

**TWAIN HARTE COMMUNITY  
SERVICES DISTRICT**

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

**For the Fiscal Year Ended June 30, 2017 and 2016**



**TWAIN HARTE COMMUNITY SERVICES DISTRICT  
OF TUOLUMNE COUNTY  
TWAIN HARTE, CALIFORNIA  
JUNE 30, 2017 and 2016**

---

**GOVERNING BOARD**

**MEMBERS**

**OFFICE**

Jim Johnson

President

Bill McManus

Vice President

Eileen Mannix

Director

Richard Knudson

Director

Gary Sipperley

Director

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

**TABLE OF CONTENTS**

**JUNE 30, 2017 and 2016**

---

Management's Discussion and Analysis	1-9
Independent Auditors' Report	10-11
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Governmental Fund Financial Statements</i>	
Governmental Funds - Balance Sheet	14
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Enterprise Funds - Statement of Net Position	18
Enterprise Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	19
Enterprise Funds - Statement of Cash Flows	20-21
Notes to the Financial Statements	22-49
Required Supplementary Information	
Schedule of Required Supplementary Information – Safety Plan	50
Schedule of Required Supplementary Information – Miscellaneous Plan	51
Park and Recreation Fund – Budgetary Comparison Schedule	52
Fire Protection Fund - Budgetary Comparison Schedule	53
Notes to Required Supplementary Information	54
Other Auditor's Report	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

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, 2017. 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, 2017 and 2016**

**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 \$247,951. The sewer division's change in net position was \$116,032. The total net position increased by \$363,983 or 14%.

**Fire Protection Division**

- Fire protection division received \$1,035,973 of tax revenue which consisted of 85% of total revenues for the division. The fire protection division's change in fund balance was \$20,780. The percentage increase in fund balance was 2.01% primarily due to increase in tax revenues 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 \$120,295. The tax revenues consist of 82.77 % of total revenues. Grant, donation and other revenues received totaled \$25,043 or 17.23% of total revenues.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$7,253,162 for the fiscal year ended June 30, 2017, and \$6,449,444 for the fiscal year ended June 30, 2016 which is an increase of \$803,718. 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, 2017**

**THE DISTRICT AS A WHOLE (Continued)**

	<b>Table 1</b>			
	<b>2017</b>	<b>2016</b>	<b>Difference</b>	<b>Percent Difference</b>
Current and Other Assets	\$ 4,409,625	\$ 3,910,005	\$ 499,620	12.78%
Capital Assets - Net	5,648,780	5,505,382	143,398	2.60%
Total Assets	<u>\$ 10,058,405</u>	<u>\$ 9,415,387</u>	<u>\$ 643,018</u>	<u>6.83%</u>
Current Liabilities	\$ 737,300	\$ 673,743	\$ 63,557	9.43%
Long-Term Obligations	2,067,943	2,292,200	(224,257)	-9.78%
Total Liabilities	<u>2,805,243</u>	<u>2,965,943</u>	<u>(160,700)</u>	<u>-5.42%</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	3,781,239	3,396,414	384,825	11.33%
Restricted	150,200	167,753	(17,553)	-10.46%
Unrestricted	3,321,723	2,885,277	436,446	15.13%
Total Net Position	<u>7,253,162</u>	<u>6,449,444</u>	<u>803,718</u>	<u>12.46%</u>
Total Liabilities and Net Position	<u>\$ 10,058,405</u>	<u>\$ 9,415,387</u>	<u>\$ 643,018</u>	<u>6.83%</u>

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

**THE DISTRICT AS A WHOLE (Continued)**

	<u><b>Table 2</b></u>		
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>Difference</b></u>
<b>Revenues</b>			
Services Rendered	\$ 2,285,342	\$ 2,053,248	\$ 232,094
Operating Grants and Contributions	184,643	567,262	(382,619)
Interest and Earnings	7,327	4,365	2,962
Taxes	1,263,949	1,229,942	34,007
Other Income (Expense)	241,845	(268,210)	510,055
<b>Total Revenues</b>	<u>3,983,106</u>	<u>3,586,607</u>	<u>396,499</u>
<b>Expenses</b>			
Fire Protection	1,026,831	1,035,663	(8,832)
Park & Recreation	195,642	193,252	2,390
Water	1,087,597	998,520	89,077
Sewer	869,318	783,306	86,012
<b>Total Expenses</b>	<u>3,179,388</u>	<u>3,010,741</u>	<u>168,647</u>
<b>Change in Net Position</b>	<u>\$ 803,718</u>	<u>\$ 575,866</u>	<u>\$ 227,852</u>



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

**THE DISTRICT AS A WHOLE (Continued)**

As reported in the statement of activities, the cost of all of our activities this year was \$3,179,388 which was an increase of \$168,647 compared to the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was \$,1263,949. Changes in net position were \$803,718.

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

**Table 3**

	<b>2017</b>	<b>2016</b>
	<b><u>Cost of Service</u></b>	<b><u>Cost of Service</u></b>
Park & Recreation	<b><u>\$ 195,642</u></b>	<b><u>\$ 193,252</u></b>
Fire	<b><u>\$ 1,026,831</u></b>	<b><u>\$ 1,035,663</u></b>
Water	<b><u>\$ 1,087,597</u></b>	<b><u>\$ 998,520</u></b>
Sewer	<b><u>\$ 869,318</u></b>	<b><u>\$ 783,306</u></b>

**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 \$1,329,127, which is an increase of \$44,578 compared to the prior year. The District's enterprise funds ended the year with a combined net position balance of \$3,637,637, which is an increase of \$363,983 compared to the prior year.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Management's Discussion Analysis**  
**June 30, 2017 and 2016**

