2020

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<u>Director</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Eileen Mannix	President	2022
Gary Sipperley	Vice President	December 2020
Bill McManus	Director	2022
Richard Knudson	Director	2022
Kathryn deGroot	Director	2020

## ADMINISTRATION

Tom Trott	General Manager
Todd McNeal	Fire Chief
Robb Perry	Operations Manager
Carolyn Higgins	Finance Officer

## ORGANIZATION

The Twain Harte Community Services District (also referred to as THCS D, District or Twain Harte CSD) was formed on August 1, 1996, under Government Code §61000 et seq., to provide water, sewer, park and recreation, fire protection and hydroelectric services to the Twain Harte community. Its formation resulted in the consolidation of three districts whose service to the community dates back as far as 1935 - Twain Harte Fire Protection District, Tuolumne County Water District No. 1 and Twain Harte Recreation and Park District.

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**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

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**JUNE 30, 2020**

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Twain Harte Community Services District  
Twain Harte, California

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund, of Twain Harte Community Services District ("the District"), as of and for the year ended June 30, 2020, 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*

The Districts' 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 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 governmental activities, the business-type activities and each major fund of the District as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows, thereof for the year 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, budgetary comparison information, and pension schedules, on pages 4–11 and 42–45, respectively, 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.

*Jacobson Jarvis & Co, PLLC*

July 26, 2021



# Twain Harte Community Services District

P.O. Box 649 ▪ Twain Harte, CA 95383  
Phone: (209) 586-3172 ▪ Fax: (209) 586-0424  
[www.twainhartecsd.com](http://www.twainhartecsd.com)

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Directors: Gary Sipperley ▪ Kathryn deGroot ▪ Eileen Mannix ▪ Charlotte Bohlman ▪ Richard Knudson

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Twain Harte Community Services District (District), provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2020. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying financial statements and related notes, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position increased over the course of this year's operations.
- During the year, the District's expenses were \$610,384 less than the \$4,434,833 million generated in taxes and other revenues. This is similar to last year, when revenues exceeded expenses by \$618,025.
- The total cost of the District's programs increased approximately 2% and no new programs were added this year.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued**  
**JUNE 30, 2020**

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**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**

This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of three kinds of statements that present financial information from different perspectives:

**Major Features of Twain Harte Community Services District’s Government-wide, Fund Financial Statements and Proprietary Funds Statement**

	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire District government	The activities of the District that are not proprietary or fiduciary	The activities of the District that are not governmental or fiduciary
Required financial statements	<ul style="list-style-type: none"> <li>➤ Statement of net position</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of net position</li> <li>➤ Statement of activities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## TWAIN HARTE COMMUNITY SERVICES DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2020

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#### *Government-wide Statements*

##### Statements of Net Position and Statements of Activities

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the District are divided into two categories:

- *Governmental Activities* – The fire and parks departments are included here. Property taxes, property assessments and donations finance most of these activities.
- *Business-Type Activities* – The water and sewer department's financial information are included here. The District charges fees for water and sewer services to cover the cost of these services. These represent revenue from special fees, connection fees and water and sewer charges.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The District Board establishes other funds to control and manage money for particular purposes (like the Certified Emergency Response (CERT) fund) or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—The District's Park and Recreation and Fire protection services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The District's water and sewer funds, (also known as *enterprise funds*, one type of proprietary fund), are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

#### Financial Analysis of the District as a Whole

**Net position.** The District's *combined* net position increased between fiscal years 2019 and 2020 by approximately \$610,000. (See Table 1.) In comparison, last year's net position increased by approximately \$618,000.

TWAIN HARTE COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2020

Government-Wide Financial Analysis

Condensed Statements of Net Position

**Table 1 - Net Position for the District as a Whole**

	2020	2019	\$ Change	% Change
Current and other assets	\$ 5,068,150	\$ 4,912,702	\$ 155,448	3%
Capital assets	6,572,942	6,197,814	375,128	6%
<b>Total Assets</b>	11,641,092	11,110,516	530,576	5%
<b>Deferred outflows of resources</b>	248,676	430,516	(181,840)	-42%
Current liabilities	729,900	823,698	(93,798)	-11%
Non-current liabilities	1,519,702	1,680,394	(160,692)	-10%
<b>Total Liabilities</b>	2,249,602	2,504,092	(254,490)	-10%
<b>Deferred inflows of resources</b>	21,100	28,258	(7,158)	-25%
Net position				
Net investment in capital assets	5,285,279	4,740,678	544,601	11%
Restricted	146,326	140,903	5,423	4%
Unrestricted	4,187,461	4,127,101	60,360	1%
<b>Total Net Position</b>	\$ 9,619,066	\$ 9,008,682	\$ 610,384	7%

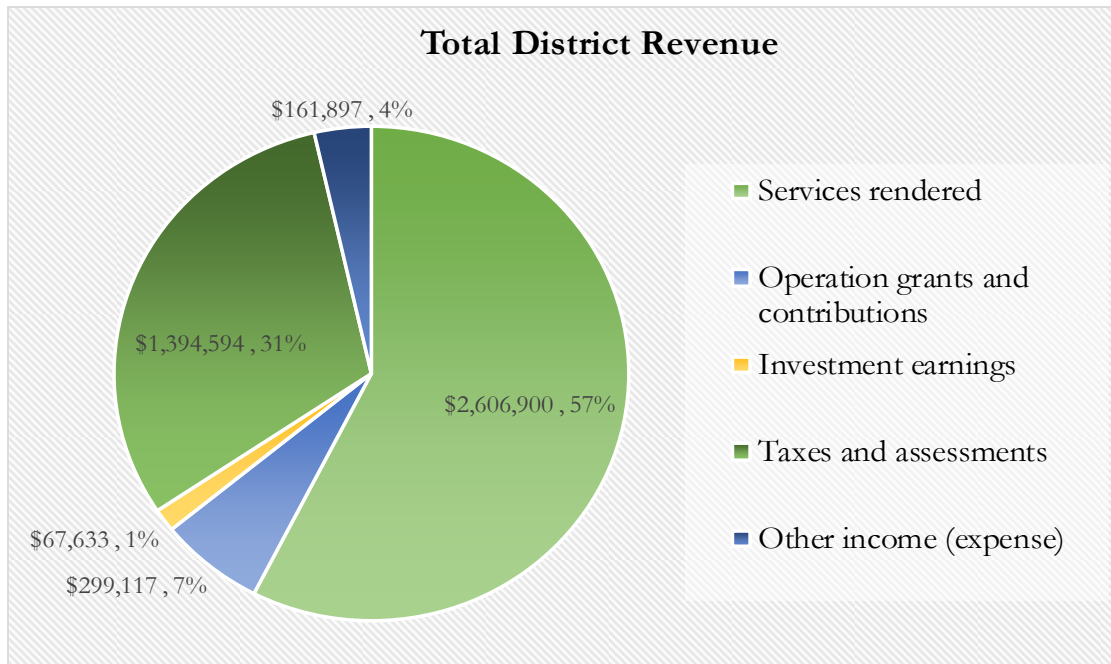
The net position of the District's governmental activities (Fire and Parks & Recreation) increased 3.6 percent to \$4,109,629. This was a result of an increase in all components of net position. Restricted net assets (restricted as to the purposes they can be used for) increased by \$1,740. Net assets that are invested in capital assets (buildings, equipment, and so on) increased by \$29,770. In addition, the *unrestricted* component of net position showed a \$1,531,570 balance at the end of this year which was an increase of \$110,192.

