

**TEMPLETON COMMUNITY  
SERVICES DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2017**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

**TEMPLETON COMMUNITY SERVICES DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Government Wide Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16 - 17
Statement of Cash Flows	18 - 19
Notes to Financial Statements	20 - 46
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	47
Schedules of Plan's Proportionate Share of the Net Pension Liability	48
Schedules of District Contributions	49



Leaf & Cole, LLP  
Certified Public Accountants  
A Partnership of Professional Corporations

## **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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedules of proportionate share of the net pension liability and schedules of district contributions on pages 3 - 7 and 47 - 49 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  
November 7, 2017

## 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, 2017. Please read it in conjunction with the District's financial statements, which begin on page 8.

### **Financial Highlights**

- The District's net position increased by \$1,896,407 to \$24,164,239 during the fiscal year ended June 30, 2017.
- The District's revenues increased from \$5,508,957 for the year ended June 30, 2016, to \$7,417,289 for the year ended June 30, 2017, an increase of \$1,908,332. The District experienced significant increases in capital fees, and contributed assets in addition to a gain on sale of property.
- The District's total expenses increased from \$5,163,418 for the year ended June 30, 2016 to \$5,520,882 for the year ended June 30, 2017. This increase of \$357,464 is primarily attributed to the District being required to pay 9% of the debt service of the City of Paso Robles State Water Resources Control Board clean water state revolving loan as a component of the District's sewage treatment costs.

### **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 8 and 9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Business-type activities are reported in the same manner as the statement of net 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, and street lights. 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 increased from \$22,267,067 a year ago to \$24,164,239 at June 30, 2017. 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	
	2017	2016	2017	2016	2017	2016
<b><u>Assets:</u></b>						
Current and other assets	\$ 4,555,010	\$ 3,338,906	\$ 11,982,438	\$ 11,491,974	\$ 16,537,448	\$ 14,830,880
Capital assets	2,950,154	3,138,181	24,625,197	24,106,303	27,575,351	27,244,484
Total Assets	7,505,164	6,477,087	36,607,635	35,598,277	44,112,799	42,075,364
<b><u>Deferred Outflows of Resources:</u></b>						
Actuarial deferred outflows related to contributions	335,008	120,959	215,657	75,613	550,665	196,572
<b><u>Liabilities:</u></b>						
Noncurrent liabilities	2,757,065	2,252,383	6,106,330	6,010,050	8,863,395	8,262,433
Other liabilities	155,939	130,918	11,284,384	11,251,870	11,440,323	11,382,788
Total Liabilities	2,913,004	2,383,301	17,390,714	17,261,920	20,303,718	19,645,221
<b><u>Deferred Inflows of Resources:</u></b>						
Actuarial deferred inflows related to contributions	122,301	245,688	73,206	113,195	195,507	358,883
<b><u>Net Position:</u></b>						
Net investment in capital assets	2,950,154	3,138,181	20,198,113	19,479,930	23,148,267	22,618,111
Restricted for capital improvements	2,288,733	1,783,415	-	-	2,288,733	1,783,415
Unrestricted	(434,020)	(952,539)	(838,741)	(1,181,155)	(1,272,761)	(2,133,694)
Total Net Position	\$ 4,804,867	\$ 3,969,057	\$ 19,359,372	\$ 18,298,775	\$ 24,164,239	\$ 22,267,832

Net position of the District's governmental activities increased \$835,810. The net position of our business-type activities increased by \$1,060,597. Business-type activities generated in excess of \$1.8 million dollars and transferred in excess of \$800,000 to governmental activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Fees and charges for services	\$ 368,921	\$ 357,929	\$ 3,265,229	\$ 3,021,520	\$ 3,634,150	\$ 3,379,449
Capital grants and contributions	504,719	95,486	1,295,300	509,617	1,800,019	605,103
<b>General Revenues:</b>						
Taxes and assessments	1,051,463	996,932	-	-	1,051,463	996,932
Interest income	27,220	40,949	79,955	148,104	107,175	189,053
Other income	480,075	98,772	344,407	239,648	824,482	338,420
Total Revenues	<u>2,432,398</u>	<u>1,590,068</u>	<u>4,984,891</u>	<u>3,918,889</u>	<u>7,417,289</u>	<u>5,508,957</u>
<b>Expenses:</b>						
General fund	1,091,654	1,024,484	-	-	1,091,654	1,024,484
Fire protection	734,788	747,439	-	-	734,788	747,439
Parks and recreation	534,019	533,902	-	-	534,019	533,902
Street lights	37,487	31,098	-	-	37,487	31,098
Water	-	-	1,494,708	1,521,446	1,494,708	1,521,446
Sewer	-	-	1,387,455	1,061,192	1,387,455	1,061,192
Drainage	-	-	16,969	14,720	16,969	14,720
Solid waste	-	-	34,311	29,265	34,311	29,265
Interest on long-term liabilities	-	-	189,491	199,872	189,491	199,872
Total Expenses	<u>2,397,948</u>	<u>2,336,923</u>	<u>3,122,934</u>	<u>2,826,495</u>	<u>5,520,882</u>	<u>5,163,418</u>
Change in Net Position Before Transfers	34,450	(746,855)	1,861,957	1,092,394	1,896,407	345,539
Transfers	<u>801,360</u>	<u>723,450</u>	<u>(801,360)</u>	<u>(723,450)</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 835,810</u>	<u>\$ (23,405)</u>	<u>\$ 1,060,597</u>	<u>\$ 368,944</u>	<u>\$ 1,896,407</u>	<u>\$ 345,539</u>

### Governmental Activities

Revenues for the District's governmental activities increased by \$842,330 while total expenses increased \$61,025 between 2017 and 2016. The increase in revenues is due to an increase in facility fees in both the fire protection fund and the parks and recreation fund. In addition, the fire protection fund sold vacant land for a gain. Capital grants and contributions increased \$409,233 as a result of increased capacity fees and larger contributed assets.