**THE DISTRICT'S FUNDS (Continued)**

**Table 4**

	<b>Balances</b>		
	<u><b>June 30, 2017</b></u>	<u><b>June 30, 2016</b></u>	<u><b>Change</b></u>
<b>Governmental Funds</b>			
Park & Recreation	\$ 274,745	\$ 250,947	\$ 23,798
Fire Protection	1,054,382	1,033,602	20,780
<b>Total Governmental Funds</b>	<u><u>\$ 1,329,127</u></u>	<u><u>\$ 1,284,549</u></u>	<u><u>\$ 44,578</u></u>
<b>Proprietary Funds</b>			
Water	\$ 2,280,111	\$ 2,032,160	\$ 247,951
Sewer	1,357,526	1,241,494	116,032
<b>Total Proprietary Funds</b>	<u><u>\$ 3,637,637</u></u>	<u><u>\$ 3,273,654</u></u>	<u><u>\$ 363,983</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, 2017, the District had \$5,648,780 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 \$143,398 from the prior year.

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

**CAPITAL ASSET & DEBT ADMINISTRATION (Continued)**

**Table 5**

	<u>2017</u>	<u>2016</u>	<u>Difference</u>	<u>Percent Difference</u>
Land	\$ 906,102	\$ 606,102	\$ 300,000	49.50%
Construction In Progress	177,063	129,362	47,701	271.19%
Plant and Equipment, Net of Accumulated Depreciation	4,565,615	4,769,918	(204,303)	-4.28%
Total	<u>\$ 5,648,780</u>	<u>\$ 5,505,382</u>	<u>\$ 143,398</u>	<u>2.60%</u>

**Long-Term Obligations**

At June 30, 2017, the District's outstanding long-term debt was \$1,867,541. During the fiscal year ended June 30, 2017, payments made on principal decreased long-term debt by \$215,792. 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, 2017 and 2016**

**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, 2017 and 2016, 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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2017 and 2016, 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 October 19, 2017 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

October 19, 2017

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**June 30, 2017 and 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total - 2017</u>	<u>Total - 2016</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 1,441,514	\$ 1,742,251	\$ 3,183,765	\$ 2,824,481
Restricted Cash	5,306	149,550	154,856	167,753
Accounts Receivable	-	278,328	278,328	246,618
Taxes Receivable	14	1	15	897
Grants Receivable	2,981	409,511	412,492	481,111
Prepaid Expenses	726	4,435	5,161	4,351
Store Inventory	-	7,838	7,838	8,192
Due from Other Governments	-	-	-	341
<b>Total Current Assets</b>	<u>1,450,541</u>	<u>2,591,914</u>	<u>4,042,455</u>	<u>3,733,744</u>
<b>Non-Current Assets</b>				
Construction in Progress	53,437	123,626	177,063	129,362
Land	808,674	97,428	906,102	606,102
Structures and Improvements	1,627,875	775,481	2,403,356	2,265,510
Equipment	1,546,589	8,408,083	9,954,672	9,837,215
Less: Accumulated Depreciation	<u>(1,505,137)</u>	<u>(6,287,276)</u>	<u>(7,792,413)</u>	<u>(7,332,807)</u>
<b>Total Non-Current Assets</b>	<u>2,531,438</u>	<u>3,117,342</u>	<u>5,648,780</u>	<u>5,505,382</u>
<b>Deferred Outflow of Resources</b>				
Pension deferred charges	<u>151,000</u>	<u>216,170</u>	<u>367,170</u>	<u>176,261</u>
<b>Total Assets</b>	<u>\$ 4,132,979</u>	<u>\$ 5,925,426</u>	<u>\$ 10,058,405</u>	<u>\$ 9,415,387</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 78,621	\$ 238,302	\$ 316,923	\$ 249,429
Accrued Payables	19,162	35,558	54,720	66,726
Employee Benefits	23,631	54,441	78,072	65,993
Interest Payable	-	74,808	74,808	85,857
Current Portion of Long-Term Obligations	<u>35,792</u>	<u>176,985</u>	<u>212,777</u>	<u>205,738</u>
<b>Total Current Liabilities</b>	<u>157,206</u>	<u>580,094</u>	<u>737,300</u>	<u>673,743</u>
<b>Non-Current Liabilities</b>				
Net Pension Liability	83,757	140,767	224,524	154,312
Noncurrent Portion of Long-Term Obligations	230,644	1,636,897	1,867,541	2,083,333
Less: Current Portion of Long-Term Obligations	<u>(35,792)</u>	<u>(176,985)</u>	<u>(212,777)</u>	<u>(205,738)</u>
<b>Total Non-Current Liabilities</b>	<u>278,609</u>	<u>1,600,679</u>	<u>1,879,288</u>	<u>2,031,907</u>
<b>Deferred Inflow of Resources</b>				
Pension deferred credits	<u>81,639</u>	<u>107,016</u>	<u>188,655</u>	<u>260,293</u>
<b>Total Liabilities</b>	<u>517,454</u>	<u>2,287,789</u>	<u>2,805,243</u>	<u>2,965,943</u>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	2,300,794	1,480,445	3,781,239	3,396,414
Restricted for:				
Debt Service	650	149,550	150,200	167,753
Unrestricted	<u>1,314,081</u>	<u>2,007,642</u>	<u>3,321,723</u>	<u>2,885,277</u>
<b>Total Net Position</b>	<u>3,615,525</u>	<u>3,637,637</u>	<u>7,253,162</u>	<u>6,449,444</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 4,132,979</u>	<u>\$ 5,925,426</u>	<u>\$ 10,058,405</u>	<u>\$ 9,415,387</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, 2017 and 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total - 2017</u>	<u>Total - 2016</u>
<b>PROGRAM EXPENSES</b>				
Fire Protection	\$ 1,026,831	\$ -	\$ 1,026,831	\$ 1,035,663
Park & Recreation	195,642	-	195,642	193,252
Water	-	1,087,597	1,087,597	998,520
Sewer	-	869,318	869,318	783,306
<b>Total Program Expenses</b>	<u>1,222,473</u>	<u>1,956,915</u>	<u>3,179,388</u>	<u>3,010,741</u>
<b>PROGRAM REVENUE</b>				
Services Rendered	149,761	2,135,581	2,285,342	2,053,248
Operating Grants and Contributions	48,677	135,966	184,643	567,262
<b>Total Program Revenues</b>	<u>198,438</u>	<u>2,271,547</u>	<u>2,469,985</u>	<u>2,620,510</u>
<b>Net Program Expenses (Income)</b>	<u>1,024,035</u>	<u>(314,632)</u>	<u>709,403</u>	<u>390,231</u>
<b>GENERAL REVENUES</b>				
Property Taxes	1,156,268	107,681	1,263,949	1,229,942
Interest Income	2,051	5,276	7,327	4,365
Interest Expense	(7,565)	(70,643)	(78,208)	(85,724)
Miscellaneous	13,016	4,537	17,553	24,401
Sale of Assets/Land Donations	300,000	2,500	302,500	(206,887)
<b>Total General Revenues</b>	<u>1,463,770</u>	<u>49,351</u>	<u>1,513,121</u>	<u>966,097</u>
<b>Excess of Revenues over Expenses</b>	<u>439,735</u>	<u>363,983</u>	<u>803,718</u>	<u>575,866</u>
<b>Change in Net Position</b>	439,735	363,983	803,718	575,866
Net Position-Beginning of Year	<u>3,175,790</u>	<u>3,273,654</u>	<u>6,449,444</u>	<u>5,873,578</u>
<b>Net Position-End of Year</b>	<u>\$ 3,615,525</u>	<u>\$ 3,637,637</u>	<u>\$ 7,253,162</u>	<u>\$ 6,449,444</u>