The net position of the District's business-type activities (Water and Sewer) increased 9.3 percent to \$5,509,437. This was a result of an increase in all components of net position. Restricted net assets (restricted as to the purposes they can be used for) increased by \$3,683. Net assets that are invested in capital assets (buildings, equipment, and so on) increased by \$514,831. In addition, the *unrestricted* component of net position showed a \$2,655,891 balance at the end of this year which was an decrease of \$49,382.

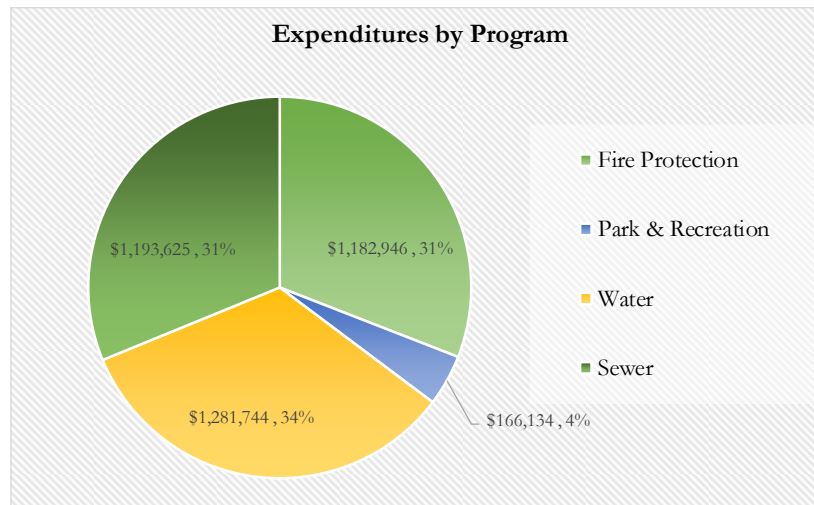
# TWAIN HARTE COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2020

**Changes in net position.** The District's total revenues (excluding special items) was virtually unchanged increasing by 1.2 percent to \$4,434,833. (See graph below) Virtually ninety percent of the District's revenue comes from property taxes and services rendered (water and sewer fees), and 90 cents of every dollar raised comes from some type of tax or service fee. (See Table 2) The other ten percent mostly comes from state and federal aid.



The total cost of all programs and services increased by \$59,895, approximately 2%. The District's expenses cover a range of services, with about 31% relating to fire services, 34% relating to water services, 31% relating to sewer services and 4% relating to park and recreation services. (See graph below)





**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued**  
**JUNE 30, 2020**

***Governmental Activities and Business Type Activities***

Revenues for the District’s governmental activities (excluding Strike Team revenue) increased 5 percent to \$1.4 million, while total expenses decreased 10 percent to \$1.3 million. Factors contributing to these results included:

- The District’s property assessments and tax revenue increased by approximately 3.3 percent. This increase was the result of a CPI increase to property assessments and an increase in property tax revenues due to increasing property values.
- The District’s expenditure decreased primarily due to the completion of fewer capital projects.

Revenues of the District’s business-type activities increased 6.2 percent to \$2.9 million, and expenses increased 3.6 percent to \$2.3 million. (Refer to Table A-2.) Factors contributing to these results included:

- A 14.7 percent increase in sewer operating revenues driven by the last year of a five-year rate increase and a Sewer System Planning grant. Sewer operating expenses rose by 11.5% due primarily to project costs associated with the Sewer System Planning grant.
- Water revenues remained virtually unchanged even though the last year of a five-year rate increase was levied for the fiscal year. The increase created by the rate change was offset by a decrease in grant revenue resulting in a negligible net gain. Water operating expenses decreased 4.2% due to a decrease in grant related costs and the payoff of a loan in FY 18/19.

**Table 2 - Changes in Net Position of the District as a Whole**

	<b>2020</b>	<b>2019</b>	<b>\$ Change</b>	<b>% Change</b>
Services rendered	\$ 2,606,900	\$ 2,826,085	\$ (219,185)	-8%
contributions	299,117	231,446	67,671	29%
Investment earnings	67,633	28,935	38,698	134%
Taxes and assessments	1,394,594	1,351,092	43,502	3%
Other income (expense)	161,897	(54,979)	216,876	-394%
<b>Total Revenue</b>	<b>4,530,141</b>	<b>4,382,579</b>	<b>147,562</b>	<b>3%</b>
Fire Protection	1,182,946	1,345,493	(162,547)	-12%
Park & Recreation	166,134	185,381	(19,247)	-10%
Water	1,281,744	1,232,535	49,209	4%
Sewer	1,193,625	1,001,145	192,480	19%
<b>Total Expenses</b>	<b>3,824,449</b>	<b>3,764,554</b>	<b>59,895</b>	<b>2%</b>
<b>Change in net position</b>	<b>\$ 705,692</b>	<b>\$ 618,025</b>	<b>\$ 87,667</b>	<b>-14%</b>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued**  
**JUNE 30, 2020**

**Capital Asset and Debt Administration**

At the end of fiscal year 2019/2020, the District had invested \$6.5 million in a broad range of capital assets, including fire equipment, buildings, park facilities, and water and sewer lines. (See Table 3.) This amount represents a net increase (including additions and deductions) of \$375 thousand, or 6 percent, over last year.

**Table 3 - Capital Assets for the District as a Whole**

	2020	2019	\$ Change	% Change
Land	\$ 1,070,803	\$ 1,070,803	\$ -	0%
Construction in progress	42,889	652,109	(609,220)	-93%
Building and improvements	3,021,246	2,599,849	421,397	16%
Furniture and equipment	11,372,670	10,389,295	983,375	9%
Accumulated depreciation	(8,934,666)	(8,514,242)	(420,424)	5%
<b>Total</b>	<b>\$ 6,572,942</b>	<b>\$ 6,197,814</b>	<b>\$ 375,128</b>	<b>6%</b>

**This year’s major capital asset additions included (dollars in thousands):**

- Recoating/Refurbishing of a million-gallon water tank —\$428,000
- Replacement of a water/sewer work truck—\$56,000
- Completion of the drilling of a third water well, financed by a state grant—\$90,692
- Purchase and installation of two sewer lift station generators—\$42,612
- Repairs of the fire station apron—\$53,695

**Long-Term Debt**

At year-end the District had \$1,273,878 outstanding, a decrease of 13.44 percent over last year—as shown in Table 4. More detailed information about the District’s long-term liabilities is presented in Note 6 to the financial statements.

