

**TEMPLETON COMMUNITY
SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2012**



Leaf & Cole, LLP
Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors
Templeton Community Services District
Post Office Box 780
420 Crocker Street
Templeton, California 93454

We have audited the accompanying financial statements of the governmental activities, and the business-type activities of Templeton Community Services District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Templeton Community Services District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities of Templeton Community Services District as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's office and state regulations governing special districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 40 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 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.

Leaf & Cole LLP

San Diego, California
August 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which begin on page 8.

Financial Highlights

- The District's net assets decreased by \$871,633 to \$25,961,734 during the fiscal year ended June 30, 2012.
- The District's revenues decreased from \$4,378,421 for the year ended June 30, 2011, to \$4,242,588 for the year ended June 30, 2012, a decrease of \$135,833. The decrease of capital grants and contributions between fiscal years of \$93,837 accounts for the majority of this decrease.
- The District's total expenses increased from \$4,960,700 for the year ended June 30, 2011 to \$5,114,221 for the year ended June 30, 2012. This increase of \$153,521 can be attributed to interest expense on the loan payable in connection with the Nacimiento Water Project.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (on pages 8 and 9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Business-type activities are reported in the same manner as the statement of net assets and the statement of activities. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 8. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets--the difference between assets and liabilities--as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's assets, to assess the overall health of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In the statement of net assets and the statement of activities, we divide the District into two kinds of activities:

- Governmental activities - Several of the District's basic services are reported here, including the general fund, fire protection, parks and recreation, street lights and the community center. Taxes and assessments, program fees, rental, grant and interest income finance most of these activities.
- Business-type activities - The District charges a fee to customers to help it cover all or most of the cost of certain services it provides. The District's water, sewer, drainage and solid waste services are reported here.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the District's most significant funds.

- Governmental funds--Several 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliations on pages 11 and 14.
- Business-type funds--When the District charges customers for the services it provides--whether to outside customers or to other units of the District--these services are generally reported in business-type funds. Business-type funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the District's enterprise funds (a component of business-type funds) are the same as the business type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for business-type funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The District as a Whole

The District's combined net assets decreased from \$26,833,367 a year ago to \$25,961,734 at June 30, 2012. Our analysis below focuses on the net assets and changes in net assets of the District's governmental and business-type activities.

Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Assets:</u>						
Current and other assets	\$ 3,414,348	\$ 3,353,716	\$ 9,907,725	\$ 10,070,883	\$ 13,322,073	\$ 13,424,599
Capital assets	3,463,694	3,631,271	26,184,116	27,016,593	29,647,810	30,647,864
Total Assets	<u>6,878,042</u>	<u>6,984,987</u>	<u>36,091,841</u>	<u>37,087,476</u>	<u>42,969,883</u>	<u>44,072,463</u>
<u>Liabilities:</u>						
Long-term debt outstanding	513,290	369,149	6,147,223	6,228,297	6,660,513	6,597,446
Other liabilities	76,486	115,972	10,271,150	10,525,678	10,347,636	10,641,650
Total Liabilities	<u>589,776</u>	<u>485,121</u>	<u>16,418,373</u>	<u>16,753,975</u>	<u>17,008,149</u>	<u>17,239,096</u>
<u>Net Assets:</u>						
Invested in capital assets, net of related debt	3,463,694	3,631,271	20,346,726	21,002,733	23,810,420	24,634,004
Restricted	1,691,300	1,637,419	-	-	1,691,300	1,637,419
Unrestricted	1,133,272	1,231,176	(673,258)	(669,232)	460,014	561,944
Total Net Assets	<u>\$ 6,288,266</u>	<u>\$ 6,499,866</u>	<u>\$ 19,673,468</u>	<u>\$ 20,333,501</u>	<u>\$ 25,961,734</u>	<u>\$ 26,833,367</u>

Net assets of the District's governmental activities decreased \$211,600. The net assets of our business-type activities decreased by \$660,033.

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Revenues:</u>						
<u>Program Revenues:</u>						
Fees and charges for services	\$ 167,288	\$ 208,089	\$ 2,496,740	\$ 2,451,645	\$ 2,664,028	\$ 2,659,734
Capital grants and contributions	53,882	115,162	334,758	367,315	388,640	482,477
<u>General Revenues:</u>						
Property taxes	848,184	864,875	-	-	848,184	864,875
Interest income	15,913	18,225	58,949	68,993	74,862	87,218
Other income	95,642	196,130	171,232	87,987	266,874	284,117
Total Revenues	<u>1,180,909</u>	<u>1,402,481</u>	<u>3,061,679</u>	<u>2,975,940</u>	<u>4,242,588</u>	<u>4,378,421</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets (Continued)

	Governmental Activities		Business-Type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<u>Program Expenses:</u>						
General Fund	\$ 1,082,570	\$ 1,031,876	\$ -	\$ -	\$ 1,082,570	\$ 1,031,876
Fire protection	632,372	717,127	-	-	632,372	717,127
Parks and recreation	492,265	604,699	-	-	492,265	604,699
Street lights	26,735	26,681	-	-	26,735	26,681
Community center	12,887	14,140	-	-	12,887	14,140
Water	-	-	1,528,047	1,583,699	1,528,047	1,583,699
Sewer	-	-	1,015,883	827,177	1,015,883	827,177
Drainage	-	-	16,240	5,661	16,240	5,661
Solid waste	-	-	52,440	39,109	52,440	39,109
Interest on long-term liabilities	-	-	254,782	110,531	254,782	110,531
Total Expenses	<u>2,246,829</u>	<u>2,394,523</u>	<u>2,867,392</u>	<u>2,566,177</u>	<u>5,114,221</u>	<u>4,960,700</u>
Change in Net Assets Before Transfers	(1,065,920)	(992,042)	194,287	409,763	(871,633)	(582,279)
Transfers	<u>854,320</u>	<u>812,560</u>	<u>(854,320)</u>	<u>(812,560)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ (211,600)</u>	<u>\$ (179,482)</u>	<u>\$ (660,033)</u>	<u>\$ (402,797)</u>	<u>\$ (871,633)</u>	<u>\$ (582,279)</u>

Governmental Activities

Revenues for the District's governmental activities decreased by \$221,572 while total expenses decreased \$147,694 between 2012 and 2011. The decrease in revenues is due to an decrease in capital grants and contributions.