The notes are an integral part of these financial statements.



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017 and 2016**

	<u>Park &amp; Recreation</u>	<u>Fire Protection</u>	<u>Total Governmental Funds - 2017</u>	<u>Total Governmental Funds - 2016</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 286,726	\$ 1,154,788	\$ 1,441,514	\$ 1,407,223
Restricted Cash	450	4,856	5,306	450
Taxes Receivable	1	13	14	807
Grants Receivable	-	2,981	2,981	15,440
Prepaid Expenses	363	363	726	692
Due from Other Governments	-	-	-	341
<b>Total Assets</b>	<u>\$ 287,540</u>	<u>\$ 1,163,001</u>	<u>\$ 1,450,541</u>	<u>\$ 1,424,953</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 8,480	\$ 70,141	\$ 78,621	\$ 89,196
Accrued Payables	1,596	17,566	19,162	31,691
Compensated Absences	2,719	20,912	23,631	19,517
<b>Total Liabilities</b>	<u>12,795</u>	<u>108,619</u>	<u>121,414</u>	<u>140,404</u>
<b>FUND BALANCES</b>				
Nonspendable	363	363	726	692
Restricted	450	4,856	5,306	200
Assigned	72,816	508,723	581,539	552,246
Committed	201,116	540,440	741,556	731,411
<b>Total Fund Balances</b>	<u>274,745</u>	<u>1,054,382</u>	<u>1,329,127</u>	<u>1,284,549</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 287,540</u>	<u>\$ 1,163,001</u>	<u>\$ 1,450,541</u>	<u>\$ 1,424,953</u>

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, 2017 and 2016**

	<u>Park &amp; Recreation</u>	<u>Fire Protection</u>	<u>Total Governmental Funds - 2017</u>	<u>Total Governmental Funds - 2016</u>
<b>GENERAL REVENUES</b>				
Taxes and Assessments	\$ 120,295	\$ 1,035,973	\$ 1,156,268	\$ 1,123,744
Interest	733	1,318	2,051	1,128
Charges for Services	3,555	146,206	149,761	200,932
Grants	100	26,350	26,450	61,252
Donations	20,027	2,200	22,227	24,245
Miscellaneous	628	12,643	13,271	12,494
<b>Total Revenues</b>	<u>145,338</u>	<u>1,224,690</u>	<u>1,370,028</u>	<u>1,423,795</u>
<b>EXPENDITURES</b>				
Operating Expenditures				
Salaries and Benefits	11,908	720,816	732,724	772,946
Materials, Supplies, and Services	108,914	279,300	388,214	415,543
Capital Outlay	718	161,429	162,147	380,140
Debt Service	-	42,365	42,365	42,365
<b>Total Expenditures</b>	<u>121,540</u>	<u>1,203,910</u>	<u>1,325,450</u>	<u>1,610,994</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>23,798</u>	<u>20,780</u>	<u>44,578</u>	<u>(187,199)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Sale of Assets	-	-	-	221,016
<b>Total Other Financing Sources and Uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,016</u>
<b>Net Change in Fund Balances</b>	23,798	20,780	44,578	33,817
<b>Fund Balances - Beginning</b>	<u>250,947</u>	<u>1,033,602</u>	<u>1,284,549</u>	<u>1,250,732</u>
<b>Fund Balances - Ending</b>	<u>\$ 274,745</u>	<u>\$ 1,054,382</u>	<u>\$ 1,329,127</u>	<u>\$ 1,284,549</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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Total Fund Balance-Governmental Funds</b>	<b>\$ 1,329,127</b>	<b>\$ 1,284,549</b>
 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.		
Capital Assets	4,036,575	2,511,733
Accumulated Depreciation	<u>(1,505,137)</u>	2,237,928
Deferred pension charges not reported in funds balance sheet	151,000	75,370
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(230,644)	(265,444)
Deferred pension credits not reported in funds balance sheet	(81,639)	(113,548)
Net Pension liability not reported in funds balance sheet	<u>(83,757)</u>	<u>(43,065)</u>
<b>Total Net Position-Governmental Activities</b>	<b><u>\$ 3,615,525</u></b>	<b><u>\$ 3,175,790</u></b>