No new debt was issued during the fiscal year.

**Table 4 - Long-Term Liabilities for the District as a Whole**

	2020	2019	\$ Change	% Change
Net Pension Liability (NPL)	\$ 383,000	\$ 421,165	\$ (38,165)	-9%
Compensated Absences	70,024	-	70,024	100%
Long Term Debt	1,273,878	1,457,136	(183,258)	-13%
Less current portion	(207,200)	(197,907)	(9,293)	5%
<b>Total</b>	<b>\$ 1,519,702</b>	<b>\$ 1,680,394</b>	<b>\$ (160,692)</b>	<b>-10%</b>

## **TWAIN HARTE COMMUNITY SERVICES DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued** **JUNE 30, 2020**

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#### **Next Year's Budget**

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 departments. The budget is updated during the year.

#### **Contacting the District's Financial Management**

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

TWAIN HARTE COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION  
 JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,634,846	\$ 2,626,697	\$ 4,261,543
Restricted cash	-	140,345	140,345
Accrued receivables	83,291	568,247	651,538
Prepaid expenditures	1,740	6,745	8,485
Inventory	-	6,239	6,239
Nondepreciable capital assets	855,373	258,319	1,113,692
Depreciable capital assets, net	1,841,126	3,618,124	5,459,250
<b>Total Assets</b>	4,416,376	7,224,716	11,641,092
Deferred Outflows of Resources	94,667	154,009	248,676
<b>Total Assets and Deferred Outflows of Resources</b>			
	\$ 4,511,043	\$ 7,378,725	\$ 11,889,768
<b>Liabilities</b>			
Accrued payables	\$ 98,317	\$ 344,071	\$ 442,388
Unearned revenue	66,890	13,422	80,312
Long-term liabilities, due in ine year	38,940	168,260	207,200
Long-term liabilities, due in more than one year	194,467	1,325,235	1,519,702
<b>Total Liabilities</b>	398,614	1,850,988	2,249,602
Deferred Inflows of Resources	2,800	18,300	21,100
<b>Net Position</b>			
Net investment in capital assets	2,576,319	2,708,960	5,285,279
Restricted	1,740	144,586	146,326
Unrestricted	1,531,570	2,655,891	4,187,461
<b>Total Net Position</b>	4,109,629	5,509,437	9,619,066
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>			
	\$ 4,511,043	\$ 7,378,725	\$ 11,889,768

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, 2020

	Governmental Activities	Business-Type Activities	Total
<b>Program Expenses</b>			
Fire Protection	\$ 1,182,946	\$ -	\$ 1,182,946
Parks & Recreation	166,134	-	166,134
Water	-	1,281,744	1,281,744
Sewer	-	1,193,625	1,193,625
Interest expense	4,504	43,150	47,654
<b>Total Program Expenses</b>	1,353,584	2,518,519	3,872,103
<b>Program Revenue</b>			
Services rendered	5,180	2,601,720	2,606,900
Operating grants and contributions	74,072	225,045	299,117
<b>Total Program Revenue</b>	79,252	2,826,765	2,906,017
<b>Net Program Expenses (Income)</b>	1,274,332	(308,246)	966,086
<b>General Revenue</b>			
Property taxes and assessments	1,279,183	115,411	1,394,594
Revenue from use of money	23,620	44,013	67,633
Other revenues	113,231	1,012	114,243
<b>Total General Revenue</b>	1,416,034	160,436	1,576,470
<b>Change in Fnet Position</b>	141,702	468,682	610,384
<b>Net Position - Beginning</b>	3,967,927	5,040,755	9,008,682
<b>Net Position - Ending</b>	\$ 4,109,629	\$ 5,509,437	\$ 9,619,066

The accompanying notes are an integral part of these financial statements

TWAIN HARTE COMMUNITY SERVICES DISTRICT

GOVERNMENTAL FUNDS – BALANCE SHEET  
 JUNE 30, 2020

	Park and Recreation	Fire Protection	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 386,673	\$ 1,248,173	\$ 1,634,846
Accrued taxes receivable	6,971	60,024	66,995
Accrued grants receivable	-	8,262	8,262
Prepaid expenditures	465	1,275	1,740
Due from other Governments	-	8,034	8,034
<b>Total Assets</b>	<b>\$ 394,109</b>	<b>\$ 1,325,768</b>	<b>\$ 1,719,877</b>
<b>Liabilities</b>			
Accrued payables	\$ 14,890	\$ 83,427	\$ 98,317
Unearned revenue	51,890	15,000	66,890
<b>Total Liabilities</b>	<b>66,780</b>	<b>98,427</b>	<b>165,207</b>
<b>Fund Balance</b>			
Non-spendable	465	1,275	1,740
Committed	241,017	577,689	818,706
Assigned	70,531	558,192	628,723
Unassigned	15,316	90,185	105,501
<b>Total Fund Balance</b>	<b>327,329</b>	<b>1,227,341</b>	<b>1,554,670</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 394,109</b>	<b>\$ 1,325,768</b>	<b>\$ 1,719,877</b>

The accompanying notes are an integral part of these financial statements

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

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**Total Fund Balance - Governmental Funds** \$ 1,554,670

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets relating to governmental activities, at historical cost:	\$ 4,616,348	
	Accumulated depreciation: <u>(1,919,849)</u>	2,696,499

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Note payable	(120,180)	
Compensated absences	(26,227)	
Net Pension Liability (Asset)	<u>(87,000)</u>	(233,407)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	94,667
Deferred inflows of resources relating to pensions	(2,800)

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**Total Net Position - Governmental Activities:** \$ 4,109,629

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**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**GOVERNMENTAL FUNDS – STATEMENT OF REVENUE EXPENDITURES AND CHANGE IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Park and Recreation</b>	<b>Fire Protection</b>	<b>Total Governmental Funds</b>
<b>General Revenues</b>			
Property taxes and assessments	\$ 132,564	\$ 1,146,619	\$ 1,279,183
Charges for services	5,180	-	5,180
Grants	4,110	30,762	34,872
Donations	15,835	23,365	39,200
Revenue from use of money	5,660	17,960	23,620
Other revenues	81	113,150	113,231
<b>Total Revenue</b>	<b>163,430</b>	<b>1,331,856</b>	<b>1,495,286</b>
<b>Expenditures / Expenses</b>			
Operating Expenditures:			
Salaries and benefits	8,939	740,943	749,882
Materials, Supplies and Services	102,143	332,755	434,898
Capital outlay	4,265	136,832	141,097
Debt service - Principal	-	37,861	37,861
Debt service - Interest	-	4,504	4,504
<b>Total Expenditures</b>	<b>115,347</b>	<b>1,252,895</b>	<b>1,368,242</b>
<b>Excess of Revenue over Expenditures</b>	<b>48,083</b>	<b>78,961</b>	<b>127,044</b>
<b>Fund Balances - Beginning</b>	<b>279,246</b>	<b>1,148,380</b>	<b>1,427,626</b>
<b>Fund Balances - Ending</b>	<b>\$ 327,329</b>	<b>\$ 1,227,341</b>	<b>\$ 1,554,670</b>