### Business-Type Activities

Revenues of the District's business-type activities increased \$1,066,002 and expenses increased by \$296,439 between 2017 and 2016. Sewer costs increased \$326,263 primarily as a result of debt service costs being passed through from the City of Paso Robles.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2017, the District had \$44,987,264 invested in a broad range of capital assets, including a water system, sanitation system, buildings, park facilities, and fire equipment. Significant additions include land, transmission and distribution facilities in the water fund and collection facilities in the sewer fund.

#### **Capital Assets at Year-End**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 633,429	\$ 633,429	\$ 3,602,720	\$ 3,256,820	\$ 4,236,149	\$ 3,890,249
Water delivery entitlement	-	-	6,764,312	6,764,312	6,764,312	6,764,312
Construction-in-progress	-	-	582,922	508,999	582,922	508,999
Buildings and improvements	3,346,370	3,346,370	26,326,139	25,568,547	29,672,509	28,914,917
Equipment	1,193,711	1,193,711	1,390,607	1,376,841	2,584,318	2,570,552
Vehicles	812,440	810,731	334,614	334,614	1,147,054	1,145,345
Totals	<u>\$ 5,985,950</u>	<u>\$ 5,984,241</u>	<u>\$ 39,001,314</u>	<u>\$ 37,810,133</u>	<u>\$ 44,987,264</u>	<u>\$ 43,794,374</u>

#### Debt

At June 30, 2017, 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 \$196,958 on the loans payable.

#### **Outstanding Debt at Year-End**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Loans Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,364,824</u>	<u>\$ 4,561,782</u>	<u>\$ 4,364,824</u>	<u>\$ 4,561,782</u>

### Economic Factors and Next Year's Budget and Rates

The District's management and Board of Directors considered many factors when setting the fiscal year 2018 budget including the economy and employment growth. These indicators were taken into account when adopting the general fund budget for 2018. Amounts budgeted for general fund expenditures in 2018 are \$1,173,798 an increase of \$66,045 over the final 2017 budgeted expenditures of \$1,107,753. Budget increases are due to purchased services, professional services and salaries.

### 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, 2017**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS:</u></b>			
Cash and cash equivalents	\$ 4,515,615	\$ 11,485,818	\$ 16,001,433
Accounts receivable	24,711	430,170	454,881
Accrued interest receivable	14,684	38,399	53,083
Inventory	-	28,051	28,051
Capital Assets:			
Land and other non-depreciable capital assets	633,429	10,949,955	11,583,384
Plant and equipment, net of accumulated depreciation	<u>2,316,725</u>	<u>13,675,242</u>	<u>15,991,967</u>
<b>TOTAL ASSETS</b>	<u>7,505,164</u>	<u>36,607,635</u>	<u>44,112,799</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Deferred outflows related to contributions	<u>335,008</u>	<u>215,657</u>	<u>550,665</u>
<b><u>LIABILITIES:</u></b>			
Accounts payable	54,072	338,985	393,057
Accrued wages	39,157	16,951	56,108
Customer deposits	10,900	59,165	70,065
Unearned revenue	51,810	-	51,810
Prepaid capacity fees		10,869,283	10,869,283
Noncurrent Liabilities:			
Due within one year	220,092	384,924	605,016
Due after one year	<u>2,536,973</u>	<u>5,721,406</u>	<u>8,258,379</u>
<b>TOTAL LIABILITIES</b>	<u>2,913,004</u>	<u>17,390,714</u>	<u>20,303,718</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred inflows related to pensions	<u>122,301</u>	<u>73,206</u>	<u>195,507</u>
<b><u>Commitments and Contingencies</u></b>			
<b><u>NET POSITION:</u></b>			
Net investment in capital assets	2,950,154	20,198,113	23,148,267
Restricted for capital improvements	2,288,733	-	2,288,733
Unrestricted	<u>(434,020)</u>	<u>(838,741)</u>	<u>(1,272,761)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 4,804,867</u>	<u>\$ 19,359,372</u>	<u>\$ 24,164,239</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, 2017**

<b>Functions/Programs:</b>	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Fees and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General fund	\$ 1,091,654	3,318	-	\$ (1,088,336)	\$ -	\$ (1,088,336)
Fire protection	734,788	115,779	330,236	(288,773)	-	(288,773)
Parks and recreation	534,019	249,824	174,483	(109,712)	-	(109,712)
Street lights	37,487	-	-	(37,487)	-	(37,487)
Total Governmental Activities	2,397,948	368,921	504,719	(1,524,308)	-	(1,524,308)
<b>Business-Type Activities:</b>						
Water	1,494,708	1,737,155	671,439	-	913,886	913,886
Sewer	1,387,455	1,390,185	623,861	-	626,591	626,591
Drainage	16,969	8,676	-	-	(8,293)	(8,293)
Solid waste	34,311	129,213	-	-	94,902	94,902
Interest on long-term liabilities	189,491	-	-	-	(189,491)	(189,491)
Total Business-Type Activities	3,122,934	3,265,229	1,295,300	-	1,437,595	1,437,595
Total Activities	\$ 5,520,882	\$ 3,634,150	\$ 1,800,019	(1,524,308)	1,437,595	(86,713)
<b>General Revenues:</b>						
Taxes and assessments				1,051,463	-	1,051,463
Interest income				27,220	79,955	107,175
Other income				480,075	344,407	824,482
Total General Revenues				1,558,758	424,362	1,983,120
<b>Transfers</b>				801,360	(801,360)	-
Total General Revenues and Transfers				2,360,118	(376,998)	1,983,120
Change in Net Position				835,810	1,060,597	1,896,407
Net Position at Beginning of Year				3,969,057	18,298,775	22,267,832
<b>NET POSITION AT END OF YEAR</b>				\$ 4,804,867	\$ 19,359,372	\$ 24,164,239

