

**TEMPLETON COMMUNITY
SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2015**



Leaf & Cole, LLP
Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors
Templeton Community Services District

Report on Financial Statements

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, 2015, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of Templeton Community Services District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 8 to the financial statements, the District changed its method of accounting and financial reporting for pensions in order to conform with "Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions." Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability and schedule of district contributions on pages 3 - 8 and 44 - 46 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 the 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.

Leaf & Cole LLP

San Diego, California
October 20, 2015

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, 2015. Please read it in conjunction with the District's financial statements, which begin on page 9.

Financial Highlights

- The District's net position decreased by \$2,129,420 to \$21,922,293 during the fiscal year ended June 30, 2015. The net position at the beginning of the year was restated for the effect of a change in accounting principle which totaled (\$2,015,101), while the change in net position for the year ended June 30, 2015 totaled (\$114,319).
- The District's revenues increased from \$4,853,365 for the year ended June 30, 2014, to \$5,462,323 for the year ended June 30, 2015, an increase of \$608,955. The increase in wastewater rate increases, sale of wastewater, property tax revenues and capital contributions accounts for the majority of this increase.
- The District's total expenses decreased from \$5,822,878 for the year ended June 30, 2014 to \$5,576,642 for the year ended June 30, 2015. This decrease of \$246,230 can be attributed to a decrease in water fund depreciation expense, and decreases in the water funds utilities, repairs and maintenance, and professional fees.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 9 and 10) 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 11. 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 position 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 Position and the Statement of Activities

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 position 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 position and changes in them. You can think of the District's net position--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 position is 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 position 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 11 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 position and the statement of activities) and governmental funds in reconciliations on pages 12 and 15.
- 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 position 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 position decreased from \$24,051,713 a year ago to \$21,922,293 at June 30, 2015. Our analysis below focuses on the net position and changes in net position of the District's governmental and business-type activities.

Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014 ⁽¹⁾	2015	2014 ⁽¹⁾	2015	2014 ⁽¹⁾
<u>Assets:</u>						
Current and other assets	\$ 3,386,825	\$ 3,727,590	\$ 11,395,746	\$ 10,541,194	\$ 14,782,571	\$ 14,268,784
Capital assets	3,044,305	3,150,164	24,384,876	24,776,562	27,429,181	27,926,726
Total Assets	6,431,130	6,877,754	35,780,622	35,317,756	42,211,752	42,195,510
<u>Deferred Outflows of Resources:</u>						
Actuarial deferred outflows related to contributions	130,526	-	78,109	-	208,635	-
<u>Liabilities:</u>						
Noncurrent liabilities	2,046,551	994,489	6,493,241	6,057,902	8,539,792	7,052,391
Other liabilities	180,468	256,485	11,256,844	10,834,921	11,437,312	11,091,406
Total Liabilities	2,227,019	1,250,974	17,750,085	16,892,823	19,977,104	18,143,797
<u>Deferred Inflows of Resources:</u>						
Actuarial deferred inflows related to contributions	342,175	-	178,815	-	520,990	-
<u>Net Position:</u>						
Net investment in capital assets	3,044,305	3,150,164	19,113,851	19,310,487	22,158,156	22,460,651
Restricted for capital improvements	1,988,745	1,841,438	-	-	1,988,745	1,841,438
Unrestricted	(1,040,588)	635,178	(1,184,020)	(885,554)	(2,224,608)	(250,376)
Total Net Position	\$ 3,992,462	\$ 5,626,780	\$ 17,929,831	\$ 18,424,933	\$ 21,922,293	\$ 24,051,713

⁽¹⁾ 2014 figures have not been restated as the deferred outflows of resources, the deferred inflows of resources and the net pension liability resulting from the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" were not available for the year ended June 30, 2014.

Net position of the District's governmental activities decreased \$1,634,318, of which \$1,164,971 relates to the change in accounting principle. The net position of our business-type activities decreased by \$495,102. The change in accounting principle for business-type activities totaled \$850,130.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Fees and charges for services	\$ 350,899	\$ 443,747	\$ 3,014,958	\$ 3,018,605	\$ 3,365,857	\$ 3,462,352
Capital grants and contributions	147,307	88,566	634,651	78,149	781,958	166,715
General Revenues:						
Property taxes	954,011	888,472	-	-	954,011	888,472
Interest income	14,894	7,611	62,634	39,156	77,528	46,767
Other income	44,714	62,399	238,255	226,660	282,969	289,059
Total Revenues	<u>1,511,825</u>	<u>1,490,795</u>	<u>3,950,498</u>	<u>3,362,570</u>	<u>5,462,323</u>	<u>4,853,365</u>
Expenses:						
General Fund	1,127,948	1,065,871	-	-	1,127,948	1,065,871
Fire protection	977,339	1,028,233	-	-	977,339	1,028,233
Parks and recreation	543,151	534,230	-	-	543,151	534,230
Street lights	28,359	27,149	-	-	28,359	27,149
Water	-	-	1,529,586	1,861,489	1,529,586	1,861,489
Sewer	-	-	1,090,065	1,017,465	1,090,065	1,017,465
Drainage	-	-	15,395	11,949	15,395	11,949
Solid waste	-	-	27,412	33,080	27,412	33,080
Interest on long-term liabilities	-	-	237,387	243,412	237,387	243,412
Total Expenses	<u>2,676,797</u>	<u>2,655,483</u>	<u>2,899,845</u>	<u>3,167,395</u>	<u>5,576,642</u>	<u>5,822,878</u>
Change in Net Position Before Transfers	(1,164,972)	(1,164,688)	1,050,653	195,175	(114,319)	(969,513)
Transfers	<u>695,625</u>	<u>750,878</u>	<u>(695,625)</u>	<u>(750,878)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (469,347)</u>	<u>\$ (413,810)</u>	<u>\$ 355,028</u>	<u>\$ (555,703)</u>	<u>\$ (114,319)</u>	<u>\$ (969,513)</u>

Governmental Activities

Revenues for the District's governmental activities increased by \$21,030 while total expenses increased \$21,314 between 2015 and 2014. The increase in revenues is due to an increase in property tax revenues. Expenses increased due to an increase in employee wages and benefits.