Business-Type Activities

Revenues of the District's business-type activities increased \$85,739 and expenses increased by \$301,215 between 2012 and 2011. Cell site revenue increased \$78,332 between 2012 and 2011 due to a reallocation between governmental and business type funds. The increase in expenses can be attributed to increases in interest expense on the Nacimientto Water Project and professional services from the previous year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the District had \$42,586,772 invested in a broad range of capital assets, including a water system, sanitation system, buildings, park facilities, and fire equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 633,429	\$ 633,429	\$ 3,256,820	\$ 3,256,820	\$ 3,890,249	\$ 3,890,249
Water delivery entitlement	-	-	7,452,020	7,452,020	7,452,020	7,452,020
Construction-in-progress	-	122,209	42,095	5,392	42,095	127,601
Buildings and improvements	3,269,091	3,269,091	24,559,518	24,559,518	27,828,609	27,828,609
Equipment	1,077,901	934,645	1,222,678	1,222,678	2,300,579	2,157,323
Vehicles	751,443	741,457	321,777	321,777	1,073,220	1,063,234
Totals	<u>\$ 5,731,864</u>	<u>\$ 5,700,831</u>	<u>\$ 36,854,908</u>	<u>\$ 36,818,205</u>	<u>\$ 42,586,772</u>	<u>\$ 42,519,036</u>

Debt

At June 30, 2012, the District had loans payable outstanding. During the current year, District paid \$174,630 on the loans payable.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Loans Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,753,223</u>	<u>\$ 5,927,853</u>	<u>\$ 5,753,223</u>	<u>\$ 5,927,853</u>

Economic Factors and Next Year's Budget and Rates

The District's management and Board of Directors considered many factors when setting the fiscal year 2013 budget including the economy and employment growth. These indicators were taken into account when adopting the general fund budget for 2013. Amounts budgeted for general fund expenditures in 2013 are \$1,013,750, an increase of \$47,921 over the final 2012 budgeted expenditures of \$965,829. Budget increases due to salaries, employee benefits, professional services and capital outlay represent the majority of the change between years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District accountability for the money it receives. If you have questions about this report or need additional financial information contact the District offices at (805) 434-4900.

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,380,752	\$ 9,531,288	\$ 12,912,040
Accounts receivable	33,066	355,622	388,688
Accrued interest receivable	530	1,504	2,034
Inventory	-	19,311	19,311
Capital Assets:			
Land and other non-depreciable capital assets	633,429	10,750,935	11,384,364
Plant and equipment, net of accumulated depreciation	<u>2,830,265</u>	<u>15,433,181</u>	<u>18,263,446</u>
TOTAL ASSETS	<u>\$ 6,878,042</u>	<u>\$ 36,091,841</u>	<u>\$ 42,969,883</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 40,401	\$ 193,691	\$ 234,092
Accrued wages	11,573	9,494	21,067
Customer deposits	4,400	83,163	87,563
Deferred revenue	20,112	-	20,112
Prepaid capacity fees	-	9,984,802	9,984,802
Noncurrent Liabilities:			
Due within one year	-	266,517	266,517
Due after one year	<u>513,290</u>	<u>5,880,706</u>	<u>6,393,996</u>
Total Liabilities	<u>589,776</u>	<u>16,418,373</u>	<u>17,008,149</u>

Commitments and Contingencies

Net Assets:

Invested in capital assets, net of related debt	3,463,694	20,346,726	23,810,420
Restricted	1,691,300	-	1,691,300
Unrestricted	<u>1,133,272</u>	<u>(673,258)</u>	<u>460,014</u>
Total Net Assets	<u>6,288,266</u>	<u>19,673,468</u>	<u>25,961,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,878,042</u>	<u>\$ 36,091,841</u>	<u>\$ 42,969,883</u>

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

**TEMPLETON COMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs:	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Fees and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General fund	\$ 1,082,570	\$ -	\$ -	\$ (1,082,570)	\$ -	\$ (1,082,570)
Fire protection	632,372	2,352	50,432	(579,588)	-	(579,588)
Parks and recreation	492,265	159,288	3,450	(329,527)	-	(329,527)
Street lights	26,735	-	-	(26,735)	-	(26,735)
Community Center	12,887	5,648	-	(7,239)	-	(7,239)
Total Governmental Activities	2,246,829	167,288	53,882	(2,025,659)	-	(2,025,659)
Business-Type Activities:						
Water	1,528,047	1,629,020	222,037	-	323,010	323,010
Sewer	1,015,883	744,039	112,721	-	(159,123)	(159,123)
Drainage	16,240	8,082	-	-	(8,158)	(8,158)
Solid waste	52,440	115,599	-	-	63,159	63,159
Interest on long-term liabilities	254,782	-	-	-	(254,782)	(254,782)
Total Business-Type Activities	2,867,392	2,496,740	334,758	-	(35,894)	(35,894)
Total Activities	\$ 5,114,221	\$ 2,664,028	\$ 388,640	(2,025,659)	(35,894)	(2,061,553)
General Revenues:						
Taxes and assessments				848,184		848,184
Interest income				15,913	58,949	74,862
Other income				95,642	171,232	266,874
Total General Revenues				959,739	230,181	1,189,920
Transfers				854,320	(854,320)	-
Total General Revenues and Transfers				1,814,059	(624,139)	1,189,920
Changes in Net Assets				(211,600)	(660,033)	(871,633)
Net Assets at Beginning of Year				6,499,866	20,333,501	26,833,367
NET ASSETS AT END OF YEAR				\$ 6,288,266	\$ 19,673,468	\$ 25,961,734