The accompanying notes are an integral part of these financial statements



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE  
EXPENDITURES AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Net Changes in Fund Balances - Total Governmental Funds** \$ 127,044

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 141,097	
Depreciation expense:	<u>(149,188)</u>	(8,091)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

37,861

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(19,978)

Pensions:

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

4,866

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**Change in Net Position of Governmental Activities:** \$ 141,702

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TWAIN HARTE COMMUNITY SERVICES DISTRICT

PROPRIETARY FUNDS – STATEMENT OF NET POSITION  
 JUNE 30, 2020

	Water	Sewer	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 1,406,484	\$ 1,220,213	\$ 2,626,697
Restricted cash and cash equivalents	140,345	-	140,345
Customer receivables	201,791	150,311	352,102
Taxes receivable	6,064	-	6,064
Grants receivable	96,205	113,876	210,081
Prepaid expenditures	4,171	2,574	6,745
Stores inventory	5,299	940	6,239
<b>Total Current Assets</b>	<b>1,860,359</b>	<b>1,487,914</b>	<b>3,348,273</b>
<b>Noncurrent Assets</b>			
Nondepreciable capital assets	125,836	132,483	258,319
Depreciable capital assets, net	2,944,665	673,459	3,618,124
<b>Total Noncurrent Assets</b>	<b>3,070,501</b>	<b>805,942</b>	<b>3,876,443</b>
<b>TOTAL ASSETS</b>	<b>4,930,860</b>	<b>2,293,856</b>	<b>7,224,716</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>100,106</b>	<b>53,903</b>	<b>154,009</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 5,030,966</b>	<b>\$ 2,347,759</b>	<b>\$ 7,378,725</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued liabilities	\$ 136,094	\$ 207,977	\$ 344,071
Unearned revenue	13,422	-	13,422
Long-term debt, current	153,652	14,608	168,260
<b>Total Current Liabilities</b>	<b>303,168</b>	<b>222,585</b>	<b>525,753</b>
<b>Noncurrent Liabilities</b>			
Net pension liability	192,400	103,600	296,000
Compensated absences	28,321	15,476	43,797
Long-term debt	921,473	63,965	985,438
<b>Total Noncurrent Liabilities</b>	<b>1,142,194</b>	<b>183,041</b>	<b>1,325,235</b>
<b>TOTAL LIABILITIES</b>	<b>1,445,362</b>	<b>405,626</b>	<b>1,850,988</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>6,405</b>	<b>11,895</b>	<b>18,300</b>
Net investment in capital assets	1,995,377	713,583	2,708,960
Restricted - Gunsby loan	144,586	-	144,586
Unrestricted	1,439,236	1,216,655	2,655,891
<b>Total Net Position</b>	<b>3,579,199</b>	<b>1,930,238</b>	<b>5,509,437</b>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 5,030,966</b>	<b>\$ 2,347,759</b>	<b>\$ 7,378,725</b>

The accompanying notes are an integral part of these financial statements

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**PROPRIETARY FUNDS – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

	Water	Sewer	Total
<b>OPERATING REVENUE</b>			
Service charges	\$ 1,446,545	\$ 1,132,278	\$ 2,578,823
Other operating revenue	82,219	165,723	247,942
<b>Total Operating Revenue</b>	<b>1,528,764</b>	<b>1,298,001</b>	<b>2,826,765</b>
<b>OPERATING EXPENSES</b>			
General and administrative	237,655	126,412	364,067
Plant	819,028	1,008,413	1,827,441
Depreciation	225,061	58,800	283,861
<b>Total Operating Expenses</b>	<b>1,281,744</b>	<b>1,193,625</b>	<b>2,475,369</b>
<b>Net Operating Income (Loss)</b>	<b>247,020</b>	<b>104,376</b>	<b>351,396</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	23,842	20,171	44,013
Taxes and assessments	115,411	-	115,411
Interest expense	(40,215)	(2,935)	(43,150)
Gain on sale of assets	276	149	425
Miscellaneous	383	204	587
<b>Total Nonoperating Revenues (Expenses)</b>	<b>99,697</b>	<b>17,589</b>	<b>117,286</b>
<b>NET CHANGE IN NET POSITION</b>	<b>346,717</b>	<b>121,965</b>	<b>468,682</b>
<b>Net Position - Beginning</b>	<b>3,232,482</b>	<b>1,808,273</b>	<b>5,040,755</b>
<b>Net Position - Ending</b>	<b>\$ 3,579,199</b>	<b>\$ 1,930,238</b>	<b>\$ 5,509,437</b>

The accompanying notes are an integral part of these financial statements

TWAIN HARTE COMMUNITY SERVICES DISTRICT

PROPRIETARY FUNDS – STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED JUNE 30, 2020

	WATER	SEWER	TOTAL
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 1,499,991	\$ 1,297,333	\$ 2,797,324
Cash received from operating grants	123,751	(99,414)	24,337
Cash payments for goods and services	(816,484)	(848,971)	(1,665,455)
Cash payments to employees and benefits	(446,076)	(251,963)	(698,039)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>361,182</u>	<u>96,985</u>	<u>458,167</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Cash received from property taxes	115,514	-	115,514
Miscellaneous, non-operating income (expense)	383	204	587
<b>Net Cash Provided (used) by Non-Capital Financing Activities</b>	<u>115,897</u>	<u>204</u>	<u>116,101</u>
<b>Cash Flows from Capital Related Financing Activities</b>			
Repayments on long-term debt	(12,261)	58,293	46,032
Interest expense on long-term debt	(40,215)	(2,935)	(43,150)
Purchases of property and equipment	(1,230,838)	(69,211)	(1,300,049)
Proceeds from disposal of property and equipment	632,415	979	633,394
<b>Net Cash Provided (Used) by Capital Related Financing Activities</b>	<u>(650,899)</u>	<u>(12,874)</u>	<u>(663,773)</u>
<b>Cash Flows from Investing Activities</b>			
Interest income	23,842	20,171	44,013
<b>Changes in Cash and Cash Equivalents</b>	<u>(149,978)</u>	<u>104,486</u>	<u>(45,492)</u>
<b>Cash and Cash Equivalents - beginning of year</b>	<u>1,696,807</u>	<u>1,115,727</u>	<u>2,812,534</u>
<b>Cash and Cash Equivalents - end of year</b>	<u>\$ 1,546,829</u>	<u>\$ 1,220,213</u>	<u>\$ 2,767,042</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating gain	\$ 247,020	\$ 104,376	\$ 351,396
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	225,061	58,800	283,861
Decrease (increase) in:			
Accounts receivables	100,766	(104,817)	(4,051)
Prepays	(670)	455	(215)
Inventory	770	-	770
Increase (decrease) in:			
Accounts payable	(225,187)	38,171	(187,016)
Deferred revenue	13,422	-	13,422
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 361,182</u>	<u>\$ 96,985</u>	<u>\$ 458,167</u>

The accompanying notes are an integral part of these financial statements

# TWAIN HARTE COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### ***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

#### **1 - A. Financial Reporting Entity**

The Twain Harte Community Services District (the District) was formed in 1996 under Section 3 of the County Act of 1923. The District's primary function is to provide water, sewer, fire protection and parks and recreation services to an approximate 3-square mile area, consisting of Twain Harte's downtown residential and commercial zones (approximate 2,500 population).