Business-Type Activities

Revenues of the District's business-type activities increased \$587,928 and expenses decreased by \$267,550 between 2015 and 2014. Revenue increased between 2015 and 2014 due to wastewater rate increases, sales of wastewater, and capital contribution increases. The decrease in expenses can be attributed to decreases in water fund depreciation expense, water utilities, repairs and maintenance, and professional fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the District had \$43,320,707 invested in a broad range of capital assets, including a water system, sanitation system, buildings, park facilities, and fire equipment.

Capital Assets at Year-End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 633,429	633,429	\$ 3,256,820	\$ 3,256,820	\$ 3,890,249	\$ 3,890,249
Water delivery entitlement	-	-	7,203,787	7,452,020	7,203,787	7,452,020
Construction-in-progress	-	-	240,327	195,427	240,327	195,427
Buildings and improvements	3,346,370	3,303,578	25,179,517	24,697,424	28,525,887	28,001,002
Equipment	1,174,956	1,143,227	1,242,780	1,238,757	2,417,736	2,381,984
Vehicles	751,443	751,443	291,278	321,777	1,042,721	1,073,220
Totals	\$ 5,906,198	5,831,677	\$ 37,414,509	\$ 37,162,225	\$ 43,320,707	\$ 42,993,902

Debt

At June 30, 2015, the District had loans payable to the State of California, Water Resources Control Board and the San Luis Obispo County Flood Control and Water Conservation District. During the current year, District made principal payments of \$193,005 on the loans payable.

Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Loans Payable	\$ -	\$ -	\$ 5,192,726	\$ 5,385,731	\$ 5,192,726	\$ 5,385,731

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 2016 budget including the economy and employment growth. These indicators were taken into account when adopting the general fund budget for 2016. Amounts budgeted for general fund expenditures in 2016 are \$913,267 decrease of \$51,739 over the final 2015 budgeted expenditures of \$965,006. Budget decreases are due to reduced PERS retirement and capital projects in 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 POSITION
JUNE 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 3,299,076	\$ 10,790,603	\$ 14,089,679
Accounts receivable	84,365	357,640	442,005
Accrued interest receivable	3,384	11,913	15,297
Inventory	-	28,090	28,090
Deposits	-	207,500	207,500
Capital Assets:			
Land and other non-depreciable capital assets	633,429	10,700,934	11,334,363
Plant and equipment, net of accumulated depreciation	<u>2,410,876</u>	<u>13,683,942</u>	<u>16,094,818</u>
TOTAL ASSETS	<u>6,431,130</u>	<u>35,780,622</u>	<u>42,211,752</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred outflows related to contributions	<u>130,526</u>	<u>78,109</u>	<u>208,635</u>
<u>LIABILITIES:</u>			
Accounts payable	106,491	292,352	398,843
Accrued wages	29,198	12,030	41,228
Customer deposits	10,867	158,187	169,054
Unearned revenue	33,912	-	33,912
Prepaid capacity fees	-	10,794,275	10,794,275
Noncurrent Liabilities:			
Due within one year	198,752	400,445	599,197
Due after one year	<u>1,847,799</u>	<u>6,092,796</u>	<u>7,940,595</u>
TOTAL LIABILITIES	<u>2,227,019</u>	<u>17,750,085</u>	<u>19,977,104</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred inflows related to pensions	<u>342,175</u>	<u>178,815</u>	<u>520,990</u>
<u>Commitments and Contingencies</u>			
<u>NET POSITION:</u>			
Net investment in capital assets	3,044,305	19,113,851	22,158,156
Restricted for capital improvements	1,988,745	-	1,988,745
Unrestricted	<u>(1,040,588)</u>	<u>(1,184,020)</u>	<u>(2,224,608)</u>
TOTAL NET POSITION	<u>\$ 3,992,462</u>	<u>\$ 17,929,831</u>	<u>\$ 21,922,293</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, 2015**