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

ASSETS

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Community Center	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 948	\$ 2,133,662	\$ 1,071,535	\$ 83,615	\$ 90,992	\$ 3,380,752
Accounts receivable	4,000	21,956	6,015	788	307	33,066
Accrued interest receivable	1	334	168	13	14	530
Total Assets	<u>\$ 4,949</u>	<u>\$ 2,155,952</u>	<u>\$ 1,077,718</u>	<u>\$ 84,416</u>	<u>\$ 91,313</u>	<u>\$ 3,414,348</u>

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	\$ 18,908	\$ 9,842	\$ 8,063	\$ 2,805	\$ 783	\$ 40,401
Accrued wages	6,737	3,116	1,720	-	-	11,573
Customer deposits	-	2,800	-	-	1,600	4,400
Deferred revenue	-	-	20,112	-	-	20,112
Total Liabilities	<u>25,645</u>	<u>15,758</u>	<u>29,895</u>	<u>2,805</u>	<u>2,383</u>	<u>76,486</u>
Fund Balances:						
Unassigned	(20,696)	660,068	836,649	81,611	88,930	1,646,562
Restricted	-	1,480,126	211,174	-	-	1,691,300
Total Fund Balance	<u>(20,696)</u>	<u>2,140,194</u>	<u>1,047,823</u>	<u>81,611</u>	<u>88,930</u>	<u>3,337,862</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,949</u>	<u>\$ 2,155,952</u>	<u>\$ 1,077,718</u>	<u>\$ 84,416</u>	<u>\$ 91,313</u>	<u>\$ 3,414,348</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total fund balances - Governmental funds \$ 3,337,862

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and other non-depreciable capital assets	\$ 633,429	
Plant and equipment, net of accumulated depreciation	<u>2,830,265</u>	
Total Capital Assets, Net		3,463,694

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including noncurrent liabilities, are reported. Noncurrent liabilities relating to governmental activities consist of:

Compensated absences	(34,040)	
Net OPEB Obligation	<u>(479,250)</u>	
Total Long-Term Liabilities		<u>(513,290)</u>

Total Net Assets - Governmental Activities		<u>\$ 6,288,266</u>
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The accompanying notes are an integral part of the financial statements.

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Community Center	Total Governmental Funds
Revenues:						
Taxes and assessments	\$ -	\$ 605,644	\$ 201,881	\$ 32,247	\$ 8,412	\$ 848,184
Program fees	-	-	148,984	-	-	148,984
Other income	50,158	37,720	7,764	-	-	95,642
Contributions	-	50,432	3,450	-	-	53,882
Rental income	-	2,352	10,304	-	5,648	18,304
Interest income	33	9,878	5,185	384	433	15,913
Total Revenues	<u>50,191</u>	<u>706,026</u>	<u>377,568</u>	<u>32,631</u>	<u>14,493</u>	<u>1,180,909</u>
Expenditures:						
Current:						
Salaries and wages	427,232	238,275	135,768	-	-	801,275
Employee benefits	238,969	164,398	61,191	-	-	464,558
Program expense	-	-	96,842	-	-	96,842
Payroll taxes	35,089	16,187	12,668	-	-	63,944
Utilities	13,423	6,978	12,857	26,735	2,281	62,274
Professional fees	52,676	5,478	2,770	-	-	60,924
Legal fees	32,948	20,341	1,339	-	-	54,628
Insurance	45,672	-	-	-	-	45,672
Purchased services	13,427	5,610	21,661	-	-	40,698
Supplies	18,275	15,986	2,752	-	155	37,168
Directors	32,700	-	-	-	-	32,700
Worker's compensation	4,514	19,991	7,302	-	-	31,807
Repairs and maintenance	4,062	4,875	11,508	-	4,435	24,880
Dues and fees	20,159	2,140	1,698	-	-	23,997
Vehicle operation	3,939	15,289	405	-	-	19,633
Travel	8,320	5,552	993	-	-	14,865
Other	7,156	1,446	3,488	-	515	12,605
Education	4,266	8,360	42	-	-	12,668
Postage	2,939	-	-	-	-	2,939
Capital outlay	22,521	9,986	(1,473)	-	-	31,034
Total Expenditures	<u>988,287</u>	<u>540,892</u>	<u>371,811</u>	<u>26,735</u>	<u>7,386</u>	<u>1,935,111</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(938,096)</u>	<u>165,134</u>	<u>5,757</u>	<u>5,896</u>	<u>7,107</u>	<u>(754,202)</u>

(Continued)

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Community Center	Total Governmental Funds
Other Financing Sources						
(Uses):						
Transfers in	\$ 944,000	\$ -	\$ -	\$ -	\$ -	\$ 944,000
Transfers out	-	(47,200)	(37,760)	-	(4,720)	(89,680)
Total Other Financing Sources and Uses	<u>944,000</u>	<u>(47,200)</u>	<u>(37,760)</u>	<u>-</u>	<u>(4,720)</u>	<u>854,320</u>
Net Change in Fund Balances	5,904	117,934	(32,003)	5,896	2,387	100,118
Fund Balances (Deficit) at Beginning of Year	<u>(26,600)</u>	<u>2,022,260</u>	<u>1,079,826</u>	<u>75,715</u>	<u>86,543</u>	<u>3,237,744</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ (20,696)</u>	<u>\$ 2,140,194</u>	<u>\$ 1,047,823</u>	<u>\$ 81,611</u>	<u>\$ 88,930</u>	<u>\$ 3,337,862</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Total net change in fund balances - Governmental funds	\$ 100,118
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to depreciation expense is greater than capital outlay.	(167,576)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used was more than the amounts earned by \$6,383.	6,383
In the statement of activities, net OPEB obligation is measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the net OPEB obligation earned was more than the amount used by \$150,525.	<u>(150,525)</u>
Changes in Net Assets - Governmental Activities	<u>\$ (211,600)</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