The accompanying financial statements present the activities of Twain Harte Community Services District and does not have any component units, legally separate organizations for which the County of Tuolumne ("the County") is financially accountable.

#### **1 - B. Other Related Entities**

The District is associated with Special District Risk Management Authority "the Agency". This organizations does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 10 to the financial statements.

#### **1 - C. Basis of Presentation**

**Government-wide Statements.** The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

**Fund Financial Statements.** The fund financial statements provide information about the District's finds. Separate statement for each fund category – *governmental and proprietary* – are presented.

*Governmental funds* – are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include operations of park and recreation, operation of the fire station and repayment of long-term debt.

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.

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.

*Proprietary funds* – are used to account for activities that are more business like in nature. Business-type activities include those in which a fee is charged to external users. For the District the proprietary funds are enterprise in nature for both the Water and Sewer funds.

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.

## TWAIN HARTE COMMUNITY SERVICES DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2020

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#### 1 - D. Basis of Accounting – Measurement Focus

**Government-wide Statements.** The government-wide statements and proprietary fund statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, assessments and government grants. On an accrual basis, revenue from property taxes and assessments is recognized in the fiscal year for which they are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Property taxes, assessments, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

#### 1 - E. Assets, Liabilities, and Net Position

##### **Cash and Cash Equivalents**

The District's cash and cash equivalents consist of funds in the financial institutions, on hand, pooled and invested in the Local Agency Investment Fund (LAIF) of California. Deposits in financial institutions and LAIF is reported at the amortized cost, which approximates fair value. Bank certificates of deposit are carried at cost, which approximates fair value.

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.

##### **Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2020, the District's investment in LAIF of \$2.7 million is valued using amortized cost and is measured using Level 2 inputs.

##### **Acquisition Value**

The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

##### **Deposits and Investments**

The cash balances of substantially all funds are pooled and invested by the Tuolumne County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2020, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash in County" included in cash and cash equivalents. Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

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**Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Accrued Receivables**

The District considers receivables collected within ninety days after year-end to be available and recognizes them as revenues of the current year. Management believes all receivables to be collectable and therefore no allowance has been made.

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statements.

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 over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Vehicles	10 years
Furniture and equipment	5-7 years
Building and improvements	10-39 years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 and 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 loans are recognized as liabilities in the governmental fund financial statements when due.

**Pension**

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

## TWAIN HARTE COMMUNITY SERVICES DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2020

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The following timeframes are used for pension reporting:

CalPERS:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to the changes in total pension liability are recognized in pension expense systematically over time. The amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts that are categorized as deferred outflows and inflows of sources related to pension are to be recognized in further pension expense. The amortization period differs depending in the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

#### **Fund Balances**

The fund balance for governmental funds is reported in classifications based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

*Committed.* The District's highest decision-making level of authority rests with the Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

*Assigned.* Resources that are constrained by the government's intent to use them for a specific purpose but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the County for any purpose. When expenditures are incurred and both restricted and unrestricted resources are available, it is the County's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

#### **1 - F. Revenue and Expenditures/Expenses**

##### **Revenues – Exchange Transactions (Program Revenue).**

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 or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

##### **Property Tax (General Purpose Revenue) and Special Assessments (Program Revenue).**

The County of Tuolumne assesses, bills, and collects property taxes and special assessments for the District. Property taxes are government mandated non-exchange transactions and are 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.



## TWAIN HARTE COMMUNITY SERVICES DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2020

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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.

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 is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **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. Principal and interest on long-term obligations which have not matured are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

#### **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 96 hours per year for regular employees and 44 hours for fire employees for a limit of 480 hours for regular employees and 664 hours for Fire Department shift employees. Leave with pay is provided when employees are absent for health reasons.

The employees gain a vested right, after 5 years of service, to accumulated sick leave of up to 240 hours for regular employees and 332 hours for Fire Department employees.

#### **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.

#### **Budgetary Data**

Per Government Code §61110, on or before July 1 of each year. The Board of Directors may adopt a preliminary budget that conforms to generally accepted accounting and budgeting procedures for special districts.

The Board of Directors may divide the preliminary budget into categories, including, but not limited to Maintenance and operation, Services and supplies, Employee compensation, Capital outlay, Interest and redemption for indebtedness, Designated reserve for capital outlay, Designated reserve for contingencies.

On or before July 1 of each year, the board of directors shall publish a notice stating either that it has adopted a preliminary budget or that the general manager has prepared a proposed final budget which is available for inspection at a time and place within the district specified in the notice; and the date, time, and place when the Board of Directors will meet to adopt the final budget and that any person may appear and be heard regarding any item in the budget or regarding the addition of other items.

The Board of Directors shall publish the notice at least two weeks before the hearing in at least one newspaper of general circulation in the district pursuant to Government Code § 6061.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

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At the time and place specified for the hearing, any person may appear and be heard regarding any item in the budget or regarding the addition of other items. The hearing on the budget may be continued from time to time.

On or before September 1 of each year the board of directors shall adopt a final budget that conforms to generally accepted accounting and budgeting procedures for special districts. The general manager shall forward a copy of the final budget to the auditor of each county in which the district is located.

**1 - G. New Accounting Pronouncements**

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after June 15, 2021.
- ❖ GASB Statement No. 92, *Omnibus 2020*. The provisions of this Statement are effective for periods beginning after June 15, 2021. Earlier application is encouraged.

For specific details about the standards, please see [www.gasb.org](http://www.gasb.org).

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**2 - A. Summary of Deposit and Investment Balances**

	<b>Park and Recreation</b>	<b>Fire Protection</b>	<b>Total Governmental Funds</b>	<b>Water</b>	<b>Sewer</b>	<b>Total Business- Type Activities</b>
Deposits in bank	\$ 128,236	\$ 413,923	\$ 542,159	\$ 512,773	\$ 404,627	\$ 917,400
Cash in LAIF	258,433	834,176	1,092,609	1,033,388	815,442	1,848,830
Cash on hand	4	74	78	668	144	812
<b>Total Cash and Cash Equivalents</b>	<b>\$ 386,673</b>	<b>\$ 1,248,173</b>	<b>\$ 1,634,846</b>	<b>\$ 1,546,829</b>	<b>\$ 1,220,213</b>	<b>\$ 2,767,042</b>

**2 - B. Policies and Practices**

The District’s investment policy permits investments in LAIF, time certificates of deposit issued by a nationally or state-chartered bank, US. Treasury notes, bonds, bills or certificates of indebtedness, and savings accounts secured by federal insurance or collateralized. The board may authorize additional types of investments including bonds issued by the District, the State of California or any local agency within the State, and obligations issued by federal agencies.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