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>		
		<u>Fees and Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:						
General fund	\$ 1,127,948	\$ -	\$ -	\$ (1,127,948)	\$ -	\$ (1,127,948)
Fire protection	977,339	128,887	134,658	(713,794)	-	(713,794)
Parks and recreation	543,151	222,012	12,649	(308,490)	-	(308,490)
Street lights	28,359	-	-	(28,359)	-	(28,359)
Total Governmental Activities	<u>2,676,797</u>	<u>350,899</u>	<u>147,307</u>	<u>(2,178,591)</u>	<u>-</u>	<u>(2,178,591)</u>
Business-Type Activities:						
Water	1,529,586	1,764,128	384,019	-	618,561	618,561
Sewer	1,090,065	1,123,838	250,632	-	284,405	284,405
Drainage	15,395	8,676	-	-	(6,719)	(6,719)
Solid waste	27,412	118,316	-	-	90,904	90,904
Interest on long-term liabilities	237,387	-	-	-	(237,387)	(237,387)
Total Business-Type Activities	<u>2,899,845</u>	<u>3,014,958</u>	<u>634,651</u>	<u>-</u>	<u>749,764</u>	<u>749,764</u>
Total Activities	<u>\$ 5,576,642</u>	<u>\$ 3,365,857</u>	<u>\$ 781,958</u>	<u>(2,178,591)</u>	<u>749,764</u>	<u>(1,428,827)</u>
General Revenues:						
Taxes and assessments				954,011	-	954,011
Interest income				14,894	62,634	77,528
Other income				44,714	238,255	282,969
Total General Revenues				<u>1,013,619</u>	<u>300,889</u>	<u>1,314,508</u>
Transfers				<u>695,625</u>	<u>(695,625)</u>	<u>-</u>
Total General Revenues and Transfers				<u>1,709,244</u>	<u>(394,736)</u>	<u>1,314,508</u>
Changes in Net Position				(469,347)	355,028	(114,319)
Net Position at Beginning of Year, as Restated				<u>4,461,809</u>	<u>17,574,803</u>	<u>22,036,612</u>
NET POSITION AT END OF YEAR				<u>\$ 3,992,462</u>	<u>\$ 17,929,831</u>	<u>\$ 21,922,293</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	ASSETS				
	<u>General Fund</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ (17,556)	\$ 2,149,902	\$ 1,080,896	\$ 85,834	\$ 3,299,076
Accounts receivable	-	79,636	4,432	297	84,365
Accrued interest receivable	3	2,165	1,128	88	3,384
Total Assets	<u>\$ (17,553)</u>	<u>\$ 2,231,703</u>	<u>\$ 1,086,456</u>	<u>\$ 86,219</u>	<u>\$ 3,386,825</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,202	\$ 72,448	\$ 18,837	\$ 3,004	\$ 106,491
Accrued wages	9,987	16,238	2,973	-	29,198
Customer deposits	-	7,567	3,300	-	10,867
Unearned revenue	-	-	33,912	-	33,912
Total Liabilities	<u>22,189</u>	<u>96,253</u>	<u>59,022</u>	<u>3,004</u>	<u>180,468</u>
Fund Balances:					
Unassigned	(39,742)	409,137	765,002	83,215	1,217,612
Restricted	-	1,726,313	262,432	-	1,988,745
Total Fund Balances	<u>(39,742)</u>	<u>2,135,450</u>	<u>1,027,434</u>	<u>83,215</u>	<u>3,206,357</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ (17,553)</u>	<u>\$ 2,231,703</u>	<u>\$ 1,086,456</u>	<u>\$ 86,219</u>	<u>\$ 3,386,825</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balances - Governmental funds		\$ 3,206,357
Total net position reported for governmental activities in the statement of net position 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>2,410,876</u>	
Total Capital Assets, Net		3,044,305
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including noncurrent liabilities, are reported. Noncurrent liabilities relating to governmental activities consist of:		
Compensated absences	(32,615)	
Net OPEB Obligation	(1,207,482)	
Net pension liability	<u>(806,454)</u>	
Total Long-Term Liabilities		(2,046,551)
In governmental funds, deferred outflows of resources and deferred inflows of resources are not reported. In the statement of net position, the deferred outflows of resources and deferred inflows of resources are reported and consist of:		
Deferred outflows of resources related to contributions	130,526	
Deferred inflow of resources related to pensions	<u>(342,175)</u>	<u>(211,649)</u>
Total		
Total Net Position - Governmental Activities		<u>\$ 3,992,462</u>

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, 2015

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Total Governmental Funds
Revenues:					
Taxes and assessments	\$ -	\$ 681,862	\$ 246,228	\$ 25,921	\$ 954,011
Program fees	-	-	182,626	-	182,626
Contributions	-	134,658	12,649	-	147,307
Grant revenue	-	125,814	-	-	125,814
Other income	5,988	32,394	6,332	-	44,714
Rental income	-	3,073	39,386	-	42,459
Interest income	30	9,557	4,916	391	14,894
Total Revenues	<u>6,018</u>	<u>987,358</u>	<u>492,137</u>	<u>26,312</u>	<u>1,511,825</u>
Expenditures:					
Current:					
Salaries and wages	431,248	351,351	175,332	-	957,931
Employee benefits	181,962	398,435	102,525	-	682,922
Professional fees	86,473	20,890	-	-	107,363
Program expense	-	-	94,502	-	94,502
Payroll taxes	34,862	30,154	15,326	-	80,342
Other	16,503	43,710	12,301	-	72,514
Utilities	13,795	8,165	15,795	28,307	66,062
Supplies	15,032	33,354	4,405	-	52,791
Worker's compensation	6,560	34,288	9,394	-	50,242
Insurance	47,382	-	-	-	47,382
Purchased services	18,549	9,096	14,690	52	42,387
Dues and fees	30,356	1,396	1,347	-	33,099
Vehicle operation	485	24,397	455	-	25,337
Repairs and maintenance	3,023	6,675	12,368	-	22,066
Directors	20,250	-	-	-	20,250
Legal fees	9,947	5,820	380	-	16,147
Education	6,580	6,470	495	-	13,545
Travel	1,804	5,615	1,658	-	9,077
Postage	1,818	-	-	-	1,818
Capital outlay	38,377	38,044	-	-	76,421
Total Expenditures	<u>965,006</u>	<u>1,017,860</u>	<u>460,973</u>	<u>28,359</u>	<u>2,472,198</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(958,988)</u>	<u>(30,502)</u>	<u>31,164</u>	<u>(2,047)</u>	<u>(960,373)</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, 2015**

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Total Governmental Funds</u>
<u>Other Financing Sources</u>					
<u>(Uses):</u>					
Transfers in	\$ 875,000	\$ -	\$ -	\$ -	\$ 875,000
Transfers out	<u>-</u>	<u>(87,500)</u>	<u>(91,875)</u>	<u>-</u>	<u>(179,375)</u>
Total Other Financing Sources and (Uses)	<u>875,000</u>	<u>(87,500)</u>	<u>(91,875)</u>	<u>-</u>	<u>695,625</u>
Net Change in Fund Balances	(83,988)	(118,002)	(60,711)	(2,047)	(264,748)
Fund Balances at Beginning of Year (As Restated)	<u>44,246</u>	<u>2,253,452</u>	<u>1,088,145</u>	<u>85,262</u>	<u>3,471,105</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ (39,742)</u></u>	<u><u>\$ 2,135,450</u></u>	<u><u>\$ 1,027,434</u></u>	<u><u>\$ 83,215</u></u>	<u><u>\$ 3,206,357</u></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, 2015**

Total net change in fund balances - Governmental funds	\$ (264,748)
Amounts reported for governmental activities are different because:	
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.	(105,858)
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 \$1,531.	(1,531)
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 \$244,077.	(244,077)
Deferred outflows related to contributions are not recognized in the governmental funds. The change in deferred outflows related to contributions is reflected in pension expense in the statement of activities, but not the statement of revenues, expenses and changes in fund balances. The change in deferred outflows related to contributions totaled \$130,526.	130,526
Deferred inflows related to pensions are not recognized in the governmental funds. The change in deferred inflows related to pensions is reflected in pension expense in the statement of activities, but not the statement of revenues, expenses, and changes in fund balances. The change in deferred inflows related to pensions totaled (\$342,175).	(342,175)
Net pension liability is not recognized in the governmental funds. The change in net pension liability is reflected in pension expense in the statement of activities, but not in the statement of revenues, expenses and changes in fund balances. The change in net pension liability totaled \$6,467.	6,467
Prepaid PERS contribution reported as an asset in the June 30, 2014 governmental fund balance sheet is a component of the net effect of the change in accounting principle and totaled \$352,049.	<u>352,049</u>
Changes in Net Position - Governmental Activities	<u>\$ (469,347)</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