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

**TEMPLETON COMMUNITY SERVICES DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>ASSETS</b>				
	<u>General Fund</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Total Governmental Funds</u>
<b><u>Assets:</u></b>					
Cash and cash equivalents	\$ 85,936	\$ 3,067,423	\$ 1,304,863	\$ 57,393	\$ 4,515,615
Accounts receivable	-	18,600	5,908	203	24,711
Accrued interest receivable	168	10,263	4,061	192	14,684
Total Assets	<u>\$ 86,104</u>	<u>\$ 3,096,286</u>	<u>\$ 1,314,832</u>	<u>\$ 57,788</u>	<u>\$ 4,555,010</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b><u>Liabilities:</u></b>					
Accounts payable	\$ 3,473	\$ 44,266	\$ 5,395	\$ 938	\$ 54,072
Accrued wages	16,718	16,834	5,605	-	39,157
Customer deposits	1,400	5,200	4,300	-	10,900
Unearned revenue	(60)	-	51,870	-	51,810
Total Liabilities	<u>21,531</u>	<u>66,300</u>	<u>67,170</u>	<u>938</u>	<u>155,939</u>
<b><u>Fund Balances:</u></b>					
Unassigned	<u>64,573</u>	<u>3,029,986</u>	<u>1,247,662</u>	<u>56,850</u>	<u>4,399,071</u>
Total Fund Balances	<u>64,573</u>	<u>3,029,986</u>	<u>1,247,662</u>	<u>56,850</u>	<u>4,399,071</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 86,104</u>	<u>\$ 3,096,286</u>	<u>\$ 1,314,832</u>	<u>\$ 57,788</u>	<u>\$ 4,555,010</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, 2017**

Total fund balances - Governmental funds \$ 4,399,071

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>2,316,725</u>	
Total Capital Assets, Net		2,950,154

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	(41,359)	
Net OPEB Obligation	(1,645,389)	
Net pension liability	<u>(1,070,317)</u>	
Total Long-Term Liabilities		(2,757,065)

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	335,008	
Deferred inflows of resources related to pensions	<u>(122,301)</u>	<u>212,707</u>
Total		

Total Net Position - Governmental Activities \$ 4,804,867

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, 2017**

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Total Governmental Funds
<b>Revenues:</b>					
Taxes and assessments	\$ -	\$ 756,370	\$ 276,543	\$ 18,550	\$ 1,051,463
Contributions	-	330,236	174,483	-	504,719
Other income	7,622	459,606	12,847	-	480,075
Program fees	-	-	211,137	-	211,137
Grant revenue	-	115,779	-	-	115,779
Rental income	3,318	-	38,687	-	42,005
Interest income	332	19,446	7,127	315	27,220
Total Revenues	<u>11,272</u>	<u>1,681,437</u>	<u>720,824</u>	<u>18,865</u>	<u>2,432,398</u>
<b>Expenditures:</b>					
Current:					
Salaries and wages	443,828	335,679	176,667	-	956,174
Employee benefits	188,131	115,220	60,007	-	363,358
Professional fees	86,100	16,805	10,597	-	113,502
Program expense	-	-	99,037	-	99,037
Payroll taxes	34,569	28,438	15,772	-	78,779
Utilities	10,198	8,947	16,583	31,761	67,489
Other	18,297	36,440	10,663	-	65,400
Supplies	11,145	44,405	7,154	-	62,704
Insurance	41,949	-	-	-	41,949
Dues and fees	30,513	5,154	1,241	-	36,908
Worker's compensation	5,427	21,304	8,104	-	34,835
Purchased services	13,337	5,627	3,670	226	22,860
Directors	22,800	-	-	-	22,800
Vehicle operation	679	17,229	621	-	18,529
Education	11,138	4,502	1,780	-	17,420
Legal fees	9,714	3,074	1,948	-	14,736
Repairs and maintenance	4,399	3,311	4,685	-	12,395
Travel	4,796	3,851	2,092	-	10,739
Postage	1,351	-	-	-	1,351
Capital outlay	-	1,710	-	-	1,710
Total Expenditures	<u>938,371</u>	<u>651,696</u>	<u>420,621</u>	<u>31,987</u>	<u>2,042,675</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(927,099)</u>	<u>1,029,741</u>	<u>300,203</u>	<u>(13,122)</u>	<u>389,723</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, 2017**

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Total Governmental Funds</u>
<b><u>Other Financing Sources</u></b>					
<u>(Uses):</u>					
Transfers in	\$ 1,008,000	\$ -	\$ -	\$ -	\$ 1,008,000
Transfers out	<u>-</u>	<u>(100,800)</u>	<u>(105,840)</u>	<u>-</u>	<u>(206,640)</u>
Total Other Financing Sources (Uses)	<u>1,008,000</u>	<u>(100,800)</u>	<u>(105,840)</u>	<u>-</u>	<u>801,360</u>
Net Change in Fund Balances	80,901	928,941	194,363	(13,122)	1,191,083
Fund Balances at Beginning of Year	<u>(16,328)</u>	<u>2,101,045</u>	<u>1,053,299</u>	<u>69,972</u>	<u>3,207,988</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 64,573</u>	<u>\$ 3,029,986</u>	<u>\$ 1,247,662</u>	<u>\$ 56,850</u>	<u>\$ 4,399,071</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, 2017**

Total net change in fund balances - Governmental funds	\$ 1,191,083
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 more than capital outlay.	(188,027)
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 earned was more than the amounts used by \$5,609.	(5,609)
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 \$183,206.	(183,206)
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 \$214,049.	214,049
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 \$123,387.	123,387
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 \$315,867.	<u>(315,867)</u>
Changes in Net Position - Governmental Activities	<u><u>\$ 835,810</u></u>