ASSETS

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Current Assets:</u>					
Cash and cash equivalents	\$ 7,924,291	\$ 1,148,451	\$ 141,878	\$ 316,668	\$ 9,531,288
Accounts receivable	253,352	88,064	939	13,267	355,622
Accrued interest receivable	1,248	184	22	50	1,504
Inventory	19,311	-	-	-	19,311
Total Current Assets	<u>8,198,202</u>	<u>1,236,699</u>	<u>142,839</u>	<u>329,985</u>	<u>9,907,725</u>
<u>Noncurrent Assets:</u>					
Capital Assets:					
Land and construction-in-progress	8,943,716	1,657,818	149,401	-	10,750,935
Plant and equipment, net of accumulated depreciation	<u>6,395,094</u>	<u>8,834,075</u>	<u>204,012</u>	<u>-</u>	<u>15,433,181</u>
Total Noncurrent Assets	<u>15,338,810</u>	<u>10,491,893</u>	<u>353,413</u>	<u>-</u>	<u>26,184,116</u>
TOTAL ASSETS	\$ <u>23,537,012</u>	\$ <u>11,728,592</u>	\$ <u>496,252</u>	\$ <u>329,985</u>	\$ <u>36,091,841</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>					
Accounts payable	\$ 97,368	\$ 95,266	\$ -	\$ 1,057	\$ 193,691
Accrued wages	6,475	2,591	-	428	9,494
Customer deposits	83,163	-	-	-	83,163
Accrued interest payable	73,696	10,471	-	-	84,167
Prepaid capacity fees	6,085,451	3,899,351	-	-	9,984,802
Loans payable	75,000	107,350	-	-	182,350
Total Current Liabilities	<u>6,421,153</u>	<u>4,115,029</u>	<u>-</u>	<u>1,485</u>	<u>10,537,667</u>
<u>Noncurrent Liabilities:</u>					
Compensated absences	19,807	8,489	-	-	28,296
Loans payable	4,470,000	1,100,873	-	-	5,570,873
Net OPEB Obligation	191,352	73,782	-	16,403	281,537
Total Noncurrent Liabilities	<u>4,681,159</u>	<u>1,183,144</u>	<u>-</u>	<u>16,403</u>	<u>5,880,706</u>
Total Liabilities	<u>11,102,312</u>	<u>5,298,173</u>	<u>-</u>	<u>17,888</u>	<u>16,418,373</u>
<u>Commitments and Contingencies</u>					
<u>Net Assets:</u>					
Invested in capital assets, net of related debt	10,720,114	9,273,199	353,413	-	20,346,726
Unrestricted	1,714,586	(2,842,780)	142,839	312,097	(673,258)
Total Net Assets	<u>12,434,700</u>	<u>6,430,419</u>	<u>496,252</u>	<u>312,097</u>	<u>19,673,468</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>23,537,012</u>	\$ <u>11,728,592</u>	\$ <u>496,252</u>	\$ <u>329,985</u>	\$ <u>36,091,841</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Operating Revenues:</u>					
Charges for services	\$ 1,629,020	\$ 744,039	\$ 8,082	\$ -	\$ 2,381,141
Franchise fees	-	-	-	115,599	115,599
Total Operating Revenues	<u>1,629,020</u>	<u>744,039</u>	<u>8,082</u>	<u>115,599</u>	<u>2,496,740</u>
<u>Operating Expenses:</u>					
Depreciation	519,108	333,832	16,240	-	869,180
Salaries and wages	264,265	164,906	-	24,351	453,522
Employee benefits	187,647	114,730	-	20,336	322,713
Utilities	178,042	63,336	-	-	241,378
Repairs and maintenance	115,689	62,390	-	-	178,079
Professional fees	73,574	86,251	-	-	159,825
Treatment and disposal	-	97,333	-	-	97,333
Legal fees	21,247	18,075	-	3,000	42,322
Dues and fees	18,563	5,501	-	-	24,064
Payroll taxes	21,277	12,746	-	1,897	35,920
Other	21,990	5,194	-	1,970	29,154
Vehicle operation	17,399	8,902	-	-	26,301
Supplies	18,879	6,380	-	-	25,259
Nacimeinto Operations	24,345	-	-	-	24,345
Worker's compensation	18,712	4,541	-	824	24,077
Water analysis	7,777	11,536	-	-	19,313
Purchased services	14,303	2,805	-	62	17,170
Interceptor maintenance	-	16,571	-	-	16,571
Education	4,128	485	-	-	4,613
Travel	1,102	369	-	-	1,471
Total Operating Expenses	<u>1,528,047</u>	<u>1,015,883</u>	<u>16,240</u>	<u>52,440</u>	<u>2,612,610</u>
Operating Income (Loss)	<u>100,973</u>	<u>(271,844)</u>	<u>(8,158)</u>	<u>63,159</u>	<u>(115,870)</u>
<u>Nonoperating Revenues (Expenses):</u>					
Lease revenue	123,932	-	-	-	123,932
Interest income	50,454	6,326	673	1,496	58,949
Other income	47,072	228	-	-	47,300
Interest expense	(221,555)	(33,227)	-	-	(254,782)
Total Nonoperating Revenues (Expenses)	<u>(97)</u>	<u>(26,673)</u>	<u>673</u>	<u>1,496</u>	<u>(24,601)</u>
Income (Loss) Before Transfers and Capital Contributions	<u>100,876</u>	<u>(298,517)</u>	<u>(7,485)</u>	<u>64,655</u>	<u>(140,471)</u>

(Continued)