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	\$ 9,382,012	\$ 837,027	\$ 147,904	\$ 423,660	\$ 10,790,603
Accounts receivable	215,795	126,954	943	13,948	357,640
Accrued interest receivable	10,184	1,090	162	477	11,913
Inventory	28,090	-	-	-	28,090
Total Current Assets	<u>9,636,081</u>	<u>965,071</u>	<u>149,009</u>	<u>438,085</u>	<u>11,188,246</u>
<u>Noncurrent Assets:</u>					
Capital Assets:					
Land and other non-depreciable capital assets	8,677,737	1,873,796	149,401	-	10,700,934
Plant and equipment, net of accumulated depreciation	<u>5,369,907</u>	<u>8,135,292</u>	<u>178,743</u>	<u>-</u>	<u>13,683,942</u>
Total Capital Assets	<u>14,047,644</u>	<u>10,009,088</u>	<u>328,144</u>	<u>-</u>	<u>24,384,876</u>
Other Noncurrent Assets:					
Deposits	<u>207,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,500</u>
Total Other Noncurrent Assets	<u>207,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,500</u>
Total Noncurrent Assets	<u>14,255,144</u>	<u>10,009,088</u>	<u>328,144</u>	<u>-</u>	<u>24,592,376</u>
TOTAL ASSETS	<u>23,891,225</u>	<u>10,974,159</u>	<u>477,153</u>	<u>438,085</u>	<u>35,780,622</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>					
Deferred outflows related to contributions	<u>50,230</u>	<u>26,177</u>	<u>428</u>	<u>1,274</u>	<u>78,109</u>
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Accounts payable	105,818	186,192	43	299	292,352
Accrued wages	8,358	3,554	-	118	12,030
Customer deposits	141,199	16,988	-	-	158,187
Accrued interest payable	70,692	7,607	-	-	78,299
Prepaid capacity fees	6,786,204	4,008,071	-	-	10,794,275
Compensated absences	10,872	4,591	-	-	15,463
Loans payable	85,000	115,944	-	-	200,944
Net OPEB obligation	17,250	9,325	160	895	27,630
Net pension liability	50,230	26,177	428	1,274	78,109
Total Current Liabilities	<u>7,275,623</u>	<u>4,378,449</u>	<u>631</u>	<u>2,586</u>	<u>11,657,289</u>
<u>Noncurrent Liabilities:</u>					
Compensated absences	9,023	3,859	-	-	12,882
Loans payable	4,230,000	761,782	-	-	4,991,782
Net OPEB obligation	439,891	212,381	716	25,312	678,300
Net pension liability	265,464	131,617	145	12,606	409,832
Total Noncurrent Liabilities	<u>4,944,378</u>	<u>1,109,639</u>	<u>861</u>	<u>37,918</u>	<u>6,092,796</u>
TOTAL LIABILITIES	<u>12,220,001</u>	<u>5,488,088</u>	<u>1,492</u>	<u>40,504</u>	<u>17,750,085</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Deferred inflows related to pensions	<u>115,702</u>	<u>57,831</u>	<u>197</u>	<u>5,085</u>	<u>178,815</u>
<u>NET POSITION:</u>					
Net investment in capital assets	9,661,952	9,123,755	328,144	-	19,113,851
Unrestricted	<u>1,943,800</u>	<u>(3,669,338)</u>	<u>147,748</u>	<u>393,770</u>	<u>(1,184,020)</u>
TOTAL NET POSITION	<u>\$ 11,605,752</u>	<u>\$ 5,454,417</u>	<u>\$ 475,892</u>	<u>\$ 393,770</u>	<u>\$ 17,929,831</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Operating Revenues:</u>					
Charges for services	\$ 1,764,128	\$ 1,123,838	\$ 8,676	\$ -	\$ 2,896,642
Franchise fees	-	-	-	118,316	118,316
Total Operating Revenues	<u>1,764,128</u>	<u>1,123,838</u>	<u>8,676</u>	<u>118,316</u>	<u>3,014,958</u>
<u>Operating Expenses:</u>					
Depreciation	339,205	326,839	8,425	-	674,469
Salaries and wages	325,991	176,291	3,057	16,881	522,220
Employee benefits	249,039	152,382	2,136	1,200	404,757
Treatment and disposal	-	222,654	-	-	222,654
Utilities	169,863	47,979	-	-	217,842
Repairs and maintenance	101,412	42,815	-	-	144,227
Legal fees	77,831	12,012	-	495	90,338
Dues and fees	73,168	8,254	1,457	-	82,879
Other	29,659	8,569	6	4,627	42,861
Payroll taxes	25,925	13,998	242	1,586	41,751
Water analysis	9,601	30,350	-	-	39,951
Worker's compensation	23,664	13,273	72	273	37,282
Supplies	30,970	4,713	-	108	35,791
Nacimeinto Operations	25,110	-	-	-	25,110
Vehicle operation	14,813	8,926	-	-	23,739
Professional fees	20,073	2,932	-	596	23,601
Interceptor maintenance	-	15,649	-	-	15,649
Purchased services	11,408	2,047	-	1,646	15,101
Travel	1,069	115	-	-	1,184
Education	785	267	-	-	1,052
Total Operating Expenses	<u>1,529,586</u>	<u>1,090,065</u>	<u>15,395</u>	<u>27,412</u>	<u>2,662,458</u>
Operating Income (Loss)	<u>234,542</u>	<u>33,773</u>	<u>(6,719)</u>	<u>90,904</u>	<u>352,500</u>
<u>Nonoperating Revenues (Expenses):</u>					
Lease revenue	133,661	-	-	-	133,661
Other income	100,051	2,543	-	2,000	104,594
Investment income	55,264	4,734	691	1,945	62,634
Interest expense	(212,608)	(24,779)	-	-	(237,387)
Total Nonoperating Revenues (Expenses)	<u>76,368</u>	<u>(17,502)</u>	<u>691</u>	<u>3,945</u>	<u>63,502</u>
Income Before Transfers and Capital Contributions	<u>310,910</u>	<u>16,271</u>	<u>(6,028)</u>	<u>94,849</u>	<u>416,002</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 POSITION (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Transfers and Capital Contributions:</u>					
Transfers out	\$ (385,000)	\$ (262,500)	\$ (4,375)	\$ (43,750)	\$ (695,625)
Capital contributions	384,019	250,632	-	-	634,651
Treated wastewater sales	(75,000)	75,000	-	-	-
Total Transfers and Capital Contributions	<u>(75,981)</u>	<u>63,132</u>	<u>(4,375)</u>	<u>(43,750)</u>	<u>(60,974)</u>
Change in Net Position	234,929	79,403	(10,403)	51,099	355,028
Net Position at Beginning of Year (As Restated)	<u>11,370,823</u>	<u>5,375,014</u>	<u>486,295</u>	<u>342,671</u>	<u>17,574,803</u>
NET POSITION AT END OF YEAR	<u>\$ 11,605,752</u>	<u>\$ 5,454,417</u>	<u>\$ 475,892</u>	<u>\$ 393,770</u>	<u>\$ 17,929,831</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, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>					
Cash received from customers	\$ 1,818,619	\$ 1,115,410	\$ 8,696	\$ 112,625	\$ 3,055,350
Cash payments to suppliers for goods and services	(1,097,134)	(591,993)	(7,027)	(69,227)	(1,765,381)
Cash payments to employees for services	(343,336)	(178,120)	(3,057)	(840)	(525,353)
Net Cash Provided by (Used in) Operating Activities	<u>378,149</u>	<u>345,297</u>	<u>(1,388)</u>	<u>42,558</u>	<u>764,616</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>					
Receipts from other income	233,712	2,543	-	2,000	238,255
Net Cash Provided by Noncapital and Related Financing Activities	<u>233,712</u>	<u>2,543</u>	<u>-</u>	<u>2,000</u>	<u>238,255</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(13,367)	(61,687)	-	-	(75,054)
Repayment of capital assets	248,233	-	-	-	248,233
Principal paid on loans payable	(80,000)	(113,005)	-	-	(193,005)
Interest paid on loans payable	(213,674)	(25,758)	-	-	(239,432)
Receipts from contributed capital	293,736	119,702	-	-	413,438
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>234,928</u>	<u>(80,748)</u>	<u>-</u>	<u>-</u>	<u>154,180</u>
<u>Cash Flows From Investing Activities:</u>					
Payment of deposits	(207,500)	-	-	-	(207,500)
Investment income	45,549	3,697	537	1,489	51,272
Net Cash Provided by (Used in) Investing Activities	<u>(161,951)</u>	<u>3,697</u>	<u>537</u>	<u>1,489</u>	<u>(156,228)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	684,838	270,789	(851)	46,047	1,000,823
Cash and Cash Equivalents at Beginning of Year	<u>8,697,174</u>	<u>566,238</u>	<u>148,755</u>	<u>377,613</u>	<u>9,789,780</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,382,012</u>	<u>\$ 837,027</u>	<u>\$ 147,904</u>	<u>\$ 423,660</u>	<u>\$ 10,790,603</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, 2015**