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



**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<b><u>Current Assets:</u></b>					
Cash and cash equivalents	\$ 9,787,472	\$ 1,025,813	\$ 137,883	\$ 534,650	\$ 11,485,818
Accounts receivable	252,082	163,256	936	13,896	430,170
Accrued interest receivable	32,439	3,738	433	1,789	38,399
Inventory	28,051	-	-	-	28,051
Total Current Assets	<u>10,100,044</u>	<u>1,192,807</u>	<u>139,252</u>	<u>550,335</u>	<u>11,982,438</u>
<b><u>Noncurrent Assets:</u></b>					
Capital Assets:					
Land and other non-depreciable capital assets	8,584,162	2,216,392	149,401	-	10,949,955
Plant and equipment, net of accumulated depreciation	5,448,912	8,057,670	168,660	-	13,675,242
Total Capital Assets	<u>14,033,074</u>	<u>10,274,062</u>	<u>318,061</u>	<u>-</u>	<u>24,625,197</u>
Total Noncurrent Assets	<u>14,033,074</u>	<u>10,274,062</u>	<u>318,061</u>	<u>-</u>	<u>24,625,197</u>
<b>TOTAL ASSETS</b>	<u>24,133,118</u>	<u>11,466,869</u>	<u>457,313</u>	<u>550,335</u>	<u>36,607,635</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>					
Deferred outflows related to contributions	<u>135,721</u>	<u>77,899</u>	<u>1,336</u>	<u>701</u>	<u>215,657</u>
<b><u>LIABILITIES</u></b>					
<b><u>Current Liabilities:</u></b>					
Accounts payable	72,919	265,927	104	35	338,985
Accrued wages	10,841	5,534	-	576	16,951
Customer deposits	38,921	20,244	-	-	59,165
Accrued interest payable	56,689	5,571	-	-	62,260
Prepaid capacity fees	7,022,996	3,846,287	-	-	10,869,283
Compensated absences	8,266	3,537	-	-	11,803
Loans payable	82,000	122,051	-	-	204,051
Net OPEB obligation	21,700	9,500	-	-	31,200
Net pension liability	46,260	28,030	320	1,000	75,610
Total Current Liabilities	<u>7,360,592</u>	<u>4,306,681</u>	<u>424</u>	<u>1,611</u>	<u>11,669,308</u>
<b><u>Noncurrent Liabilities:</u></b>					
Compensated absences	9,215	3,949	-	-	13,164
Loans payable	3,640,000	520,773	-	-	4,160,773
Net OPEB obligation	597,026	307,880	2,563	33,739	941,208
Net pension liability	396,341	193,761	945	15,214	606,261
Total Noncurrent Liabilities	<u>4,642,582</u>	<u>1,026,363</u>	<u>3,508</u>	<u>48,953</u>	<u>5,721,406</u>
<b>TOTAL LIABILITIES</b>	<u>12,003,174</u>	<u>5,333,044</u>	<u>3,932</u>	<u>50,564</u>	<u>17,390,714</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>					
Deferred inflows related to pensions	<u>44,805</u>	<u>26,678</u>	<u>202</u>	<u>1,521</u>	<u>73,206</u>
<b><u>NET POSITION:</u></b>					
Net investment in capital assets	10,254,385	9,625,667	318,061	-	20,198,113
Unrestricted	<u>1,966,475</u>	<u>(3,440,621)</u>	<u>136,454</u>	<u>498,951</u>	<u>(838,741)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 12,220,860</u>	<u>\$ 6,185,046</u>	<u>\$ 454,515</u>	<u>\$ 498,951</u>	<u>\$ 19,359,372</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, 2017**

	Water	Sewer	Drainage	Solid Waste	Total
<b><u>Operating Revenues:</u></b>					
Charges for services	\$ 1,737,155	\$ 1,390,185	\$ 8,676	\$ -	\$ 3,136,016
Franchise fees	-	-	-	129,213	129,213
Total Operating Revenues	<u>1,737,155</u>	<u>1,390,185</u>	<u>8,676</u>	<u>129,213</u>	<u>3,265,229</u>
<b><u>Operating Expenses:</u></b>					
Depreciation	321,574	340,562	10,151	-	672,287
Treatment and disposal	-	547,778	-	-	547,778
Salaries and wages	311,698	157,649	3,214	12,966	485,527
Employee benefits	214,727	107,839	1,537	5,998	330,101
Utilities	152,907	55,540	-	-	208,447
Repairs and maintenance	134,091	60,403	-	-	194,494
Legal fees	112,335	7,549	-	-	119,884
Other	34,533	6,591	246	11,062	52,432
Nacimeinto operations	48,166	-	-	-	48,166
Professional fees	41,742	3,685	-	-	45,427
Payroll taxes	25,534	12,709	-	1,055	39,298
Water analysis	12,047	26,042	-	-	38,089
Dues and fees	21,842	7,764	1,497	-	31,103
Supplies	21,014	5,994	-	2,010	29,018
Interceptor maintenance	-	28,750	-	-	28,750
Worker's compensation	12,880	6,753	324	65	20,022
Vehicle operation	13,357	5,761	-	-	19,118
Purchased services	12,069	4,177	-	1,155	17,401
Education	2,173	962	-	-	3,135
Travel	2,019	947	-	-	2,966
Total Operating Expenses	<u>1,494,708</u>	<u>1,387,455</u>	<u>16,969</u>	<u>34,311</u>	<u>2,933,443</u>
Operating Income (Loss)	<u>242,447</u>	<u>2,730</u>	<u>(8,293)</u>	<u>94,902</u>	<u>331,786</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>					
Other income	194,575	11,550	-	275	206,400
Lease revenue	138,007	-	-	-	138,007
Interest income	69,054	6,919	758	3,224	79,955
Interest expense	(170,716)	(18,775)	-	-	(189,491)
Total Nonoperating Revenues (Expenses)	<u>230,920</u>	<u>(306)</u>	<u>758</u>	<u>3,499</u>	<u>234,871</u>
Income (Loss) Before Transfers and Capital Contributions	<u>473,367</u>	<u>2,424</u>	<u>(7,535)</u>	<u>98,401</u>	<u>566,657</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, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<b><u>Transfers and Capital Contributions:</u></b>					
Transfers out	\$ (443,520)	\$ (302,400)	\$ (5,040)	\$ (50,400)	\$ (801,360)
Capital contributions	671,439	623,861	-	-	1,295,300
Treated wastewater sales	(142,791)	142,791	-	-	-
Total Transfers and Capital Contributions	<u>85,128</u>	<u>464,252</u>	<u>(5,040)</u>	<u>(50,400)</u>	<u>493,940</u>
Change in Net Position	558,495	466,676	(12,575)	48,001	1,060,597
Net Position at Beginning of Year	<u>11,662,365</u>	<u>5,718,370</u>	<u>467,090</u>	<u>450,950</u>	<u>18,298,775</u>
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 12,220,860</u></b>	<b><u>\$ 6,185,046</u></b>	<b><u>\$ 454,515</u></b>	<b><u>\$ 498,951</u></b>	<b><u>\$ 19,359,372</u></b>