**2 - C. Custodial Credit Risk – Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

At June 30, 2020 of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

**2 - D. Investment in State Investment Pool**

The pooled investments are with the State of California State Treasurer's LAIF. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provides oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool. The District relied on information provided by the State Treasurer in estimating the District's fair value position of its holdings in LAIF. The District had a contractual withdrawal value of \$2,941,439 whose pro-rata share of fair value was estimated by the State Treasurer to be \$2,955,890 as of June 30, 2020. LAIF is not subject to a credit-quality rating.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, consists of the following:

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Balance</b>			<b>Balance</b>
	<b>2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>2020</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 841,263	\$ -	\$ -	\$ 841,263
Construction in progress	-	14,110	-	14,110
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 841,263</b>	<b>\$ 14,110</b>	<b>\$ -</b>	<b>\$ 855,373</b>
<b>Capital Assets Being Depreciated</b>				
Building and improvements	\$ 1,802,496	\$ 73,885	\$ -	\$ 1,876,381
Furniture and equipment	1,831,492	53,102	-	1,884,594
<b>Total assets being depreciated</b>	<b>3,633,988</b>	<b>126,987</b>	<b>-</b>	<b>3,760,975</b>
Accumulated depreciation	(1,770,661)	(149,188)	-	(1,919,849)
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 1,863,327</b>	<b>\$ (22,201)</b>	<b>\$ -</b>	<b>\$ 1,841,126</b>

TWAIN HARTE COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2020

<b>WATER</b>	<b>Balance 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2020</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 103,322	\$ -	\$ -	\$ 103,322
Construction in progress	652,109	1,000	(630,595)	22,514
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 755,431</b>	<b>\$ 1,000</b>	<b>\$ (630,595)</b>	<b>\$ 125,836</b>
<b>Capital Assets Being Depreciated</b>				
Building and improvements	\$ 551,213	\$ 346,891	\$ -	\$ 898,104
Furniture and equipment	6,678,909	882,947	(9,750)	7,552,106
<b>Total assets being depreciated</b>	<b>7,230,122</b>	<b>1,229,838</b>	<b>(9,750)</b>	<b>8,450,210</b>
Accumulated depreciation	(5,288,690)	(225,061)	8,206	(5,505,545)
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 1,941,432</b>	<b>\$ 1,004,777</b>	<b>\$ (1,544)</b>	<b>\$ 2,944,665</b>

<b>SEWER</b>	<b>Balance 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2020</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 126,218	\$ -	\$ -	\$ 126,218
Construction in progress	-	6,265		6,265
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 126,218</b>	<b>\$ 6,265</b>	<b>\$ -</b>	<b>\$ 132,483</b>
<b>Capital Assets Being Depreciated</b>				
Building and improvements	\$ 246,140	\$ 621	\$ -	\$ 246,761
Furniture and equipment	1,878,894	62,325	(5,249)	1,935,970
<b>Total assets being depreciated</b>	<b>2,125,034</b>	<b>62,946</b>	<b>(5,249)</b>	<b>2,182,731</b>
Accumulated depreciation	(1,454,891)	(58,800)	4,419	(1,509,272)
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 670,143</b>	<b>\$ 4,146</b>	<b>\$ (830)</b>	<b>\$ 673,459</b>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

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**NOTE 4 – ALLOCATION FROM GENERAL FUND**

The District allocates a percentage of administrative expenses of the District.

The following shows the allocation percentages to allocate the administrative expenses:

Parks and Recreation	10%
Fire Protection	18%
Water	47%
Sewer	25%

**NOTE 5 – ACCRUED PAYABLES**

Payables at June 30, 2020, were as follows:

	<b>Park and Recreation</b>	<b>Fire Protection</b>	<b>Total Governmenta l Funds</b>	<b>Water</b>	<b>Sewer</b>	<b>Total Business- Type Activities</b>
Vendors	\$ 11,133	\$ 23,780	\$ 34,913	\$ 61,194	\$ 182,628	\$ 243,822
Payroll	2,121	48,169	50,290	26,746	15,100	41,846
Compensated absences	1,636	11,478	13,114	14,161	7,738	21,899
Accrued interest	-	-	-	33,993	2,511	36,504
<b>Total Accrued Payables</b>	<b>\$ 14,890</b>	<b>\$ 83,427</b>	<b>\$ 98,317</b>	<b>\$ 136,094</b>	<b>\$ 207,977</b>	<b>\$ 344,071</b>

TWAIN HARTE COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2020

**NOTE 6 – LONG-TERM LIABILITIES**

**6 - A. Long-Term Liabilities Summary**

Long-term liability activity for the year ended June 30, 2020 was as follows:

Enterprise Funds:	2019	Additions	Deletions	2020
<b>Water</b>				
Net pension liability "NPL"	\$ 156,519	\$ 35,881	\$ -	\$ 192,400
Compensated absences	31,130	11,352	(14,161)	28,321
Debt obligations	1,221,079	-	(145,954)	1,075,125
<b>Total Water Fund</b>	<b>1,408,728</b>	<b>47,233</b>	<b>(160,115)</b>	<b>1,295,846</b>

<b>Sewer Fund</b>				
Net pension liability "NPL"	\$ 91,924	\$ 11,676	\$ -	\$ 103,600
Compensated absences	35,430	-	(19,954)	15,476
Debt obligations	92,665	-	(14,092)	78,573
<b>Total Sewer Fund</b>	<b>\$ 220,019</b>	<b>\$ 11,676</b>	<b>\$ (34,046)</b>	<b>\$ 197,649</b>

**Governmental Activities:**

Net pension liability "NPL"	\$ 172,722	\$ -	\$ (85,722)	\$ 87,000
Compensated absences	23,805	15,536	(13,114)	26,227
Debt obligations	158,041	-	(37,861)	120,180
<b>Total for Governmental Activities</b>	<b>\$ 354,568</b>	<b>\$ 15,536</b>	<b>\$ (136,697)</b>	<b>\$ 233,407</b>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

**6 - B. Debt Obligations**

Changes to the District's long term obligations during the year consist of the following:

<b>Enterprise Funds:</b>	<b>Balance</b>		<b>Balance</b>	<b>Due In</b>
	<b>2019</b>	<b>Deletions</b>	<b>2020</b>	<b>One Year</b>
<b>Water Fund</b>				
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.	\$ 142,381	\$ (34,288)	\$ 108,093	\$ 35,153
Davis - Grunsky #1, deferred interest, payable in annual installments without interest, original indebtedness - \$84,239, maturity date is 2023.	14,649	(3,663)	10,986	3,663
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.	139,902	(33,691)	106,211	34,533
Municipal Finance Corporation, payable in annual installments and interest of 4.98%, maturity date is 2028.	924,147	(74,312)	849,835	80,303
<b>Total Water Fund</b>	<b>1,221,079</b>	<b>(145,954)</b>	<b>1,075,125</b>	<b>153,652</b>
<b>Sewer Fund</b>				
US Bancorp, payable in annual installments of \$17,418, maturity date is August 2024.	92,665	(14,092)	78,573	14,608
<b>Total Business Type Funds</b>	<b>\$ 1,313,744</b>	<b>\$ (160,046)</b>	<b>\$ 1,153,698</b>	<b>\$ 168,260</b>
<b>Governmental Activities - Fire Fund</b>				
Municipal Finance Corporation, payable in annual installments and interest of 2.85% per annum beginning February 1, 2013 through February 1, 2023.	\$ 158,041	\$ (37,861)	\$ 120,180	\$ 38,940