	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)	\$ 234,542	\$ 33,773	\$ (6,719)	\$ 90,904	\$ 352,500
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	339,205	326,839	8,425	-	674,469
Transfers	(460,000)	(187,500)	(4,375)	(43,750)	(695,625)
(Increase) Decrease in:					
Accounts receivable	54,491	(8,428)	20	(1,097)	44,986
Inventory	(4,743)	-	-	-	(4,743)
Deferred outflows related to contributions	(50,230)	(26,177)	-	(1,274)	(77,681)
Increase (Decrease) in:					
Accounts payable	7,770	77,906	43	(2,200)	83,519
Accrued wages	842	379	-	118	1,339
Customer deposits	85,328	16,988	-	-	102,316
Compensated absences	(4,973)	(2,208)	-	-	(7,181)
Net OPEB obligation	93,404	50,512	876	4,837	149,629
Net pension liability	(33,189)	5,382	342	(10,065)	(37,530)
Deferred inflows related to pensions	115,702	57,831	-	5,085	178,618
Net Cash Provided by (Used in) Operating Activities	\$ 378,149	\$ 345,297	\$ (1,388)	\$ 42,558	\$ 764,616
 <u>Noncash Investing, Capital and Financing Activities:</u>					
Contributions of capital assets	\$ 270,622	\$ 185,340	\$ -	\$ -	\$ 455,962

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Cod. Sec. 2100, "Defining the Financial Reporting Entity." 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 position, 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 position is reported in three parts; net investment in capital assets, restricted and unrestricted. The statement of net position 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, 2015

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, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, net position, 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. GASB Cod. Sec. 2200, "Comprehensive Annual Financial Report", sets forth minimum criteria 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 and street lights as major governmental funds.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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, 2015**

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 GASB Cod. Sec P80.103, "Proprietary Fund, Accounting and Financial Reporting" 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 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, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The District recognizes revenue from user fees, service charges, program fees and rental fees as they are earned. The District has recorded unearned revenue for soccer registrations totaling \$33,912 at June 30, 2015.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Significant Accounting Policies (Continued)

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

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible, therefore, no allowance for doubtful accounts was recorded as of June 30, 2015.

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, 2015, 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 consist primarily of materials used in the construction and maintenance of capital assets and is valued at the lower of cost (first-in, first-out basis) or market.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding \$1,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

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 \$856,749 for the year ended June 30, 2015.

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, 2015.