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, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<b><u>Cash Flows From Operating Activities:</u></b>					
Cash received from customers	\$ 1,721,033	\$ 1,367,394	\$ 8,686	\$ 129,315	\$ 3,226,428
Cash payments to suppliers for goods and services	(1,386,359)	(883,404)	(7,758)	(71,511)	(2,349,032)
Cash payments to employees for services	(318,471)	(159,548)	(3,214)	(9,782)	(491,015)
Net Cash Provided by (Used in) Operating Activities	<u>16,203</u>	<u>324,442</u>	<u>(2,286)</u>	<u>48,022</u>	<u>386,381</u>
<b><u>Cash Flows From Noncapital and Related Financing Activities:</u></b>					
Receipts from other income	<u>332,582</u>	<u>11,550</u>	<u>-</u>	<u>275</u>	<u>344,407</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>332,582</u>	<u>11,550</u>	<u>-</u>	<u>275</u>	<u>344,407</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>					
Acquisition and construction of capital assets	(395,956)	(132,407)	-	-	(528,363)
Principal paid on loans payable	(78,000)	(118,958)	-	-	(196,958)
Interest paid on loans payable	(172,016)	(19,806)	-	-	(191,822)
Receipts from contributed capital	<u>367,170</u>	<u>190,435</u>	<u>-</u>	<u>-</u>	<u>557,605</u>
Net Cash Used in Capital and Related Financing Activities	<u>(278,802)</u>	<u>(80,736)</u>	<u>-</u>	<u>-</u>	<u>(359,538)</u>
<b><u>Cash Flows From Investing Activities:</u></b>					
Refund of deposits	207,500	-	-	-	207,500
Investment income	<u>58,713</u>	<u>5,101</u>	<u>654</u>	<u>2,558</u>	<u>67,026</u>
Net Cash Provided by Investing Activities	<u>266,213</u>	<u>5,101</u>	<u>654</u>	<u>2,558</u>	<u>274,526</u>
Net Increase (Decrease) in Cash and Cash Equivalents	336,196	260,357	(1,632)	50,855	645,776
Cash and Cash Equivalents at Beginning of Year	<u>9,451,276</u>	<u>765,456</u>	<u>139,515</u>	<u>483,795</u>	<u>10,840,042</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 9,787,472</u></u>	<u><u>\$ 1,025,813</u></u>	<u><u>\$ 137,883</u></u>	<u><u>\$ 534,650</u></u>	<u><u>\$ 11,485,818</u></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, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>					
<b><u>to Net Cash Provided by</u></b>					
<b><u>(Used in) Operating Activities:</u></b>					
Operating income (loss)	\$ 242,447	\$ 2,730	\$ (8,293)	\$ 94,902	\$ 331,786
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>					
Depreciation	321,574	340,562	10,151	-	672,287
Transfers	(586,311)	(159,609)	(5,040)	(50,400)	(801,360)
<b>(Increase) Decrease in:</b>					
Accounts receivable	(16,122)	(22,791)	10	102	(38,801)
Inventory	(458)	-	-	-	(458)
Deferred outflows related to contributions	(89,463)	(49,872)	(1,015)	306	(140,044)
<b>Increase (Decrease) in:</b>					
Accounts payable	10,764	124,781	104	20	135,669
Accrued wages	(801)	596	-	303	98
Customer deposits	(28,673)	297	-	-	(28,376)
Compensated absences	(5,972)	(2,495)	-	-	(8,467)
Net OPEB obligation	69,265	35,032	714	2,881	107,892
Net pension liability	130,706	62,042	798	2,598	196,144
Deferred inflows related to pensions	(30,753)	(6,831)	285	(2,690)	(39,989)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 16,203</u>	<u>\$ 324,442</u>	<u>\$ (2,286)</u>	<u>\$ 48,022</u>	<u>\$ 386,381</u>
<b><u>Noncash Investing, Capital and Financing Activities:</u></b>					
Contributions of capital assets	<u>\$ 398,063</u>	<u>\$ 264,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662,818</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 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, 2017**

**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 comprise 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, 2017**

**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.



**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Significant Accounting Policies (Continued)**

**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 \$51,870 at June 30, 2017.

**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 accounts receivables. Management believes that all accounts receivable were fully collectible, therefore, no allowance for doubtful accounts receivable was recorded at June 30, 2017.

**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, 2017, 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, 2017**

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

**Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life of more than two 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:

Water	5 - 75 years
Sewer	10 - 50 years
Drainage	5 - 50 years
Fire protection	5 - 40 years
Parks and recreation	5 - 10 years
Administration	5 - 40 years
Community center	40 years

Depreciation aggregated \$862,024 for the year ended June 30, 2017.

**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, 2017.

**Compensated Absences**

Accumulated unpaid vacation totaling \$66,326 at June 30, 2017, 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 District that is applicable to a future period and an acquisition of net assets by the District 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, 2017**

**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, 2017:

**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 protection and park and recreation fund balances related to facility fees totaled \$1,813,545 and \$475,188 at June 30, 2017, 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, 2017, 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, 2017**

**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 \$1,000,000 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 the CalPERS financial office. 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 under Forms and Publications.

**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**Significant Accounting Policies (Continued)**

**Pensions (Continued)**

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames, for this report, the following time frames are used:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	June 30, 2015 to June 30, 2016

**Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Negotiable certificates of deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**Significant Accounting Policies (Continued)**

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2017, consisted of general fund transfers from the following:

Water	\$ 443,520
Sewer	302,400
Parks and recreation	105,840
Fire protection	100,800
Solid waste	50,400
Drainage	5,040
Total	<u>\$ 1,008,000</u>

**Economic Dependency**

The District extracts approximately 50% of its water supply from the underflow of the Salinas River, 10% from reclaimed water from the Selby Ponds, 34% from groundwater wells located in the Atascadero sub basin, and 6% 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 November 7, 2017, the date the financial statements were available to be issued.