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

Debt Service requirements to maturity as of June 30, 2020 as follows:

Fiscal Year	Fire Fund		Sewer Fund		Water Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 38,940	\$ 3,425	\$ 14,608	\$ 2,870	\$ 153,652	\$ 39,350	\$ 207,200	\$ 45,645
2022	40,050	2,315	15,141	2,337	158,600	34,396	213,791	39,048
2023	41,190	1,174	15,694	1,784	163,713	29,271	220,597	32,229
2024	-	-	16,268	1,210	90,330	23,966	106,598	25,176
2025	-	-	16,862	616	93,844	20,353	110,706	20,969
2026-2028	-	-	-	-	414,986	42,301	414,986	42,301
<b>Total</b>	<b>\$ 120,180</b>	<b>\$ 6,914</b>	<b>\$ 78,573</b>	<b>\$ 8,817</b>	<b>\$ 1,075,125</b>	<b>\$ 189,637</b>	<b>\$ 1,273,878</b>	<b>\$ 205,368</b>

**6 - C. Compensated Absences**

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 and enterprise funds.

**6 - D. Net Pension Liability**

Pension activities between the District and CalPERS for the year ended June 30, 2019, resulted in net pension obligations and other related balances as follows:

	CalPERS Risk Pool		
	Safety	Miscellaneous	Total
Net pension liability	\$ (87,000)	\$ (296,000)	\$ (383,000)
Deferred outflows of resources	94,667	154,009	248,676
Deferred inflows of resources	(2,800)	(18,300)	(21,100)
Effect on Net Position	\$ 4,867	\$ (160,291)	\$ (155,424)
Pension expense	\$ 26,400	\$ 108,000	\$ 134,400



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

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**NOTE 7– DEFINED BENEFIT PENSION**

**7 - A. General Information about the Pension Plans**

**Plan Description**

The District contributes to the California Public Employees’ Retirement System (“CalPERS” or the System) is a cost-sharing, multiple-employer defined benefit public pension fund. CalPERS provides retirement benefit services for state, school, and public employers. The plan is governed by a 13-member Board of Administration consisting of member-elected, appointed, and ex officio members. Established by legislation in 1931, the System became operational in 1932 to provide retirement to state employees. In 1939, new legislation allowed public agency and classified school employees to join CalPERS for retirement benefits. The benefits for the public agencies are established by contract with the System, in accordance with the provisions of the Public Employees’ Retirement Law. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2020.pdf>.

For accounting purposes only, Public Employees’ Retirement Fund (“PERF”) is comprised of and reported as three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the State of California and most public agencies’ rate plans with more than 100 active members. PERF B is a cost-sharing multiple employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies with generally fewer than 100 active members. The District’s net pension liability (“NPL”) is a part of PERF C.

**Benefits Provided**

The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefits formula. The District participates in the following plans:

<b>Plan</b>	<b>Benefit Formula</b>
Safety Fire Plan	3.0% @ 55
PEPRA Miscellaneous	2.0% @ 62
Miscellaneous Plan	3.0% @ 60

More detailed calculation can be found in Appendix B in Section 2 of the Risk Pool Valuation Reports. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service. All non-state Second Tier members are eligible to receive cost-of-living (COLA) adjustments up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies).

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law 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 CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are identified by the pension plan terms.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

The CalPERS Annual Valuation Report for Twain Harte Community Services District as of June 30, 2017, reported 2019-2020, required the following contributions:

<b>Plan</b>	<b>Employer Normal Cost Rate</b>	<b>Employer Payment of Unfunded Liability</b>	<b>Employee Contributions</b>
Safety Fire Plan	18.928%	\$ 10,169	8.986%
PEPRA Misc Plan	6.985%	\$ 59	6.750%
Miscellaneous Plan	13.690%	\$ 15,431	7.784%

Contributions to the pension plans from the District for the Safety and Miscellaneous plan were \$80,867 and \$100,309 respectively, including the payment for unfunded liability.

**7 - B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2020, the District reported a Safety liability of \$87,000 and a Miscellaneous liability of \$296,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. The District's proportion was calculated as follows:

	<b>June30, 2019</b>	<b>June 30, 2018</b>	<b>Difference</b>
<b>Safety Plan:</b>			
Total Pension Liability Allocation Basis	0.0000209	0.0000680	-0.0000471
Fiduciary Net Position Allocation Basis	0.0000234	0.0000821	-0.0000587
<b>Miscellaneous Plan:</b>			
Total Pension Liability Allocation Basis	0.0001220	0.0001145	0.0000075
Fiduciary Net Position Allocation Basis	0.0001357	0.0001286	0.0000071

For the year ended June 30, 2020, the District recognized pension expense of \$134,400. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows (Inflows) of Resources</b>		
	<b>Safety</b>	<b>Miscellaneous</b>	<b>Total</b>
Changes of assumptions	\$ 4,300	\$ 14,100	\$ 18,400
Differences between expected and actual experience	8,500	29,300	37,800
Net difference between projected and actual earnings on pension plan investments	(1,800)	(8,000)	(9,800)
Contributions subsequent to the measurement date	80,867	100,309	181,176
<b>Total</b>	<b>\$ 91,867</b>	<b>\$ 135,709</b>	<b>\$ 227,576</b>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

\$181,176 was the current year contribution and is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year ended June 30:</b>	<b>Amount</b>
2021	\$ 224,376
2022	(4,000)
2023	5,300
2024	1,900
<b>Total</b>	<b>\$ 227,576</b>

**7 - C. Actuarial Assumptions and Discount Rate Information**

**Actuarial Assumptions**

Following are the actuarial assumptions used to determine the net pension liability:

	<u><b>Classic &amp; PEPRA Plans</b></u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate:	7.15%
Inflation rate	2.75%
Salary increases	(1)
Mortality Rate Table <sup>1</sup>	(2)
Post-Retirement Benefit Increase	(3)

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Floor on Purchasing Power applies, 2.50% thereafter.