Compensated Absences

Accumulated unpaid vacation totaling \$60,960 at June 30, 2015, is accrued when incurred and included in noncurrent liabilities.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future period and an acquisition of net assets by the government that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources are more fully described in Note 7.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds

The fund balances of the governmental funds are classified as follows at June 30, 2015:

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. Fire and park facility fees are collected for new development. Restricted fire and park fund balances related to facility fees totaled \$1,726,313 and \$262,432 at June 30, 2015, respectively.

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, 2015, 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;

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Significant Accounting Policies (Continued)

Risk Management (Continued)

- Comprehensive and collision on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected.

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 replaced 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 \$1,000 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.

The District pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website.

Interfund Transfers

Interfund transfers for the year ended June 30, 2015, consisted of general fund transfers from the following:

Water	\$ 385,000
Sewer	262,500
Parks and recreation	91,875
Fire protection	87,500
Solid waste	43,750
Drainage	4,375
	\$ 875,000

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Significant Accounting Policies (Continued)

Economic Dependency

The District extracts approximately 40% of its water supply from the underflow of the Salinas River, 7% from reclaimed water from the Selby Ponds, 38% from groundwater wells located in the Atascadero sub basin, and 15% from Nacimiento recharge. Interruption of these sources would impact the District negatively.

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. Negotiable 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 October 20, 2015, 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>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA. Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2 - Cash and Investments: (Continued)

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

The District's Investment Policy is more restrictive than the California Government Code. The policy only allows the District to invest in the California Local Agency Investment Fund, FDIC insured accounts and investments collateralized pursuant to the California Government Code Section 53652.

Cash and investments held by the District were comprised of the following at June 30, 2015:

	Maturity in Years		
	Less Than 1 Year	1 - 5 Years	Total
California Local Agency Investment Fund (LAIF)	\$ 1,319,212	\$ -	\$ 1,319,212
Deposits with financial institutions	9,559,467	-	9,559,467
Investments:			
Negotiable certificates of deposit	247,000	2,964,000	3,211,000
Total Cash and Investments	\$ 11,125,679	\$ 2,964,000	\$ 14,089,679
Financial Statement Classification:			
Cash and cash equivalents			\$ 14,089,679

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, 2015.

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</u> <u>Standard & Poor's</u>
LAIF	Not Rated
Negotiable Certificates of Deposit	Not Rated

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

At June 30, 2015, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2015, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

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, 2015**

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

Governmental Activities:				
	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Capital Assets Not Being Depreciated				
Land	\$ 633,429	\$ -	\$ -	\$ 633,429
Total Capital Assets Not Being Depreciated	<u>\$ 633,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,429</u>
Capital Assets Being Depreciated				
Buildings and improvements	\$ 3,303,578	\$ 42,792	\$ -	\$ 3,346,370
Equipment	1,143,227	33,629	1,900	1,174,956
Vehicles	751,443	-	-	751,443
Total	<u>5,198,248</u>	<u>76,421</u>	<u>1,900</u>	<u>5,272,769</u>
Less: Accumulated depreciation	<u>(2,681,513)</u>	<u>1,900</u>	<u>182,280</u>	<u>(2,861,893)</u>
Total Capital Assets Being Depreciated	<u>\$ 2,516,735</u>	<u>\$ 78,321</u>	<u>\$ 184,180</u>	<u>\$ 2,410,876</u>
Business-Type Activities:				
	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Capital Assets Not Being Depreciated				
Land	\$ 3,256,820	\$ -	\$ -	\$ 3,256,820
Water delivery entitlement	7,452,020	-	248,233	7,203,787
Construction in progress	195,427	44,900	-	240,327
Total Capital Assets Not Being Depreciated	<u>\$ 10,904,267</u>	<u>\$ 44,900</u>	<u>\$ 248,233</u>	<u>\$ 10,700,934</u>
Capital Assets Being Depreciated				
Buildings and improvements	\$ 24,697,424	\$ 482,093	\$ -	\$ 25,179,517
Equipment	1,238,757	4,023	-	1,242,780
Vehicles	321,777	-	30,499	291,278
Total	<u>26,257,958</u>	<u>486,116</u>	<u>30,499</u>	<u>26,713,575</u>
Less: Accumulated depreciation	<u>(12,385,663)</u>	<u>30,499</u>	<u>674,469</u>	<u>(13,029,633)</u>
Total Capital Assets Being Depreciated	<u>\$ 13,872,295</u>	<u>\$ 516,615</u>	<u>\$ 704,968</u>	<u>\$ 13,683,942</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4 -Noncurrent Liabilities:

Noncurrent liabilities consists of the following at June 30:

	Balance at June 30, 2014 (As Restated)	Increases	Decreases	Balance at June 30, 2015	Payable Within One Year	Payable After One Year
Government Activities -						
Compensated absences (Note 1)	\$ 31,084	\$ 32,615	\$ 31,084	\$ 32,615	\$ 23,106	\$ 9,509
Net OPEB obligation (Note 6)	963,405	289,199	45,122	1,207,482	45,120	1,162,362
Net pension liability (Note 7)	1,431,863	144,457	769,866	806,454	130,526	675,928
Total	<u>\$ 2,426,352</u>	<u>\$ 466,271</u>	<u>\$ 846,072</u>	<u>\$ 2,046,551</u>	<u>\$ 198,752</u>	<u>\$ 1,847,799</u>
Business-Type Activities -						
Compensated absences (Note 1)	\$ 35,526	\$ 28,345	\$ 35,526	\$ 28,345	\$ 15,463	\$ 12,882
Accrued interest payable	80,344	-	2,045	78,299	78,299	-
Loans payable	5,385,731	-	193,005	5,192,726	200,944	4,991,782
Net OPEB obligation (Note 6)	556,301	177,261	27,632	705,930	27,630	678,300
Net pension liability (Note 7)	1,025,863	55,211	593,133	487,941	78,109	409,832
Total	<u>\$ 7,083,765</u>	<u>\$ 260,817</u>	<u>\$ 851,341</u>	<u>\$ 6,493,241</u>	<u>\$ 400,445</u>	<u>\$ 6,092,796</u>

Loans payable consist of the following at June 30, 2015:

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. Accrued interest totaled \$7,607 at June 30, 2015.