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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 44,578</b>	<b>\$ 33,817</b>
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 \$462,147 was more than depreciation of \$168,637 in the current period.	293,510	289,223
Adjustment for book value of assets sold	-	(450,000)
Pension expense adjustment for deferred items	66,847	50,491
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.	34,800	33,842
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 439,735</b>	<b>\$ (42,627)</b>

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

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**

Enterprise Funds  
Statement of Net Position  
June 30, 2017 and 2016

	Business-Type Activities Enterprise Funds			Total - 2016
	Water	Sewer	Total - 2017	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 996,481	\$ 745,770	\$ 1,742,251	\$ 1,417,258
Restricted Cash	149,550	-	149,550	167,303
Accounts Receivable	162,017	116,311	278,328	246,618
Taxes Receivable	1	-	1	90
Grants Receivable	367,748	41,763	409,511	465,671
Prepaid Expenses	2,749	1,686	4,435	3,659
Stores Inventories	6,069	1,769	7,838	8,192
<b>Total Current Assets</b>	<b>1,684,615</b>	<b>907,299</b>	<b>2,591,914</b>	<b>2,308,791</b>
<b>Noncurrent Assets</b>				
Construction in Progress	98,433	25,193	123,626	78,663
Land	97,428	-	97,428	97,428
Structures and Improvements	531,337	244,144	775,481	765,376
Equipment	6,570,953	1,837,130	8,408,083	8,322,294
Less: Accumulated Depreciation	(4,922,370)	(1,364,906)	(6,287,276)	(5,996,307)
<b>Total Noncurrent Assets</b>	<b>2,375,781</b>	<b>741,561</b>	<b>3,117,342</b>	<b>3,267,454</b>
<b>Deferred Outflow of Resources</b>				
Pension deferred charges	136,187	79,983	216,170	100,891
<b>Total Assets</b>	<b>\$ 4,196,583</b>	<b>\$ 1,728,843</b>	<b>\$ 5,925,426</b>	<b>\$ 5,677,136</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 97,655	\$ 140,647	\$ 238,302	\$ 160,233
Accrued Payables	20,542	15,016	35,558	35,035
Compensated Absences	36,062	18,379	54,441	46,476
Interest Payable	74,808	-	74,808	85,857
Current Portion of Long-Term Obligations	163,868	13,117	176,985	170,938
<b>Total Current Liabilities</b>	<b>392,935</b>	<b>187,159</b>	<b>580,094</b>	<b>498,539</b>
<b>Noncurrent Liabilities</b>				
Net Pension Liability	88,683	52,084	140,767	111,247
Noncurrent Portion of Long-Term Obligations	1,531,302	105,595	1,636,897	1,817,889
Less: Current Portion of Long-Term Obligations	(163,868)	(13,117)	(176,985)	(170,938)
<b>Deferred Inflow of Resources</b>				
Pension deferred credits	67,420	39,596	107,016	146,745
<b>Total Liabilities</b>	<b>1,916,472</b>	<b>371,317</b>	<b>2,287,789</b>	<b>2,403,482</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	822,505	635,966	1,458,471	1,423,930
Restricted	149,550	-	149,550	167,303
Unrestricted	1,308,056	721,560	2,029,616	1,682,421
<b>Total Net Position</b>	<b>2,280,111</b>	<b>1,357,526</b>	<b>3,637,637</b>	<b>3,273,654</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,196,583</b>	<b>\$ 1,728,843</b>	<b>\$ 5,925,426</b>	<b>\$ 5,677,136</b>

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, 2017 and 2016**

	Business-Type Activities Enterprise Funds			Total - 2016
	Water	Sewer	Total - 2017	
<b>OPERATING REVENUES</b>				
Service Charges	\$ 1,211,870	\$ 923,711	\$ 2,135,581	\$ 1,852,316
Other Operating Revenues	73,940	62,026	135,966	481,765
<b>Total Operating Revenues</b>	<u>1,285,810</u>	<u>985,737</u>	<u>2,271,547</u>	<u>2,334,081</u>
<b>OPERATING EXPENSES</b>				
General and Administrative	243,111	129,314	372,425	349,436
Plant	605,960	678,561	1,284,521	1,147,266
Depreciation	238,526	61,443	299,969	285,124
<b>Total Operating Expenses</b>	<u>1,087,597</u>	<u>869,318</u>	<u>1,956,915</u>	<u>1,781,826</u>
<b>Net Operating Income (Loss)</b>	<u>198,213</u>	<u>116,419</u>	<u>314,632</u>	<u>552,255</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	3,441	1,835	5,276	3,237
Taxes and Assessments	107,681	-	107,681	106,198
Interest Expense	(66,224)	(4,419)	(70,643)	(77,201)
Lease Property	2,030	1,080	3,110	7,815
Gain on Sale of Assets	1,875	625	2,500	22,100
Miscellaneous	935	492	1,427	4,089
<b>Total Nonoperating Revenues (Expenses)</b>	<u>49,738</u>	<u>(387)</u>	<u>49,351</u>	<u>66,238</u>
<b>Income (Loss) Before Transfers</b>	<u>247,951</u>	<u>116,032</u>	<u>363,983</u>	<u>618,493</u>
<b>Change in Net Position</b>	247,951	116,032	363,983	618,493
<b>Total Net Position - Beginning</b>	<u>2,032,160</u>	<u>1,241,494</u>	<u>3,273,654</u>	<u>2,655,161</u>
<b>Total Net Position - Ending</b>	<u>\$ 2,280,111</u>	<u>\$ 1,357,526</u>	<u>\$ 3,637,637</u>	<u>\$ 3,273,654</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, 2017 and 2016**

