

**TEMPLETON COMMUNITY
SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014**



Leaf & Cole, LLP
Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors
Templeton Community Services District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the business-type activities of Templeton Community Services District, as of and for the year ended June 30, 2014, 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, 2014, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 7 and 39 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
September 16, 2014

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, 2014. Please read it in conjunction with the District's financial statements, which begin on page 8.

Financial Highlights

- The District's net position decreased by \$969,513 to \$24,051,713 during the fiscal year ended June 30, 2014.
- The District's revenues increased from \$4,421,121 for the year ended June 30, 2013, to \$4,853,365 for the year ended June 30, 2014, an increase of \$432,244. The increase in water and wastewater user fees accounts for the majority of this increase.
- The District's total expenses increased from \$5,361,629 for the year ended June 30, 2013 to \$5,822,878 for the year ended June 30, 2014. This increase of \$461,249 can be attributed to an increase in professional and legal services along with salaries in the water fund as well as increases in professional services, supplies and salaries in the fire fund.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

- Governmental funds--Several of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 11 and 14.
- Business-type funds--When the District charges customers for the services it provides--whether to outside customers or to other units of the District--these services are generally reported in business-type funds. Business-type funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the District's enterprise funds (a component of business-type funds) are the same as the business type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for business-type funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The District as a Whole

The District's combined net position decreased from \$25,021,226 a year ago to \$24,051,713 at June 30, 2014. Our analysis below focuses on the net position and changes in net position of the District's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Assets:</u>						
Current and other assets	\$ 3,727,590	\$ 3,565,061	\$ 10,541,194	\$ 9,989,403	\$ 14,268,784	\$ 13,554,464
Capital assets	3,150,164	3,309,579	24,776,562	25,614,526	27,926,726	28,924,105
Total Assets	<u>6,877,754</u>	<u>6,874,640</u>	<u>35,317,756</u>	<u>35,603,929</u>	<u>42,195,510</u>	<u>42,478,569</u>
<u>Liabilities:</u>						
Noncurrent liabilities	994,489	736,652	6,057,902	6,104,823	7,052,391	6,841,475
Other liabilities	256,485	97,398	10,834,921	10,518,470	11,091,406	10,615,868
Total Liabilities	<u>1,250,974</u>	<u>834,050</u>	<u>16,892,823</u>	<u>16,623,293</u>	<u>18,143,797</u>	<u>17,457,343</u>
<u>Net Position:</u>						
Net investment in capital assets	3,150,164	3,309,579	19,310,487	19,961,416	22,460,651	23,270,995
Restricted	1,841,438	1,752,872	-	-	1,841,438	1,752,872
Unrestricted	635,178	978,139	(885,554)	(980,780)	(250,376)	(2,641)
Total Net Position	<u>\$ 5,626,780</u>	<u>\$ 6,040,590</u>	<u>\$ 18,424,933</u>	<u>\$ 18,980,636</u>	<u>\$ 24,051,713</u>	<u>\$ 25,021,226</u>

Net position of the District's governmental activities decreased \$413,810. The net position of our business-type activities decreased by \$555,703.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Fees and charges for services	\$ 443,747	\$ 306,052	\$ 3,018,605	\$ 2,680,560	\$ 3,462,352	\$ 2,986,612
Capital grants and contributions	88,566	61,572	78,149	219,120	166,715	280,692
General Revenues:						
Property taxes	888,472	856,021	-	-	888,472	856,021
Interest income	7,611	11,743	39,156	46,869	46,767	58,612
Other income	62,399	62,598	226,660	176,586	289,059	239,184
Total Revenues	<u>1,490,795</u>	<u>1,297,986</u>	<u>3,362,570</u>	<u>3,123,135</u>	<u>4,853,365</u>	<u>4,421,121</u>
Expenses:						
General Fund	1,065,871	1,151,886	-	-	1,065,871	1,151,886
Fire protection	1,028,233	800,444	-	-	1,028,233	800,444
Parks and recreation	534,230	482,732	-	-	534,230	482,732
Street lights	27,149	26,458	-	-	27,149	26,458
Community center	-	12,672	-	-	-	12,672
Water	-	-	1,861,489	1,607,204	1,861,489	1,607,204
Sewer	-	-	1,017,465	992,018	1,017,465	992,018
Drainage	-	-	11,949	5,073	11,949	5,073
Solid waste	-	-	33,080	34,072	33,080	34,072
Interest on long-term liabilities	-	-	243,412	249,070	243,412	249,070
Total Expenses	<u>2,655,483</u>	<u>2,474,192</u>	<u>3,167,395</u>	<u>2,887,437</u>	<u>5,822,878</u>	<u>5,361,629</u>
Change in Net Position						
Before Transfers	(1,164,688)	(1,176,206)	195,175	235,698	(969,513)	(940,508)
Transfers	<u>750,878</u>	<u>928,530</u>	<u>(750,878)</u>	<u>(928,530)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (413,810)</u>	<u>\$ (247,676)</u>	<u>\$ (555,703)</u>	<u>\$ (692,832)</u>	<u>\$ (969,513)</u>	<u>\$ (940,508)</u>