\$ 877,726

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. Accrued interest totaled \$70,692 at June 30, 2015.

Total Loans Payable.

4,315,000
\$ 5,192,726

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4 - Noncurrent Liabilities: (Continued)

Debt service requirements on loans payable at June 30, 2015 are as follows:

Business-Type Activities

<u>Year Ended June 30</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 200,944	\$ 233,195
2017	208,958	226,231
2018	212,051	218,638
2019	225,224	210,715
2020	228,480	202,459
2021 - 2025	852,069	888,459
2026 - 2030	755,000	711,500
2031 - 2035	975,000	496,500
2036 - 2040	1,245,000	220,937
2041 - 2044	290,000	6,525
	<u>\$ 5,192,726</u>	<u>\$ 3,415,159</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, 2015:

Balance at Beginning of Year	\$ 10,559,526
Add: Capacity Fees Received	413,438
Less: Water and Sewer Connections	<u>(178,689)</u>
Balance at End of Year	<u>\$ 10,794,275</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, 2015**

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 GASB Cod. Sec. P50 "Postemployment Benefits Other Than Pension Benefits - Employer Reporting." 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 funding the ARC on a pay as you go basis. The current ARC rate is 31.0% of annual covered payroll. The following table shows the components of the District's annual OPEB cost, 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, 2015:

Annual required contribution	\$ 493,195
Interest on net OPEB obligation	59,976
Adjustment to annual required contribution	(86,711)
Annual OPEB cost	466,460
Contributions (including benefits paid)	(72,755)
Increase in net OPEB obligation	393,705
Net OPEB obligation at Beginning of Year	1,519,706
Net OPEB obligation at End of Year	\$ 1,913,411

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 442,365	\$ 66,730	15.1%	\$ 1,136,422
June 30, 2014	454,186	70,902	15.6%	1,519,706
June 30, 2015	466,460	72,755	15.6%	1,913,411

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 - Postemployment Benefits: (Continued)

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the Plan was not yet funded. The District's actuarial accrued liability for benefits at July 1, 2012 was \$3,338,557 and the covered payroll (annual payroll of active employees covered by the Plan) was \$1,154,154 with a ratio of the UAAL to the covered payroll of 289.3%.

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, 2012	\$ -	\$ 3,338,557	\$ 3,338,557	0.0%	\$ 1,154,154	289.3%
July 1, 2009	-	2,487,290	2,487,290	0.0%	904,000	275.1%

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 4% 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; an annual healthcare cost trend rate of 8.5% percent initially, reduced by decrements of .5% per year to an ultimate rate of 5% after the seventh year. Both rates include a 3% inflation assumption. The UAAL is being amortized using the level-dollar method on a open period over 30 years. It is assumed the District's inflation rate is 3.0% per year.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 - Defined Benefit Pension Plan:

General Information About the Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan or the Safety Plan of the Templeton Community Services District (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The District participates in the miscellaneous 3% at 60 pool for those employees hired before December 22, 2012, the 2.5% at 55 pool for employees hired after December 22, 2012, and the 2% at 62 pool for employees hired after January 1, 2013 with no prior CalPERS membership or those with CalPERS membership who have had a break in service greater than six months. The District participates in the safety 3% at 50 pool for those employees hired before December 22, 2012, the 3% at 55 pool for those employees hired after December 22, 2012, and the 2.7% at 57 pool for employees hired after January 1, 2013 with no prior CalPERS membership or those with CalPERS membership who have had a break in service greater than six months.

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous Plan</u>	<u>Second Tier Plan</u>	<u>Safety Plan</u>
Benefit formula	3.0% @ 60	2.5% @ 55	3.0% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50+	50+	50+
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%	3.0%
Required employee contribution rates	7.942%	7.761%	8.986%
Required employer contribution rates	14.083%	24.881%	57.901%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 - Defined Benefit Pension Plan: (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
3.0% @ 60	\$ 1,075,549
2.5% @ 55	-
3.0% @ 50	218,847
Total Net Pension Liability	\$ 1,294,396

The District's net pension liability for each plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 2013 and 2014 was as follows:

	3.0% @ 60	2.5% @ 55	3.0% @ 50
Proportion - June 30, 2013	N/A	N/A	N/A
Proportion - June 30, 2014	.01728%	-	.00352%
Change - Increase (Decrease)	N/A	N/A	N/A

For the year ended June 30, 2015, the District recognized pension expense of \$477,224. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 208,635	\$ -
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	32,418
Net difference between projected and actual earnings on plan investments	-	488,572
Total	\$ 208,635	\$ 520,990

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 - Defined Benefit Pension Plan: (Continued)

**Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions
(Continued)**

The \$208,635 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ended June 30	
2016	\$ (146,409)
2017	(146,409)
2018	(135,636)
2019	(92,536)
2020	-
Total	<u>\$ (520,990)</u>

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>3.0% @ 60</u>	<u>2.5% @ 55</u>	<u>3.0% @ 50</u>
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Cost Method	Entry-Age Cost Method	Entry-Age Cost Method
Actuarial Assumptions:			
Discount Rate	7.5%	7.5%	7.5%
Inflation	2.75%	2.75%	2.75%
Payroll Growth	Varies	Varies	Varies
Investment Rate of Return	7.5% (1)	7.5% (1)	7.5% (1)
Mortality	CalPERS Specific	CalPERS Specific	CalPERS Specific

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details for the Experience Study can be found on the CalPERS website.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 - Defined Benefit Pension Plan: (Continued)

**Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions
(Continued)**

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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 (a)</u>	<u>Real Return Years 11 + (b)</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%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 - Defined Benefit Pension Plan: (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. 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 result 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 Section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017 - 18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of each Plan, as of the measurement date calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>3.0% @ 60</u>	<u>2.5% @ 55</u>	<u>3.0% @ 50</u>
1% Decrease Net Pension Liability	6.5% \$ 1,910,156	6.5% \$ -	6.5% \$ 379,858
Current Discount Rate Net Pension Liability	7.5% \$ 1,075,549	7.5% \$ -	7.5% \$ 218,847
1% Increase Net Pension Liability	8.5% \$ 382,904	8.5% \$ -	8.5% \$ 86,181

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 - Defined Benefit Pension Plan: (Continued)

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 8 - Change in Accounting Principle:

Effective July 1, 2014, the District changed its method of accounting for retirement expense and the related pension liability as well any deferred inflows and deferred outflows of resources in order to conform with "Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions." As amended by Governmental Accounting Standards Board Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date."