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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

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.

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 2 - Cash and Investments: (Continued)**

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

Cash and investments held by the District were comprised of the following at June 30, 2017:

	Maturity in Years		
	Less Than 1 Year	1 - 5 Years	Total
California Local Agency Investment Fund (LAIF)	\$ 9,379,748	\$ -	\$ 9,379,748
Negotiable certificates of deposit	-	3,977,705	3,977,705
Deposits with financial institutions	2,643,980	-	2,643,980
Total Cash and Investments	\$ 12,023,728	\$ 3,977,705	\$ 16,001,433
Financial Statement Classification:			
Cash and Cash Equivalents			\$ 16,001,433

**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 at June 30, 2017.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type.

<u>Investment</u>	<u>Rating as of Year End Standard &amp; Poor's</u>
LAIF	Not Rated
Negotiable Certificates of Deposit	Not Rated



**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2017, 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, 2017**

**Note 3 - Capital Assets:**

Capital assets consist of the following at June 30:

<b>Governmental Activities:</b>				
	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 633,429	\$ -	\$ -	\$ 633,429
Total Capital Assets Not Being Depreciated	<u>\$ 633,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,429</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	\$ 3,346,370	\$ -	\$ -	\$ 3,346,370
Equipment	1,193,711	-	-	1,193,711
Vehicles	810,731	1,710	-	812,441
Total	<u>5,350,812</u>	<u>1,710</u>	<u>-</u>	<u>5,352,522</u>
Less: Accumulated depreciation	<u>(2,846,060)</u>	<u>(189,737)</u>	<u>-</u>	<u>(3,035,797)</u>
Total Capital Assets Being Depreciated	<u>\$ 2,504,752</u>	<u>\$ (188,027)</u>	<u>\$ -</u>	<u>\$ 2,316,725</u>
<b>Business-Type Activities:</b>				
	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,256,820	\$ 345,900	\$ -	\$ 3,602,720
Water delivery entitlement	6,764,312	-	-	6,764,312
Construction in progress	508,999	73,924	-	582,923
Total Capital Assets Not Being Depreciated	<u>\$ 10,530,131</u>	<u>\$ 419,824</u>	<u>\$ -</u>	<u>\$ 10,949,955</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	\$ 25,568,547	\$ 757,591	\$ -	\$ 26,326,138
Equipment	1,376,841	13,766	-	1,390,607
Vehicles	334,614	-	-	334,614
Total	<u>27,280,002</u>	<u>771,357</u>	<u>-</u>	<u>28,051,359</u>
Less: Accumulated depreciation	<u>(13,703,830)</u>	<u>(672,287)</u>	<u>-</u>	<u>(14,376,117)</u>
Total Capital Assets Being Depreciated	<u>\$ 13,576,172</u>	<u>\$ 99,070</u>	<u>\$ -</u>	<u>\$ 13,675,242</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 4 -Noncurrent Liabilities:**

Noncurrent liabilities consists of the following at June 30:

	Balance at June 30, 2016 <u>(As Restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance at June 30, 2017	Payable Within One Year	Payable After One Year
<b>Governmental Activities:</b>						
Compensated absences (Note 1)	\$ 35,750	\$ 41,359	\$ (35,750)	\$ 41,359	\$ 25,732	\$ 15,627
Net OPEB obligation (Note 6)	1,462,183	256,618	(73,412)	1,645,389	73,400	1,571,989
Net pension liability (Note 7)	754,450	436,825	(120,958)	1,070,317	120,960	949,357
Total	<u>\$ 2,252,383</u>	<u>\$ 734,802</u>	<u>\$ (230,120)</u>	<u>\$ 2,757,065</u>	<u>\$ 220,092</u>	<u>\$ 2,536,973</u>
<b>Business-Type Activities:</b>						
Accrued interest payable	\$ 64,591	\$ 189,491	\$ (191,822)	\$ 62,260	\$ 62,260	\$ -
Compensated absences (Note 1)	33,434	24,967	(33,434)	24,967	11,803	13,164
Loans payable	4,561,782	-	(196,958)	4,364,824	204,051	4,160,773
Net OPEB obligation (Note 6)	864,516	139,104	(31,212)	972,408	31,200	941,208
Net pension liability (Note 7)	485,727	271,757	(75,613)	681,871	75,610	606,261
Total	<u>\$ 6,010,050</u>	<u>\$ 625,319</u>	<u>\$ (529,039)</u>	<u>\$ 6,106,330</u>	<u>\$ 384,924</u>	<u>\$ 5,721,406</u>

Loans payable consist of the following at June 30, 2017:

**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 \$5,571 at June 30, 2017.

\$ 642,824

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 4 -Noncurrent Liabilities: (Continued)**

**Loans Payable (Continued)**

San Luis Obispo County Flood Control and Water Conservation District - The District entered into a water delivery entitlement contract in the original 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. On August 5, 2015 the San Luis Obispo County Flood Control and Water Conservation District refinanced its debt related to the project and revised its cost allocation resulting in a \$439,475 reduction in the District's share of the project's cost and a revised debt service schedule. Under this revised debt service schedule the loan accrues interest between 3% and 5% with semiannual payments of interest and principal through 2041 as set forth in the contract. Accrued interest totaled \$56,689 at June 30, 2017.

Total Loans Payable.