**Long-term Expected Rate of Return**

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

## TWAIN HARTE COMMUNITY SERVICES DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2020

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

The expected real rates of return by asset class are as follows:

<b>Asset Class (a)</b>	<b>Current Target Allocation</b>	<b>Real Return Years 1 – 10 (b)</b>	<b>Real Return Years 11+ (c)</b>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	(0.00%)	(0.92%)

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.00% used for this period

(c) An expected inflation of 2.92% used for this period

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of benefit payments to determine the total pension liability.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.**

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

<b>Safety Plan</b>	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
District's proportionate share of the net pension liability:	\$ 197,600	\$ 87,000	\$ 75,400

<b>Miscellaneous Plan</b>	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
District's proportionate share of the net pension liability:	\$ 735,500	\$ 296,000	\$ 108,000

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

**NOTE 8 – 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 9 – FUND BALANCE**

Fund balance components at June 30, 2020, were as follows:

	<b>Parks and Recreation</b>	<b>Fire Protection</b>	<b>Total Governmental Funds</b>
<b>Nonspendable</b>			
Prepaid	\$ 465	\$ 1,275	\$ 1,740
<b>Committed</b>			
Capital improvement	241,017	577,689	818,706
<b>Assigned</b>			
Board assigned for Operating Reserve	70,531	558,192	628,723
<b>Unassigned</b>			
	15,316	90,185	105,501
<b>Total Fund Balances</b>	<b>\$ 327,329</b>	<b>\$ 1,227,341</b>	<b>\$ 1,554,670</b>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2020**

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***NOTE 10 – PARTICIPATION IN A JOINT POWERS AUTHORITY***

During the year ended June 30, 2020, the District contracted with the Special District Risk Management Authority (the Authority) for workers' compensation, and property and liability insurance coverage. The Authority has reporting requirements independent of members' units and its financial statements are not presented in these financial statements. Audited financial statements are generally available from the Authority.

During the year ended June 30, 2020, the District made payments of \$113,237 to the Authority.

***NOTE 11 – CONTINGENCIES AND UNCERTAINTIES***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 16, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the District's financial position, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***NOTE 12– SUBSEQUENT EVENTS***

Management has evaluated events occurring subsequent to June 30, 2020 through July 26, 2021 which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2020, including the estimates inherent in the processing of financial statements.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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TWAIN HARTE COMMUNITY SERVICES DISTRICT

**PARKS AND RECREATION FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>PARKS AND RECREATION</b>	<b>Budgeted Amounts</b>		<b>with Final Budget - Positive / (Negative)</b>
	<b>Original/Final</b>	<b>Actual</b>	
<b>REVENUE</b>			
Program Revenue:			
Property taxes and assessments	\$ 130,786	\$ 132,564	\$ 1,778
Charges for services	5,800	5,180	(620)
Grants	56,000	4,110	(51,890)
Donations	18,000	15,835	(2,165)
Revenue from use of money	4,500	5,660	1,160
Other revenues	-	81	81
<b>Total Revenue</b>	<b>215,086</b>	<b>163,430</b>	<b>(51,656)</b>
<b>EXPENDITURES</b>			
Operating Expenditures:			
Salaries and benefits	13,679	8,939	(4,740)
Materials, Supplies and Services	121,699	102,143	(19,556)
Capital outlay	57,000	4,265	(52,735)
<b>Total Expenditures</b>	<b>192,378</b>	<b>115,347</b>	<b>(77,031)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>22,708</b>	<b>48,083</b>	<b>25,375</b>
<b>Fund Balance - Beginning</b>	<b>279,246</b>	<b>279,246</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 301,954</b>	<b>\$ 327,329</b>	<b>\$ 25,375</b>

TWAIN HARTE COMMUNITY SERVICES DISTRICT

**FIRE PROTECTION FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FIRE PROTECTION FUND</b>	<b>Budgeted Amounts</b>		<b>with Final Budget - Positive / (Negative)</b>
	<b>Original/Final</b>	<b>Actual</b>	
<b>REVENUE</b>			
Program Revenue:			
Property taxes and assessments	\$ 1,129,565	\$ 1,146,619	\$ 17,054
Grants	56,075	30,762	(25,313)
Donations	3,000	23,365	20,365
Revenue from use of money	18,000	17,960	(40)
Other revenues	90,238	113,150	22,912
<b>Total Revenue</b>	<b>1,296,878</b>	<b>1,331,856</b>	<b>34,978</b>
<b>EXPENDITURES</b>			
Operating Expenditures:			
Salaries and benefits	781,887	740,943	(40,944)
Materials, Supplies and Services	350,058	332,755	(17,303)
Capital outlay	331,395	136,832	(194,563)
Debt service - Principal	37,861	37,861	-
Debt service - Interest	4,504	4,504	-
<b>Total Expenditures</b>	<b>1,505,705</b>	<b>1,252,895</b>	<b>(252,810)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(208,827)</b>	<b>78,961</b>	<b>287,788</b>
<b>Fund Balance - Beginning</b>	<b>1,148,380</b>	<b>1,148,380</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 939,553</b>	<b>\$ 1,227,341</b>	<b>\$ 287,788</b>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Safety Plan:</b>					
District's proportion of the net pension liability (asset)	0.0021%	0.0068%	0.0012%	0.0056%	0.0019%
District's proportionate share of the net pension liability (asset)	\$ 87,000	\$ 172,000	\$ 174,000	\$ 84,000	\$ 43,000
District's covered payroll	\$ 291,915	\$ 351,060	\$ 291,915	\$ 339,294	\$ 318,228
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	29.8%	49.0%	59.6%	24.8%	13.5%
Plan fiduciary net position as a percentage of the total pension liability	73.4%	87.9%	85.7%	89.3%	94.4%
<b>Miscellaneous Plan:</b>					
District's proportion of the net pension liability (asset)	0.0122%	0.0115%	0.0107%	0.0091%	0.0034%
District's proportionate share of the net pension liability (asset)	\$ 296,000	\$ 248,000	\$ 258,000	\$ 141,000	\$ 111,000
District's covered payroll	\$ 608,372	\$ 646,007	\$ 630,659	\$ 644,354	\$ 626,570
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.7%	38.4%	40.9%	21.9%	17.7%
Plan fiduciary net position as a percentage of the total pension liability	77.7%	77.7%	85.7%	75.9%	79.9%

**The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year.**

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF CONTRIBUTIONS**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Safety Plan:</b>					
Contractually required contribution	\$ 70,698	\$ 65,305	\$ 58,566	\$ 54,826	\$ 60,458
Contributions in relation to the contractually required contribution	(70,698)	(65,305)	(58,566)	(54,826)	(60,458)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 317,506	\$ 377,796	\$ 351,060	\$ 291,915	\$ 339,294
Contributions as a percentage of covered payroll	22.3%	17.3%	16.7%	18.8%	17.8%

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Miscellaneous Plan:</b>					
Contractually required contribution	\$ 84,878	\$ 89,837	\$ 82,407	\$ 75,332	\$ 79,387
Contributions in relation to the contractually required contribution	(84,878)	(89,837)	(82,407)	(75,332)	(79,387)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 650,336	\$ 608,372	\$ 646,007	\$ 630,659	\$ 644,354
Contributions as a percentage of covered payroll	13.1%	14.8%	12.8%	11.9%	12.3%