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Transfers and Capital Contributions:</u>					
Transfers out	\$ (547,520)	\$ (254,880)	\$ (4,720)	\$ (47,200)	\$ (854,320)
Capital contributions	222,037	112,721	-	-	334,758
Total Transfers and Capital Contributions	<u>(325,483)</u>	<u>(142,159)</u>	<u>(4,720)</u>	<u>(47,200)</u>	<u>(519,562)</u>
Change in Net Assets	(224,607)	(440,676)	(12,205)	17,455	(660,033)
Net Assets at Beginning of Year	<u>12,659,307</u>	<u>6,871,095</u>	<u>508,457</u>	<u>294,642</u>	<u>20,333,501</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 12,434,700</u></u>	<u><u>\$ 6,430,419</u></u>	<u><u>\$ 496,252</u></u>	<u><u>\$ 312,097</u></u>	<u><u>\$ 19,673,468</u></u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>					
Receipts from customers	\$ 1,613,232	\$ 749,147	\$ 8,125	\$ 115,607	\$ 2,486,111
Payments to suppliers	(1,190,292)	(721,363)	(4,719)	(74,779)	(1,991,153)
Payments to employees	(266,047)	(160,736)	-	(19,067)	(445,850)
Net Cash Provided by Operating Activities	<u>156,893</u>	<u>(132,952)</u>	<u>3,406</u>	<u>21,761</u>	<u>49,108</u>
<u>Cash Flows From Noncapital Financing Activities:</u>					
Receipts from other income	171,004	228	-	-	171,232
Net Cash Provided by Noncapital Financing Activities	<u>171,004</u>	<u>228</u>	<u>-</u>	<u>-</u>	<u>171,232</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(17,747)	(18,957)	-	-	(36,704)
Principal paid on loans payable	(70,000)	(104,630)	-	-	(174,630)
Interest paid on loans payable	(222,488)	(34,134)	-	-	(256,622)
Receipts from contributed capital	11,025	5,441	-	-	16,466
Net Cash Used in Capital and Related Financing Activities	<u>(299,210)</u>	<u>(152,280)</u>	<u>-</u>	<u>-</u>	<u>(451,490)</u>
<u>Cash Flows From Investing Activities:</u>					
Interest income on cash and investments	50,942	6,457	678	1,493	59,570
Net Cash Provided by Investing Activities	<u>50,942</u>	<u>6,457</u>	<u>678</u>	<u>1,493</u>	<u>59,570</u>
Net Increase (Decrease) in Cash and Cash Equivalents	79,629	(278,547)	4,084	23,254	(171,580)
Cash and Cash Equivalents at Beginning of Year	<u>7,844,662</u>	<u>1,426,998</u>	<u>137,794</u>	<u>293,414</u>	<u>9,702,868</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,924,291</u>	<u>\$ 1,148,451</u>	<u>\$ 141,878</u>	<u>\$ 316,668</u>	<u>\$ 9,531,288</u>

(Continued)

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Water	Sewer	Drainage	Solid Waste	Total
<u>Reconciliation of Operating Income (Loss)</u>					
<u>to Net Cash Provided by</u>					
<u>(Used in) Operating Activities:</u>					
Operating income (loss)	\$ 100,973	\$ (271,844)	\$ (8,158)	\$ 63,159	\$ (115,870)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:					
Depreciation	519,108	333,832	16,240	-	869,180
Transfers	(547,520)	(254,880)	(4,720)	(47,200)	(854,320)
(Increase) Decrease in:					
Accounts receivable	(15,788)	5,108	44	8	(10,628)
Inventory	1,586	-	-	-	1,586
Increase (Decrease) in:					
Accounts payable	39,355	15,958	-	510	55,823
Accrued wages	1,313	1,110	-	168	2,591
Customer deposits	5,350	-	-	-	5,350
Compensated absences	(3,095)	3,060	-	-	(35)
Net OPEB obligation	55,611	34,704	-	5,116	95,431
Net Cash Provided by (Used in) Operating Activities	\$ 156,893	\$ (132,952)	\$ 3,406	\$ 21,761	\$ 49,108
 <u>Noncash Investing, Capital and Financing Activities:</u>					
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Organization and Significant Accounting Policies:

Organization

The Templeton Community Services District (the "District") was organized under the authorization of Section 61,000 et. seq., of the Government Code of the State of California, for the purpose of providing all permissible uses of a community services district. The District currently provides water, sewer, drainage, solid waste disposal, fire protection, street lights, park and recreation services and a community center. The District is governed by an elected Board of Directors.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, as amended by GASB Statement 39. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Presentation

Government-Wide Statements

The District's financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's fire protection, parks and recreation, community center, street lights and general funds are classified as governmental activities. The water, sewer, drainage and solid waste funds are classified as business-type activities, and are generally financed by fees charged to external parties for goods or services.

In the government-wide statement of net assets, both the governmental and business-type activities are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts; invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. The statement of net assets includes all funds of the reporting entity.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each function of the business-type activities of the District and for each program of the governmental activities. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include charges paid by the recipients of the goods or services offered by the programs 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.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, net assets, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements-and Management's Discussion and Analysis-For State of Local Governments", sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The funds of the District are described below:

Governmental Funds

The focus of the governmental funds measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports the general fund, fire protection, parks and recreation, street lights and community center as major governmental funds.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the water, sewer, drainage and solid waste funds as major proprietary funds.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Method of Accounting

Method of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The District has not elected to apply the option allowed in Paragraph 7 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities" and as a consequence will continue to apply GASB Statements and interpretations.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Earned but unbilled amounts for services provided are accrued and included in accounts receivable and recognized as revenue.

Modified Accrual

The governmental funds' financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenue available if collected within 60 days after year-end. The District considers interest, certain taxes, grant revenues, groundwater charges and water delivery charges to be susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Estimates

The preparation of 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Deferred Revenue

The District recognizes revenue from user fees, service charges, program fees and rental fees as it is earned. The District has recorded deferred revenue for soccer registrations totaling \$20,112 at June 30, 2012.

Investments

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Allowance for Doubtful Accounts

Management believes that all accounts receivable as of June 30, 2012, were fully collectible. Therefore, no allowance for doubtful accounts was recorded.