This Statement requires cost-sharing employers such as the District to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the plan) – the collective net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability are also required to be reported as deferred outflows related to pensions. As a result, the District established the following net pension liability and deferred outflow of resources resulting in a reduction in net position reported as of June 30, 2014:

Net pension liability	\$ (2,457,725)
Deferred outflows related to contributions	442,624
Net Effect of a Change in Accounting Principle	(2,015,101)
 Net Position as Originally Stated	 24,051,713
 Net Position as Restated	 \$ 22,036,612

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9 - 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, 2015, the total unpaid amount on these contracts is approximately \$196,593.

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 10 - New Governmental Accounting Standards:

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 did not 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, 2015. 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. The effects of this pronouncement on the financial statements of the District in the year of implementation are more fully described in Note 8.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 69.

In January 2013, The Governmental Accounting Standard Board issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This pronouncement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. This statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, this statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This pronouncement is not anticipated to have a material effect on the financial statements of the District.

GASB No. 70

In April 2013, The Governmental Accounting Standard Board issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This pronouncement is effective for financial reporting periods beginning after June 15, 2013. Earlier application is encouraged. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that the government will be required to make a payment on the guarantee. The Government that issued the obligation guaranteed in a nonexchange transaction should recognize revenue to the extent that its guaranteed obligations have been reduced. If that government is required to repay a guarantor for making a payment, they should continue to reflect the liability until legally released as an obligor. The District has not extended any nonexchange financial guarantees at the date of these financial statements.

GASB No. 71

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The effects of this pronouncement on the financial statements of the District in the year of implementation are more fully described in Note 8.

**TEMPLETON COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<u>Revenues:</u>				
Income	\$ 8,100	\$ 8,100	\$ 6,018	\$ (2,082)
Transfers in- Reserves	<u>7,798</u>	<u>7,798</u>	<u>-</u>	<u>(7,798)</u>
Total Revenues	<u>15,898</u>	<u>15,898</u>	<u>6,018</u>	<u>(9,880)</u>
<u>Expenditures:</u>				
Salaries and wages	430,148	430,148	431,248	1,100
Employee benefits	183,955	188,955	181,962	(6,993)
Insurance	44,000	47,500	47,382	(118)
Payroll taxes	34,376	34,376	34,862	486
Worker's compensation	8,052	8,052	6,560	(1,492)
Supplies	16,210	16,210	15,032	(1,178)
Purchased services	13,450	13,450	18,549	5,099
Professional fees	77,560	77,560	86,473	8,913
Utilities	14,184	14,184	13,795	(389)
Directors	27,000	24,000	20,250	(3,750)
Dues and fees	25,530	25,530	30,356	4,826
Postage	2,500	2,500	1,818	(682)
Legal fees	18,000	18,000	9,947	(8,053)
Other	13,750	13,750	16,503	2,753
Travel	2,225	2,225	1,804	(421)
Repairs and maintenance	2,000	2,000	3,023	1,023
Education	11,150	11,150	6,580	(4,570)
Vehicle operation	5,400	5,400	485	(4,915)
Capital outlay	<u>24,300</u>	<u>42,750</u>	<u>38,377</u>	<u>(4,373)</u>
Total Expenditures	<u>953,790</u>	<u>977,740</u>	<u>965,006</u>	<u>(12,734)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(937,892)</u>	<u>(961,842)</u>	<u>(958,988)</u>	<u>2,854</u>
<u>Other Financing Sources:</u>				
Transfers in	<u>937,892</u>	<u>937,892</u>	<u>875,000</u>	<u>(62,892)</u>
Total Other Financing Sources	<u>937,892</u>	<u>937,892</u>	<u>875,000</u>	<u>(62,892)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (23,950)</u>	<u>(83,988)</u>	<u>\$ (60,038)</u>
Fund Balance at Beginning of Year			<u>44,246</u>	
FUND BALANCE AT END OF YEAR			<u>\$ (39,742)</u>	

**TEMPLETON COMMUNITY SERVICES DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2015**

	2014
<u>Miscellaneous Plan:</u>	
District's proportion of the net pension liability (asset)	0.01728%
District's proportionate share of the net pension liability (asset)	\$ 1,075,549
District's covered-employee payroll	\$ 737,110
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	145.91%
Plan fiduciary net position as a percentage of the total pension liability	82.90%
<u>Miscellaneous Second Tier Plan:</u>	
District's proportion of the net pension liability (asset)	0.00000%
District's proportionate share of the net pension liability (asset)	\$ -
District's covered-employee payroll	\$ 133,958
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%
<u>Safety Plan:</u>	
District's proportion of the net pension liability (asset)	0.00352%
District's proportionate share of the net pension liability (asset)	\$ 218,847
District's covered-employee payroll	\$ 125,152
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.87%
Plan fiduciary net position as a percentage of the total pension liability	81.79%

**TEMPLETON COMMUNITY SERVICES DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2015**

	2014
<u>Miscellaneous Plan:</u>	
Contractually required contribution	\$ 192,093
Contributions in relation to the contractually required contribution	\$ (684,555)
Contribution deficiency (excess)	\$ (492,462)
District's covered-employee payroll	\$ 737,110
Contributions as a percentage of covered-employee payroll	92.87%
<u>Miscellaneous Second Tier Plan:</u>	
Contractually required contribution	\$ 19,056
Contributions in relation to the contractually required contribution	\$ (19,056)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 133,958
Contributions as a percentage of covered-employee payroll	14.23%
<u>Safety Plan:</u>	
Contractually required contribution	\$ 84,205
Contributions in relation to the contractually required contribution	\$ (404,070)
Contribution deficiency (excess)	\$ (319,865)
District's covered-employee payroll	\$ 125,152
Contributions as a percentage of covered-employee payroll	322.86%