	Business-Type Activities Enterprise Funds			Total - 2016
	Water	Sewer	Total - 2017	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 1,358,118	\$ 979,642	\$ 2,337,760	\$ 1,856,332
Cash Payments for Goods and Services	(451,495)	(633,397)	(1,084,892)	(900,063)
Cash Payments to Employees and benefits	(416,580)	(236,590)	(653,170)	(665,783)
Net Cash Provided (Used) by Operating Activities	<u>490,043</u>	<u>109,655</u>	<u>599,698</u>	<u>290,486</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Cash Received from Property Taxes	107,770	-	107,770	107,263
Miscellaneous, Non Operating Income (Expense)	2,965	1,572	4,537	11,904
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>110,735</u>	<u>1,572</u>	<u>112,307</u>	<u>119,167</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Long Term debt	-	-	-	149,510
Principle Payments to Loans	(154,554)	(26,438)	(180,992)	(179,726)
Interest Expense on Long-Term Loans	(73,053)	(8,639)	(81,692)	(80,158)
Acquisition of Capital Assets	(122,552)	(27,305)	(149,857)	(759,929)
Proceeds from Sale of Asset	1,874	626	2,500	88,805
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(348,285)</u>	<u>(61,756)</u>	<u>(410,041)</u>	<u>(781,498)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Income	3,441	1,835	5,276	3,237
Net Cash Provided (Used) from Investing Activities	<u>3,441</u>	<u>1,835</u>	<u>5,276</u>	<u>3,237</u>
Net Increase (Decrease) in Cash	255,934	51,306	307,240	(368,608)
Cash-Beginning of Year	890,097	694,464	1,584,561	1,953,169
Cash-End of Year	<u>\$ 1,146,031</u>	<u>\$ 745,770</u>	<u>\$ 1,891,801</u>	<u>\$ 1,584,561</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, 2017 and 2016**

	Business-Type Activities Enterprise Funds			Total - 2016
	Water	Sewer	Total - 2017	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (loss)	\$ 198,213	\$ 116,419	\$ 314,632	\$ 552,255
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	238,526	61,443	299,969	285,124
Changes in Assets and Liabilities:				
Receivables	72,308	(47,858)	24,450	(477,749)
Inventories	306	48	354	3,001
Prepaid Expenses	(181)	(595)	(776)	(691)
Accounts Payable and Other Accrued Liabilities	53,638	24,954	78,592	(16,980)
Compensated Absences	6,290	1,675	7,965	10,165
Pension Adjustment	(79,057)	(46,431)	(125,488)	64,639
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 490,043</u>	<u>\$ 109,655</u>	<u>\$ 599,698</u>	<u>\$ 290,486</u>

The notes are an integral part of the financial statements.



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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, 2017. 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 operates 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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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 \$150,200 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, 2017**

**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 end except for property taxes retained by the State under the provisions of Proposition 1A (Note 15)

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2017 and 2016 are classified in the accompanying financial statements as follows:

US Bank:	<u>2017</u>	<u>2016</u>
General and Capital Funds	\$ 2,057,571	\$ 1,700,294
Restricted:		
CERT/US Bank	-	17,068
Davis Grunsky #1	73,726	73,342
Davis Grunsky #2	75,824	75,822
LAIF	<u>1,131,500</u>	<u>1,125,708</u>
Total Deposits and Investments	<u>\$ 3,338,621</u>	<u>\$ 2,992,234</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, 2017**

**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.

**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, 2017. The fair market value is not material in comparison to the cash in the LAIF account.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

Each bank account is insured up to \$250,000. In the event of a bank failure, the District will receive \$250,000 from the F.D.I.C. for each of the bank accounts held by the District.



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2017, consisted of the following:

	<u>Park &amp; 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	\$ 1	\$ 13	\$ 14	\$ 1	\$ -	\$ 1
Utility Billings	-	-	-	162,017	116,311	278,328
Grants Receivable	-	2,981	2,981	367,748	41,763	409,511
<b>Total</b>	<u>\$ 1</u>	<u>\$ 2,994</u>	<u>\$ 2,995</u>	<u>\$ 529,766</u>	<u>\$ 158,074</u>	<u>\$ 687,840</u>

**NOTE 4 - CAPITAL ASSETS**

A summary of the government-wide property plant and equipment at June 30, 2017, is as follows:

**Governmental Activities:**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance June 30, 2017</u>
Fire & Park and Recreation				
Capital Assets not being Depreciated				
Land	\$ 508,674	\$ 300,000	\$ -	\$ 808,674
Construction in Progress	50,699	50,467	(47,729)	53,437
<b>Total Assets not being Depreciated</b>	<u>559,373</u>	<u>350,467</u>	<u>(47,729)</u>	<u>862,111</u>
Capital Assets being Depreciated				
Structures and Improvements	1,500,134	80,012	47,729	1,627,875
Equipment	1,514,921	31,668	-	1,546,589
<b>Total Assets being Depreciated</b>	<u>3,015,055</u>	<u>111,680</u>	<u>47,729</u>	<u>3,174,464</u>
<b>Total Capital Assets</b>	3,574,428	462,147	-	4,036,575
Accumulated Depreciation	(1,336,500)	(133,636)	(35,001)	(1,505,137)
<b>Total Book Value</b>	<u>\$ 2,237,928</u>	<u>\$ 328,511</u>	<u>\$ (35,001)</u>	<u>\$ 2,531,438</u>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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, 2016</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital Assets not being Depreciated				
Land	\$ 97,428	\$ -	\$ -	\$ 97,428
Construction in Progress	76,385	22,868	(819)	98,434
Total Assets not being Depreciated	<u>173,813</u>	<u>22,868</u>	<u>(819)</u>	<u>195,862</u>
Capital Assets being Depreciated				
Building and Improvements	521,232	9,285	819	531,336
Plant and Equipment	6,487,304	90,399	(6,750)	6,570,953
Total Capital Assets	7,182,349	122,552	(6,750)	7,298,151
Accumulated Depreciation	<u>(4,690,594)</u>	<u>(238,526)</u>	<u>6,750</u>	<u>(4,922,370)</u>
Total Book Value	<u>\$ 2,491,755</u>	<u>\$ (115,974)</u>	<u>\$ -</u>	<u>\$ 2,375,781</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, 2016</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital Assets being Depreciated				
Building and Improvements	\$ 244,144	\$ 3,886	\$ 504	\$ 247,526
Plant and Equipment	1,834,990	-	(2,250)	1,832,740
Construction in Progress	2,278	23,418	(504)	25,192
Total Capital Assets	2,081,412	27,304	(2,250)	2,106,466
Accumulated Depreciation	<u>(1,305,713)</u>	<u>(61,443)</u>	<u>2,250</u>	<u>(1,364,906)</u>
Total Book Value	<u>\$ 775,699</u>	<u>\$ (34,139)</u>	<u>\$ -</u>	<u>\$ 741,560</u>

Depreciation Expense was charged as follows:

Governmental Activities	
Park and Recreation	\$ 74,820
Fire Protection	58,816
Total Depreciation Expense-Governmental Activities	<u>\$ 133,636</u>
Business-Type Activities	
Water Fund	\$ 238,526
Sewer Fund	61,443
Total Depreciation Expense Business-Type Activities	<u>\$ 299,969</u>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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, 2017, consisted of the following:

	<u>Park &amp; 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	\$ 8,480	\$ 70,141	\$ 78,621	\$ 97,655	\$ 140,647	\$ 238,302
Accrued Payables	1,596	17,566	19,162	20,542	15,016	35,558
Total	<u>\$ 10,076</u>	<u>\$ 87,707</u>	<u>\$ 97,783</u>	<u>\$ 118,197</u>	<u>\$ 155,663</u>	<u>\$ 273,860</u>

**NOTE 7 - COMPENSATED ABSENCES**

**Summary - Governmental Activities**

The District's long-term obligations for its governmental activities during the year consisted of the following:

	<u>Park &amp; 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>\$ 2,719</u>	<u>\$ 20,912</u>	<u>\$ 23,631</u>	<u>\$ 36,062</u>	<u>\$ 18,379</u>	<u>\$ 54,441</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, 2017**

**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:

<b>Enterprise Funds:</b>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Due in One Year</u>
<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.	\$ 240,308	\$ -	\$ (31,839)	\$ 208,469	\$ 32,636
Davis – Grunsky #1, deferred interest, payable in annual installments without interest, original indebtedness - \$84,239, maturity date is 2023.	25,637	-	(3,663)	21,974	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.	236,124	-	(31,285)	204,839	32,067
Porter/Cal-Western loan, payable in monthly Installments of principal plus interest at 2.97% Beginning January 1, 2010 through August 1, 2019	84,927	-	(27,864)	57,063	28,771
Municipal Finance Corporation, payable in annual installments and interest of 4.98%, maturity date is 2028	<u>1,124,496</u>	<u>-</u>	<u>(63,565)</u>	<u>1,060,931</u>	<u>66,731</u>
<b>Total-Water Fund</b>	<u>1,711,492</u>	<u>-</u>	<u>(158,216)</u>	<u>1,553,276</u>	<u>163,868</u>
<b>Sewer Fund</b>					
US Bancorp, payable in annual installments of \$17,478, maturity date is August 2024	<u>132,033</u>	<u>-</u>	<u>(26,438)</u>	<u>105,595</u>	<u>13,117</u>
<b>Total-Sewer Fund</b>	<u>132,033</u>	<u>-</u>	<u>(26,438)</u>	<u>105,595</u>	<u>13,117</u>
<b>Total</b>	<u>\$ 1,843,525</u>	<u>\$ -</u>	<u>\$ (184,654)</u>	<u>\$ 1,658,871</u>	<u>\$ 176,985</u>
<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	<u>\$ 265,444</u>	<u>\$ -</u>	<u>\$ 34,800</u>	<u>\$ 230,644</u>	<u>\$ 35,792</u>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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
2018	\$ 35,792	\$ 6,573	\$ 13,596	\$ 3,882	\$ 163,869	\$ 52,834	\$ 213,257	\$ 63,289
2019-2028	194,852	16,973	91,999	12,201	1,367,433	302,005	1,654,284	331,179
Total	<u>\$ 230,644</u>	<u>\$ 23,546</u>	<u>\$ 105,595</u>	<u>\$ 16,083</u>	<u>\$ 1,531,302</u>	<u>\$ 354,839</u>	<u>\$ 1,867,541</u>	<u>\$ 394,468</u>

**NOTE 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 30, 2018, the date these financial statements were available.