Taxes and Assessments

Property taxes and assessments are billed by the County of San Luis Obispo to property owners. The District's property tax calendar for the fiscal year ended June 30, 2012, was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment – November 1 Second Installment – February 1
Delinquent Date:	First Installment – December 10 Second Installment – April 10

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

Inventory

Inventory is valued at the lower of cost (first-in, first-out basis) or market.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of at least \$1,000 and an estimated useful life greater than one year. Acquisitions of capital assets are recorded at cost. Contributed assets are recorded at their fair market value at the date of donation. Self-constructed assets are recorded at the amount of direct labor, material, certain overhead and interest costs.

Depreciation is calculated on the straight-line method over the following estimated useful lives:

Water system	5 - 75 years
Sanitation system	10 - 50 years
Drainage	5 - 50 years
Fire department	5 - 40 years
Parks and recreation	5 - 10 years
Administration	5 - 40 years
Community center	40 years

Depreciation aggregated \$1,067,790 for the year ended June 30, 2012.

Interest

The District incurs interest charges on noncurrent liabilities. No interest was capitalized as a cost of capital assets for the year ended June 30, 2012.

Compensated Absences

Accumulated unpaid vacation totaling \$62,336 at June 30, 2012, is accrued when incurred and included in long-term liabilities.

Fund Balances - Governmental Funds

The fund balances of the governmental funds are classified as follows at June 30, 2012:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds (Continued)

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board Directors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - All other spendable amounts.

Risk Management

The District is a member of the Special District Risk Management Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2012, the District participated in the self-insurance programs of the Authority as follows:

General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability - Total risk financing limits of \$10.0 million with a combined single limit at \$10.0 million per occurrence, subject to the following deductibles:

- \$500 per occurrence for third party generated liability property damage.
- \$1,000 per occurrence for third party auto liability property damage.
- 50% co-insurance after initial \$10,000 cost expended by the Authority, up to \$50,000, per occurrence, for employment related claims;
- Comprehensive and collision on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management (Continued)

Employee Dishonesty Coverage - Total of \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction.

Property Loss - Replacement cost, for property on file, if replaced, and if not re-placed within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$2,000 deductible per occurrence.

Boiler and Machinery - Replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.

Public Officials Personal Liability - \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official, subject to a \$500 deductible per occurrence.

Workers' Compensation Coverage and Employer's Liability - Includes statutory limits per occurrence for workers' compensation and \$5 million for employer's liability coverage.

Interfund Transfers

Interfund transfers for the year ended June 30, 2012, consisted of general fund transfers from the following:

Water	\$ 547,520
Sewer	254,880
Solid waste	47,200
Fire protection	47,200
Parks and recreation	37,760
Drainage	4,720
Community center	4,720
	<u>\$ 944,000</u>

Economic Dependence

The District extracts approximately 28% of its water supply from the underflow of the Salinas River, 20% reclaimed water from the Selby Ponds and 52% from groundwater wells located in the Atascadero sub basin. Interruption of these sources would impact the District negatively.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows the District considers all investment instruments purchased with a maturity of three months or less to be cash. Certificates of deposit that may be redeemed without significant penalty are considered cash and cash equivalents regardless of the maturity.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August 21, 2012, the date the financial statements were available to be issued.

Note 2 - Cash and Investments:

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Open Ended Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
LAIIF	N/A	None	None

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 2 - Cash and Investments: (Continued)

**Investments Authorized by the California Government Code and the District's Investment Policy
(Continued)**

Cash and investments held by the District were comprised of the following at June 30, 2012:

	Maturity in Years	
	Less Than 1 Year	Total
California Local Agency Investment Fund (LAIF)	\$ 2,292,075	\$ 2,292,075
Deposits with financial institutions	10,531,429	10,531,429
Certificates of deposits	88,536	88,536
Total Cash and Investments	\$ 12,912,040	\$ 12,912,040
Financial Statement Classification:		
Cash and cash equivalents		\$ 12,912,040

Disclosures Relating to 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. One of the ways that the District manages its exposure to interest rate risk is by holding only cash and cash equivalents.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2012.

Disclosures Relating to Credit Risk

Generally, 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. Presented below is the actual rating as of the year end for each investment type.

<u>Investment</u>	<u>Rating as of Year End Standard & Poor's</u>
LAIF	Not Required
Certificates of deposit	Not Rated

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District holds no investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements 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 are recorded on an amortized cost basis.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 3 - Capital Assets:

Capital assets consist of the following at June 30, 2012:

Governmental Activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 633,429	\$ -	\$ -	\$ 633,429
Construction in progress	122,209	22,521	144,730	-
Total Capital Assets Not Being Depreciated	<u>\$ 755,638</u>	<u>\$ 22,521</u>	<u>\$ 144,730</u>	<u>\$ 633,429</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and improvements	\$ 3,269,091	\$ -	\$ -	\$ 3,269,091
Equipment	934,645	143,256	-	1,077,901
Vehicles	741,457	9,986	-	751,443
Total	4,945,193	153,242	-	5,098,435
Less: Accumulated depreciation	<u>(2,069,560)</u>	<u>(198,610)</u>	<u>-</u>	<u>(2,268,170)</u>
Total Capital Assets Being Depreciated	<u>\$ 2,875,633</u>	<u>\$ (45,368)</u>	<u>\$ -</u>	<u>\$ 2,830,265</u>

Business-Type Activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 3,256,820	\$ -	\$ -	\$ 3,256,820
Water delivery entitlement	7,452,020	-	-	7,452,020
Construction in progress	5,392	36,703	-	42,095
Total Capital Assets Not Being Depreciated	<u>\$ 10,714,232</u>	<u>\$ 36,703</u>	<u>\$ -</u>	<u>\$ 10,750,935</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and improvements	\$ 24,559,518	\$ -	\$ -	\$ 24,559,518
Equipment	1,222,678	-	-	1,222,678
Vehicles	321,777	-	-	321,777
Total	26,103,973	-	-	26,103,973
Less: Accumulated depreciation	<u>(9,801,612)</u>	<u>(869,180)</u>	<u>-</u>	<u>(10,670,792)</u>
Total Capital Assets Being Depreciated	<u>\$ 16,302,361</u>	<u>\$ (869,180)</u>	<u>\$ -</u>	<u>\$ 15,433,181</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 4 -Noncurrent Liabilities:

Changes in noncurrent liabilities for the year ended June 30, 2012, are as follows:

	June 30, 2011	Increases	Decreases	June 30, 2012	Payable Within One Year	Payable After One Year
Government Activities -						
Compensated absences (Note 1)	\$ 40,424	\$ -	\$ 6,384	\$ 34,040	\$ -	\$ 34,040
Net OPEB obligation (Note 6)	328,725	150,525	-	479,250	-	479,250
Total	<u>\$ 369,149</u>	<u>\$ 150,525</u>	<u>\$ 6,384</u>	<u>\$ 513,290</u>	<u>\$ -</u>	<u>\$ 513,290</u>
Business-Type Activities -						
Compensated absences (Note 1)	\$ 28,331	\$ -	\$ 35	\$ 28,296	\$ -	\$ 28,296
Accrued interest payable	86,007	-	1,840	84,167	84,167	-
Loans payable	5,927,853	-	174,630	5,753,223	182,350	5,570,873
Net OPEB obligation (Note 6)	186,106	95,431	-	281,537	-	281,537
Total	<u>\$ 6,228,297</u>	<u>\$ 95,431</u>	<u>\$ 176,505</u>	<u>\$ 6,147,223</u>	<u>\$ 266,517</u>	<u>\$ 5,880,706</u>

Loans payable consist of the following at June 30, 2012:

Loans Payable

State of California, Water Resources Control Board-The District entered into a contract with the State of California, Water Resources Control Board, for a loan in the amount of \$2,144,073 to increase the wastewater treatment capacity of the Meadowbrook Wastewater Treatment Plant. The loan accrues interest at 2.6% with annual payments of principal and interest in the amount of \$138,764. The loan matures March 4, 2022. The District shall maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of this loan.

\$ 1,208,223

San Luis Obispo County Flood Control and Water Conservation District - The District entered into a water delivery entitlement contract in the amount of \$4,615,000 to pay its share of various capital expenses relating to the funding of design costs, engineering, planning, mapping, acquiring easements and right-of-way, and construction in connection with the Nacimiento Water Project (Project). The District has pledged certain revenues it collects from the operation of the Project for payment of debt service on the loan. The loan accrues interest between 3.75% and 5.00% with semiannual payments of interest and principal (beginning in 2012) through 2041 as set forth in the contract.

Total Loans Payable.

4,545,000
\$ 5,753,223

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 4 - Noncurrent Liabilities: (Continued)

Debt service requirements on loans payable as of June 30, 2012 are as follows:

Business-Type Activities

Year Ended June 30	Loans Payable	
	Principal	Interest
2013	\$ 182,350	\$ 251,001
2014	185,142	245,303
2015	193,005	239,434
2016	200,944	233,195
2017	208,958	226,231
2018-2022	1,147,824	1,010,996
2023-2027	650,000	816,375
2028-2032	835,000	632,000
2033-2037	1,075,000	394,000
2038-2041	1,075,000	102,362
	<u>\$ 5,753,223</u>	<u>\$ 4,150,897</u>

Note 5 - Prepaid Capacity Fees:

The District records capacity fees collected as a liability until its duty to perform has been completed and service has begun at which time these fees are recorded as contributed capital. Following is a summary of the prepaid capacity fees liability at June 30, 2012:

Balance at Beginning of Year	\$ 10,303,094
Add: Capacity Fees Received	29,919
Less: Water and Sewer Connections	(334,758)
Refunds	(13,453)
Balance at End of Year	<u>\$ 9,984,802</u>

Note 6 - Postemployment Benefits:

Plan Description

The District provides retiree medical (including prescription drug benefits) coverage to eligible retirees and their eligible dependents through the CalPERS Health Program. The District provides a maximum monthly contribution based on the amount provided to active employees (currently targeted at the cost for family coverage in the PERS Choice Plan). The District's contribution will continue for the lifetime of the retiree and any surviving eligible spouse. Eligibility for retiree health benefits requires retirement from the District and commencement of pension benefits under PERS (typically on or after age 50 with at least 5 years of service).

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 6 - Postemployment Benefits: (Continued)

Funding Policy and Annual OPEB Costs

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's annual other postemployment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Board of Directors has established a policy of not funding the ARC. The current ARC rate is 31.0% of annual covered payroll. The following table shows the components of the District's annual OPEB cost for the current year, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the District's net OPEB obligation for the year ended June 30, 2012:

Annual required contribution	\$ 299,135
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	299,135
Contributions (including benefits paid)	(53,179)
Increase in net OPEB obligation	245,956
Net OPEB obligation at Beginning of Year	514,831
Net OPEB obligation at End of Year	\$ 760,787

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Costs Contributed	Net OPEB Obligation
June 30, 2010	\$ 286,367	18.12%	\$ 264,172
June 30, 2011	292,595	14.19%	514,831
June 30, 2012	299,135	17.78%	760,787

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 6 - Postemployment Benefits: (Continued)

Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the Plan was not yet funded. The District's actuarial accrued liability for benefits at July 1, 2009 was \$2,487,290 and the covered payroll (annual payroll of active employees covered by the Plan) was \$904,000, with a ratio of the UAAL to the covered payroll of 36.34%. During the year ended June 2012, the District made benefit payments of \$53,179.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Liability Accrued Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Status (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2009	\$ -	\$ 2,487,290	\$ 2,487,290	0.0%	\$ 904,000	275.14%