\$	3,722,000
\$	4,364,824

Debt service requirements on loans payable at June 30, 2017 are as follows:

**Business-Type Activities**

Year Ended June 30	Loans Payable	
	Principal	Interest
2018	\$ 204,051	\$ 184,730
2019	212,224	177,331
2020	223,480	169,526
2021	231,821	161,274
2022	240,248	152,758
2023 - 2027	600,000	661,331
2028 - 2032	755,000	507,363
2033 - 2037	950,000	319,784
2038 - 2042	948,000	87,225
	\$ 4,364,824	\$ 2,421,322

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017:

Balance at Beginning of Year	\$ 10,944,160
Add: Capacity Fees Received	557,605
Less: Water and Sewer Connections	(632,482)
Balance at End of Year	<u>\$ 10,869,283</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. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**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 37% 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, 2017:

Annual required contribution	\$ 576,982
Interest on net OPEB obligation	84,244
Adjustment to annual required contribution	(126,001)
Annual OPEB cost	<u>535,225</u>
Implicit subsidy benefits	(139,502)
Contributions (including benefits paid)	<u>(104,625)</u>
Increase in net OPEB obligation	291,098
Net OPEB obligation at Beginning of Year	<u>2,326,699</u>
Net OPEB obligation at End of Year	<u>\$ 2,617,797</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 6 - Postemployment Benefits: (Continued)**

**Funding Policy and Annual OPEB Costs (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 and 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%	1,913,412
June 30, 2016	517,424	104,137	20.1%	2,326,699
June 30, 2017	535,225	104,625	19.6%	2,617,797

**Funding Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the Plan was not yet funded. The District's actuarial accrued liability for benefits at July 1, 2015 was \$4,799,948 and the covered payroll (annual payroll of active employees covered by the Plan) was \$1,474,753 with a ratio of the Net OPEB Liability (NOL) previously referred as the Unfunded Actuarial Accrued Liability (UAAL). The normal cost payment made during the year ended June 30, 2017 of \$104,625 funded 18% of the annual required contribution (ARC) leaving a net OPEB obligation of \$2,617,797.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (A)	<u>Actuarial Accrued Liability Entry Age</u> (B)	<u>Net OPEB Liability (NOL)</u> (B-A)	<u>Funded Status</u> (A/B)	<u>Covered Payroll</u> (C)	<u>UAAL as a Percentage of Covered Payroll</u> [(B-A)/C]
July 1, 2015	\$ -	\$ 4,799,948	\$ 4,799,948	0.0%	\$ 1,474,753	325.5%
July 1, 2012	-	3,338,557	3,338,557	0.0%	1,158,154	288.3%
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.

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 6 - Postemployment Benefits: (Continued)**

**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 Entry Age Normal Cost Method. The actuarial assumptions included a 3.75% 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 8.25% percent initially, reduced by decrements of .75% per year to an ultimate rate of 5.3% after the seventh year. Both rates include a 2.75% 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 2.75% per year.

**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 Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Prior to January 1, 2013	Miscellaneous	
		With Prior Service	On or After January 1, 2013 Without Prior Service
Benefit formula	3.0% @ 60	2.5% @ 55	2.0% @ 62
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+	52+
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.0%	8.0%	6.25%
Required employer contribution rates	12.657%	9.498%	6.555%

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 7 - Defined Benefit Pension Plan: (Continued)**

**General Information About the Pension Plans (Continued)**

	Prior to January 1,2013	Safety	
		On or After January 1, 2013 With Prior Service	Without Prior Service
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
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 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	9.0%	11.5%
Required employer contribution rates	19.536%	16.656%	12.082%

**Contribution Description** - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the active employee contribution rate in the miscellaneous plan for employees hired prior to January 1, 2013 is 8.0% of annual payroll, and the employer's contribution rate is 12.657% of annual payroll. The active employee contribution rate in the miscellaneous plan for those employees hired on or after January 1, 2013 is 6.25% of annual pay, and the average employer contribution rate is 6.555% of annual payroll. The active employee contribution rate in the safety plan for employees hired prior to January 1, 2013 is 9% of annual payroll and the employer's contribution rate 19.536% of annual covered payroll. The active employee contribution rate in the safety plan for employees hired on or after January 1, 2013 is 11.5% of annual payroll and the average employer contribution rate is 12.082% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

The District's contribution to the Plan for the year ended June 30, 2017 were as follows:

	<u>Miscellaneous</u>
Contributions - Employer	\$ 169,404
Contributions - Employee (Paid by Employer)	\$ -
	<u>Safety</u>
Contributions - Employer	\$ 39,936
Contributions - Employee (Paid by Employer)	\$ -



**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 7 - Defined Benefit Pension Plan: (Continued)**

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

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using 2010 CalPERS' experience study for the period 1997 - 2007
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Change of Assumptions**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7 - Defined Benefit Pension Plan: (Continued)**

**Discount Rate (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, staff 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 on 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 the 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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11 + <sup>2</sup></u>
Growth	61.0%	5.4%	7.2%
Income	20.0	7.1	7.2
Real Assets	12.0	(0.1)	7.3
Liquidity	1.0	1.7	3.0
Inflation	6.0	N/A	N/A
	<u>100.0%</u>		

**Allocation of Net Pension Liability and Pension Expense to Individual Employers**

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Pension</u> (b)	<u>Net Pension Liability</u> (c) = (a) - (b)
Balance at June 30, 2015	\$ 8,257,092	\$ 7,016,915	\$ 1,240,177
Balance at June 20, 2016	8,915,362	7,163,174	1,752,188
Net Changes During 2015 - 2016	<u>\$ 658,270</u>	<u>\$ 146,259</u>	<u>\$ 512,011</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 7 - Defined Benefit Pension Plan: (Continued)**

**Allocation of Net Pension Liability and Pension Expense to Individual Employers (Continued)**

The net pension liability of the plan is measured as of June 30, 2016 and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The 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 the plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2015	0.051323%	0.006932%
Proportion - June 30, 2016	<u>0.052810%</u>	<u>0.006920%</u>
Change - Increase (Decrease)	<u>0.001487%</u>	<u>(0.000012%)</u>

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Current Rate -1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate +1% (8.65%)</u>
Plan's Net Pension Liability	\$ <u>2,953,934</u>	\$ <u>1,752,188</u>	\$ <u>759,994</u>

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 7 - Defined Benefit Pension Plan: (Continued)**