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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 &amp; Recreation</u>	<u>Fire</u>	<u>Total Governmental Funds- 2017</u>	<u>Total Governmental Funds-2016</u>
Nonspendable	\$ 363	\$ 363	\$ 726	\$ 692
Restricted	450	4,856	5,306	200
Assigned	72,816	508,723	581,539	552,246
Total Assigned	<u>72,816</u>	<u>508,723</u>	<u>581,539</u>	<u>552,246</u>
Committed	<u>201,116</u>	<u>540,440</u>	<u>741,556</u>	<u>731,411</u>
Total Committed	<u>201,116</u>	<u>540,440</u>	<u>741,556</u>	<u>731,411</u>
Total Fund Balances	<u>\$ 274,745</u>	<u>\$ 1,054,382</u>	<u>\$ 1,329,127</u>	<u>\$ 1,284,549</u>



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 12 – EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2017, 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>
<b>Park &amp; Recreation</b>			
Employee Cost	\$ 12,108	\$ 11,908	\$ 200
General Operating Cost	120,491	108,914	11,577
Capital Outlay	49,580	718	48,862
<b>Total Park and Recreation</b>	<u>\$ 182,179</u>	<u>\$ 121,540</u>	<u>\$ 60,639</u>
<b>Fire</b>			
Employee Costs	\$ 730,506	\$ 720,816	\$ 9,690
General Operating Cost	301,163	279,300	21,863
Capital Outlay	204,082	161,429	42,653
Debt Services	42,365	42,365	-
<b>Total Fire</b>	<u>\$ 1,278,116</u>	<u>\$ 1,203,910</u>	<u>\$ 74,206</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, 2017, 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, 2017.

**Litigation**

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

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 15 - RECONCILIATION OF SPECIAL DISTRICT FINANCIAL TRANSACTIONS REPORT TO THE STATEMENT OF NET POSITION**

	2017	2016
Net Position - Special District's Financial Transaction Report	\$ 7,253,162	\$ 6,915,353
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
A portion of the short-term assets were reported on the Statement of Net Position but not reported on the Financial Transaction Report	-	(43,625)
A portion of capital assets were reported on the Financial Transaction Report, but not reported on the Statement of Net Position.	-	32,001
Pension Plan deferred charge are not included on the Special District FTR.	-	176,261
Other debits reported on Special District's Financial Statements Report were not applicable on Statement of Net Position.	-	(414,605)
Liabilities not reported on the Special District's Financial Transaction Report	-	(215,941)
Net Position - Statement of Net Position	\$ 7,253,162	\$ 6,449,444

**NOTE 16 - 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.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 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, 2016 (the measurement date), the active employee contribution rate is 8.981 percent of annual pay, the average employer's contribution rate is 16.656 percent of annual payroll, and the projected payroll unfunded accrued liability contribution is 0.723 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, 2017**

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

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 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	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
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 7.65 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 7.65 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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.

<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%	5.25	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.5	5.13
Infrastructure and Forestland	3.0	4.5	5.09
Liquidity	2.0	(0.55)	(1.05)

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 : 6/30/2015 (MD)	\$ 934,349	\$ 891,284	\$ 43,065
Balance at : 6/30/2016 (MD)	\$ 1,067,060	\$ 983,303	\$ 83,757
Net Changes during 2015-16	\$ 132,711	\$ 92,019	\$ 40,692

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

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Discount Rate - 1 % (6.65 %)</u>	<u>Current Discount Rate (7.65 %)</u>	<u>Discount Rate + 1 % (8.65 %)</u>
Plan's Net Pension Liability/(Asset)	\$ 228,604	\$ 83,756	\$ (35,148)

*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, 2017 and 2016, pension expense recognized is as follows:

	<u>2017</u>	<u>2016</u>
Total Service Costs	\$ 45,071	\$ 54,667
Interest on TPL	166,435	198,676
Recognize Changes of Assumptions	(10,461)	(13,064)
Changes of Benefit Terms	50	-
Plans Share of Employee Contribution	(16,979)	(19,817)
Net Plan to Plan Resource Movement	148	94
Projected Earnings on PPI	(128,907)	(160,655)
Recognized Difference Between Projected and Actual Plan Earnings	(2,358)	(2,840)
Recognized Portion of Adjustment Due to Difference in Proportions	13,060	(13,765)
Administrative Expenses	<u>1,037</u>	<u>2,394</u>
 Total Pension Expense Recognized	 <u>\$ 67,096</u>	 <u>\$ 45,690</u>

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

For the measurement period ended June 30, 2016 (the measurement date), Twain Harte Community Services District incurred a pension expense of \$67,096 for the Plan (the pension expense for risk pool for the measurement period is \$550,873,982).

As of June 30, 2017, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ (18,830)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	151,000	(58,490)
Difference between Projected & Actual Experiences	-	(4,319)
<b>Total</b>	<b>\$ 151,000</b>	<b>\$ (81,639)</b>

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

<b>Measurement Period Ended June 30,</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2018	(20,156)
2019	(14,289)
2020	39,587
2021	24,083
2022	-
Thereafter	-

In accordance with GASB 68, a prior period adjustment was reported to record the pension related adjustments.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 16 - 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, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 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, 2016 (the measurement date), the active employee contribution rate is 7.769 percent of annual pay, the average employer's contribution rate is 11.995 percent of annual payroll, and unfunded accrued liability is 0.762 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, 2017**

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

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 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	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
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 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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, 2017**

**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%	5.25	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.5	5.13
Infrastructure and Forestland	3.0	4.5	5.09
Liquidity	2.0	(0.55)	(1.05)

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 : 6/30/2015 (MD)	\$ 1,076,204	\$ 964,957	\$ 111,247
Balance at : 6/30/2016 (MD)	\$ 1,311,492	\$ 1,170,725	\$ 140,767
Net Changes during 2015-16	\$ 235,288	\$ 205,768	\$ 29,520

*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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

	<u>Discount Rate - 1 %</u> <u>(6.65 %)</u>	<u>Current</u> <u>Discount</u> <u>Rate (7.65 %)</u>	<u>Discount Rate + 1 %</u> <u>(8.65 %)</u>
Plan's Net Pension Liability/(Asset)	\$ 317,343	\$ 140,775	\$ (5,151)

*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, 2017 and June 30, 2016, pension expense recognized is as follows:

	<u>2017</u>	<u>2016</u>
Total Service Costs	\$ 76,018	\$ 90,480
Interest on TPL	229,385	263,831
Recognize Changes of Assumptions	(14,148)	(17,192)
Changes of Benefit Terms	238	131
Plans Share of Employee Contribution	(5,294)	(17,665)
Net Plan to Plan Resource Movement	(35,700)	(41,593)
Projected Earnings on PPI	(184,384)	(219,168)
Recognized Difference Between Projected and Actual Plan Earnings	1,267	1,817
Recognized Portion of Adjustment Due to Difference in Proportions	19,249	(18,327)
Administrative Expenses	<u>1,499</u>	<u>3,301</u>
 Total Pension Expense Recognized	 <u>\$ 88,130</u>	 <u>\$ 45,615</u>

For the measurement period ended June 30, 2016 (the measurement date), the Twain Harte Community Services District incurred a pension expense/(income) of \$88,130 for the Plan (the pension expense for risk pool for the measurement period is \$396,802,310).

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

As of June 30, 2017, Twain Harte Community Services District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ (25,467)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	213,478	(80,933)
Difference Between Expected & Actual Experience	2,692	(617)
Total	\$ 216,170	\$ (107,017)

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

<b>Measurement Period Ended June 30,</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2018	(7,532)
2019	(3,126)
2020	56,932
2021	34,331
2022	-
Thereafter	-

In accordance with GASB 68, a prior period adjustment was reported to record the pension related adjustments.

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Schedules of Required Supplementary Information - Safety Plan**  
**June 30, 2017**

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

**Schedule of Plan Contributions**

	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 54,826	\$ 60,458
Contributions in Relation to the Actuarially Determined Contribution	<u>(54,826)</u>	<u>(60,458)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 318,227	\$ 293,367
Contributions as a Percentage of Covered-Employee Payroll	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, 2015 as they have minimal cost impact.

**Change in Assumptions:** None

**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Schedules of Required Supplementary Information - Miscellaneous Plan**  
**June 30, 2017**

**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, 2016</u>	<u>June 30, 2015</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00911%	0.00339%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 140,775	\$ 111,247
Plan's Covered-Employee Payroll	\$ 626,570	\$ 509,316
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	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%	72.73%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 4,885	\$ 33,034

**Schedule of Plan Contributions**

	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 75,332	\$ 79,387
Contributions in Relation to the Actuarially Determined Contribution	<u>(75,332)</u>	<u>(79,387)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 626,570	\$ 509,316
Contributions as a Percentage of Covered-Employee Payroll	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, 2015 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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances- Final to Actual</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes and Assessments	\$ 118,877	\$ 118,877	\$ 120,295	\$ 1,418
Interest/Lease	762	1,082	1,361	279
Charges for Services	4,000	4,000	3,555	(445)
Donations/Grants	15,000	21,000	20,127	(873)
<b>Total Revenues</b>	<u>138,639</u>	<u>144,959</u>	<u>145,338</u>	<u>379</u>
<b>EXPENDITURES</b>				
Current				
Employee Costs	12,108	12,108	11,908	200
General Operating Costs	121,174	120,491	108,914	11,577
Capital Outlay	47,700	49,580	718	48,862
<b>Total Expenditures</b>	<u>180,982</u>	<u>182,179</u>	<u>121,540</u>	<u>60,639</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(42,343)</u>	<u>(37,220)</u>	<u>23,798</u>	<u>61,018</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from the sale of assets	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(42,343)	(37,220)	23,798	61,018
<b>Fund Balance – Beginning</b>	<u>250,947</u>	<u>250,947</u>	<u>250,947</u>	<u>-</u>
<b>Fund Balance – Ending</b>	<u>\$ 208,604</u>	<u>\$ 213,727</u>	<u>\$ 274,745</u>	<u>\$ 61,018</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances-</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
				<u>to Actual</u>
<b>REVENUES</b>				
Taxes and Assessments	\$ 1,011,118	\$ 1,011,118	\$ 1,035,973	\$ 24,855
Interest/Lease	1,372	1,948	10,701	8,753
Charges for Services	9,200	149,019	146,206	(2,813)
Grant Revenues	-	14,075	19,653	5,578
Donations	-	-	2,200	2,200
	<u>1,021,690</u>	<u>1,176,160</u>	<u>1,214,733</u>	<u>38,573</u>
<b>Total Revenues</b>				
<b>EXPENDITURES</b>				
Current				
Employee Costs	660,981	730,506	720,816	9,690
General Operating Costs	264,025	301,163	274,199	26,964
Capital Outlay	231,200	204,082	161,429	42,653
Debt Service	42,365	42,365	42,365	-
	<u>1,198,571</u>	<u>1,278,116</u>	<u>1,198,809</u>	<u>79,307</u>
<b>Total Expenditures</b>				
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(176,881)</u>	<u>(101,956)</u>	<u>15,924</u>	<u>117,880</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of Sale of Assets	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Financing Sources (Uses)</b>				
<b>NET CHANGE IN FUND BALANCES</b>	<u>(176,881)</u>	<u>(101,956)</u>	<u>15,924</u>	<u>117,880</u>
<b>Fund Balance – Beginning</b>	<u>1,033,602</u>	<u>1,033,602</u>	<u>1,033,602</u>	<u>-</u>
<b>Fund Balance – Ending</b>	<u>\$ 856,721</u>	<u>\$ 931,646</u>	<u>\$ 1,049,526</u>	<u>\$ 117,880</u>

The notes are an integral part of these statements.



**TWAIN HARTE COMMUNITY SERVICES DISTRICT**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

**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, 2017 and 2016, which collectively comprise Twain Harte Community Services District basic financial statements and have issued our report thereon dated October 19, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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.  
Stockton, CA  
October 19, 2017