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the formal Plan document and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits and costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefits obligations is the Projected Unit Credit with Service Prorate Method. The actuarial assumptions included a 5% discount rate, which assumes the District continues to maintain the retiree health benefits program as an unfunded plan. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the District for current and future retirees; and a medical trend rate of 7.5% to 8.0% percent initially, reduced by decrements of .5% per year to an ultimate rate of 5% after the seventh year. The UAAL is being amortized using the level-dollar method on a closed-basis over 30 years. It is assumed the District's payroll will increase 3.25% per year.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 - Defined Benefit Pension Plan:

Miscellaneous Plan

Plan Description

The District contributes to the miscellaneous plan of the District, (the “Plan”), a cost sharing multiple-employer defined benefit pension plan administered by the California Public Retirement Plan System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of living adjustments; and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefit provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The Plan selects options benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPER’s annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 8% of their annual covered salary which the District pays on behalf of the employee. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2012 and 2011, were 23.849% and 23.739%, respectively. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District’s contributions for the years ended June 30, 2012, 2011 and 2010 were \$278,906, \$279,088 and \$251,422, respectively, which were equal to the required contributions each year.

Safety Plan

Plan Description

The District contributes to the miscellaneous plan of the District, (the “Plan”), a cost sharing multiple-employer defined benefit pension plan administered by the California Public Retirement Plan System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of living adjustments; and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefit provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The Plan selects options benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPER’s annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 - Defined Benefit Pension Plan: (Continued)

Safety Plan (Continued)

Funding Policy

Active plan members are required to contribute 9% of their annual covered salary which the District pays on behalf of the employee. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2012 and 2011 were 54.598% and 54.483% respectively. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended June 30, 2012, 2011 and 2010, were \$95,501, \$94,182 and \$112,707 respectively, which were equal to the required contributions each year.

Note 8 - Commitments and Contingencies:

Contracts

The District has entered into various contracts for the purchase of material and construction of water facilities. The amounts contracted are based on the contractors' estimated cost of construction. At June 30, 2012, the total unpaid amount on these contracts is approximately \$136,739.

Litigation

There are pending lawsuits in which the District is involved. The District's management and legal counsel estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the District.

Note 9 - New Governmental Accounting Standards:

GASB No. 60

In November 2010, the Governmental Accounting Standards Board issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This pronouncement is effective for periods beginning after December 15, 2011 and its provisions are generally required to be applied retroactively. The objective of this statement is to address issues related to service concession arrangements (SCA's) which are a type of public-private or public-public partnership. An SCA is an arrangement between the transferor (a government) and an operator in which (1) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public assets in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 61

In November 2010, the Governmental Accounting Standards Board issued Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34". This pronouncement is effective for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this statement is to address reporting entity issues that have arisen since the issuance of Statements No. 15 and No. 34. The District does not have any component units as of June 30, 2011.

GASB No. 62

In December 2010, the Governmental Accounting Standards Board issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This pronouncement is effective for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements of the FASB and the AICPA that was issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 63

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". This pronouncement is effective for periods beginning after December 15, 2011. Concepts Statement No. 4 "Elements of Financial Statements" introduced and defined deferred outflows and deferred inflows as an acquisition or consumption of net assets by the government that is applicable to a future reporting period, which is distinct from assets and liabilities. Concepts Statement No. 4 also defines net position as the residual of all other elements presented in a statement of financial position and renames that measure net position rather than net assets. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 64

In June 2011, the Governmental Accounting Standards Board issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB 53". This pronouncement is effective for periods beginning after June 15, 2011. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District does not have any hedge transactions at June 30, 2012.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 65

In March 2012, the Governmental Accounting Standards Board issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This pronouncement is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 66

In March 2012, the Governmental Accounting Standards Board issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62". This pronouncement is effective for periods beginning after December 15, 2012. This statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) service fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 67

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67, "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25". This pronouncement is effective for periods beginning after June 15, 2013. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 50, "Pension Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2013. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

**TEMPLETON COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<u>Revenues:</u>				
Other income	\$ 27,000	\$ 27,000	\$ 50,158	\$ 23,158
Interest income	-	-	33	33
Total Revenues	<u>27,000</u>	<u>27,000</u>	<u>50,191</u>	<u>23,191</u>
<u>Expenditures:</u>				
Salaries and wages	412,578	412,578	427,232	14,654
Employee benefits	229,394	229,394	238,969	9,575
Insurance	49,000	49,000	45,672	(3,328)
Payroll taxes	33,277	33,277	35,089	1,812
Worker's compensation	5,390	5,390	4,514	(876)
Supplies	18,000	18,000	18,275	275
Purchased services	13,000	13,000	13,427	427
Professional fees	62,000	62,000	52,676	(9,324)
Utilities	15,775	15,775	13,423	(2,352)
Directors	36,000	36,000	32,700	(3,300)
Dues and fees	26,000	26,000	20,159	(5,841)
Postage	5,000	5,000	2,939	(2,061)
Legal fees	18,000	18,000	32,948	14,948
Other	23,565	23,565	7,156	(16,409)
Travel	8,000	8,000	8,320	320
Repairs and maintenance	1,000	1,000	4,062	3,062
Education	8,000	8,000	4,266	(3,734)
Vehicle operation	1,850	1,850	3,939	2,089
Capital outlay	-	-	22,521	22,521
Total Expenditures	<u>965,829</u>	<u>965,829</u>	<u>988,287</u>	<u>22,458</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(938,829)</u>	<u>(938,829)</u>	<u>(938,096)</u>	<u>733</u>
<u>Other Financing Sources:</u>				
Transfers in	938,829	938,829	944,000	5,171
Total Other Financing Sources	<u>938,829</u>	<u>938,829</u>	<u>944,000</u>	<u>5,171</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	5,904	<u>\$ 5,904</u>
Fund Balance at Beginning of Year			(26,600)	
FUND BALANCE AT END OF YEAR			<u>\$ (20,696)</u>	