**Amortization of Deferred Outflows and Deferred Inflows of Resources (Continued)**

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lifetime (EARSL of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the schedule of collective pension amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2015 measurement date is 3.7 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the District recognized a pension expense of \$181,322 for the Plan. As of June 30, 2017, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 209,339	\$ -
Differences between actual contributions made and proportionate share of contributions	-	98,798
Differences between expected and actual experience	1,541	
Changes of assumptions		65,977
Net difference between projected and actual earnings on pension plan investments	339,785	-
Adjustment due to difference in proportions	-	30,732
Total	<u>\$ 550,665</u>	<u>\$ 195,507</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 7 - Defined Benefit Pension Plan: (Continued)**

**Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$209,339 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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ 15,673
2019	15,672
2020	29,528
2021	84,946
Total	\$ 145,819

**Note 8 - Commitments and Contingencies:**

**Contracts**

The District has entered into various contracts for the purchase of material and construction of water facilities. The amounts contracted are based on the contractors' estimated cost of construction. At June 30, 2017, the total unpaid amount on these contracts is approximately \$41,688.

**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.

**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9 - New Governmental Accounting Standards:**

**GASB No. 73**

In June 2015, The Governmental Accounting Standards Board issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” The requirements of this statement addressing accounting and financial reporting for employers that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. All other provisions are effective for periods beginning after June 15, 2015. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 74**

In June 2015, the Governmental Accounting Standards Board issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.” This pronouncement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 75**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension”. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 77**

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, “Tax Abatement Disclosures”. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 78**

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan”. The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9 - New Governmental Accounting Standards: (Continued)**

**GASB No. 80**

In January 2016, the Government Accounting Standards Board issued Statement No. 80, “Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14”. The requirements of this pronouncement are effective for reporting period beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 81**

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, “Irrevocable Split-Interest Agreements”. The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 82**

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73”. The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 83**

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 “ Certain Asset Retirement Obligations”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**GASB No. 84**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 “Fiduciary Activities”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**TEMPLETON COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9 - New Governmental Accounting Standards: (Continued)**

**GASB No. 85**

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 “Omnibus 2017”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**GASB No. 86**

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 “Certain Debt Extinguishment Issues”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**GASB No. 87**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 “Leases”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.



**TEMPLETON COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<b><u>Revenues:</u></b>				
Income	\$ 9,600	\$ 6,200	\$ 11,272	\$ 5,072
Total Revenues	<u>9,600</u>	<u>6,200</u>	<u>11,272</u>	<u>5,072</u>
<b><u>Expenditures:</u></b>				
Current:				
Salaries and wages	429,644	429,644	443,828	(14,184)
Employee benefits	190,029	190,029	188,131	1,898
Insurance	44,000	44,000	41,949	2,051
Payroll taxes	34,768	34,768	34,569	199
Worker's compensation	5,570	5,570	5,427	143
Supplies	10,000	10,000	11,145	(1,145)
Purchased services	11,435	11,435	13,337	(1,902)
Professional fees	85,890	85,890	86,100	(210)
Utilities	12,924	12,924	10,198	2,726
Directors	27,000	22,000	22,800	(800)
Dues and fees	38,439	43,439	30,513	12,926
Postage	2,500	2,500	1,351	1,149
Legal fees	12,000	12,000	9,714	2,286
Other	27,550	27,550	18,297	9,253
Travel	3,770	3,770	4,796	(1,026)
Repairs and maintenance	2,000	2,000	4,399	(2,399)
Education	10,450	10,450	11,138	(688)
Vehicle operation	1,000	1,000	679	321
Total Expenditures	<u>948,969</u>	<u>948,969</u>	<u>938,371</u>	<u>10,598</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(939,369)</u>	<u>(942,769)</u>	<u>(927,099)</u>	<u>15,670</u>
<b><u>Other Financing Sources:</u></b>				
Transfers in	1,101,553	1,101,553	1,008,000	(93,553)
Total Other Financing Sources	<u>1,101,553</u>	<u>1,101,553</u>	<u>1,008,000</u>	<u>(93,553)</u>
Net Change in Fund Balance	<u>\$ 162,184</u>	<u>\$ 158,784</u>	80,901	<u>\$ (77,883)</u>
Fund Balance at Beginning of Year			<u>(16,328)</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$ 64,573</u>	

**TEMPLETON COMMUNITY SERVICES DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS TEN YEARS \***

	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
Proportion of the Collective Net Pension Liability	0.0216025%	0.0291275%	0.024676%
Proportionate Share of the Collective Net Pension Liability	1,752,188	1,240,177	1,294,395
Covered-Employee Payroll	1,178,755	1,198,603	1,194,578
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	149.61%	103.24%	119.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.92%	85.78%	82.34%

**Notes to Schedule:**

**Benefit Changes** - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

**Changes in Assumptions** - The discount rate was changed from 7.5 percent (net of administrative expense in 2014) to 7.65 percent to correct for an adjustment to exclude administrative expense.

\*Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**TEMPLETON COMMUNITY SERVICES DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 20, 2017**

**SCHEDULES OF DISTRICT CONTRIBUTIONS  
LAST TEN YEARS \***

	<u>Fiscal Year 2016 - 2017</u>	<u>Fiscal Year 2015 - 2016</u>	<u>Fiscal Year 2014 - 2015</u>
Actuarial Determined Contribution	\$ 209,097	\$ 196,572	\$ 208,635
Contributions in Relation to the Actuarially Determined Contribution	<u>209,097</u>	<u>196,572</u>	<u>208,635</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 <u>\$ 1,154,136</u>	 <u>\$ 1,178,755</u>	 <u>\$ 1,198,603</u>
 Contributions as a Percentage of Covered-Employee Payroll	 18.12%	 16.67%	 17.40%

**Notes to Schedule:**

Fiscal Year End	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

	Entry Age	Entry Age	Entry Age
Actuarial Cost Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method	Market Value	Market Value	Market Value
Asset Valuation Method	7.50%	7.50%	7.50%
Discount Rate	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Projected Salary Increase	2.75%	2.75%	2.75%
Inflation	3.00%	3.00%	3.00%
Payroll Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%
Individual Salary Growth			

\*Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.