Governmental Activities

Revenues for the District's governmental activities increased by \$192,809 while total expenses increased \$181,291 between 2014 and 2013. The increase in revenues is due to an increase in property tax revenue and charges for services and grant revenue. Expenses increased due to the Self-Contained Breathing Apparatus grant purchases and salaries. The community center fund was transferred to the parks and recreation fund during the year ended June 30, 2014.

Business-Type Activities

Revenues of the District's business-type activities increased \$239,435 and expenses increased by \$279,958 between 2014 and 2013. Revenue increased between 2014 and 2013 due to increase in water and wastewater rate increases. The increase in expenses can be attributed to increases in water professional services, legal expenses and salaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the District had \$42,993,902 invested in a broad range of capital assets, including a water system, sanitation system, buildings, park facilities, and fire equipment.

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 633,429	\$ 633,429	\$ 3,256,820	\$ 3,256,820	\$ 3,890,249	\$ 3,890,249
Water delivery entitlement	-	-	7,452,020	7,452,020	7,452,020	7,452,020
Construction-in-progress	-	-	195,427	208,100	195,427	208,100
Buildings and improvements	3,303,578	3,275,416	24,697,424	24,657,888	28,001,002	27,933,304
Equipment	1,143,227	1,122,257	1,238,757	1,227,911	2,381,984	2,350,168
Vehicles	751,443	751,443	321,777	321,777	1,073,220	1,073,220
Totals	\$ 5,831,677	\$ 5,782,545	\$ 37,162,225	\$ 37,124,516	\$ 42,993,902	\$ 42,907,061

Debt

At June 30, 2014, 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 \$185,142 on the loans payable.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Loans Payable	\$ -	\$ -	\$ 5,385,731	\$ 5,570,873	\$ 5,385,731	\$ 5,570,873

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 2014 budget including the economy and employment growth. These indicators were taken into account when adopting the general fund budget for 2015. Amounts budgeted for general fund expenditures in 2015 are \$953,790, decrease of \$35,944 over the final 2014 budgeted expenditures of \$989,734. Budget decreases are due to decrease in purchased professional and legal services.

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, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 3,116,060	\$ 9,789,780	\$ 12,905,840
Accounts receivable	211,924	402,626	614,550
Accrued interest receivable	175	551	726
Inventory	-	23,347	23,347
Prepaid insurance	47,382	-	47,382
Prepaid PERS contribution	352,049	324,890	676,939
Capital Assets:			
Land and other non-depreciable capital assets	633,429	10,904,267	11,537,696
Plant and equipment, net of accumulated depreciation	<u>2,516,735</u>	<u>13,872,295</u>	<u>16,389,030</u>
TOTAL ASSETS	<u>6,877,754</u>	<u>35,317,756</u>	<u>42,195,510</u>
 <u>LIABILITIES:</u>			
Accounts payable	196,872	208,833	405,705
Accrued wages	19,514	10,691	30,205
Customer deposits	6,525	55,871	62,396
Unearned revenue	33,574	-	33,574
Prepaid capacity fees	-	10,559,526	10,559,526
Noncurrent Liabilities:			
Due within one year	81,700	317,849	399,549
Due after one year	<u>912,789</u>	<u>5,740,053</u>	<u>6,652,842</u>
TOTAL LIABILITIES	<u>1,250,974</u>	<u>16,892,823</u>	<u>18,143,797</u>
 <u>Commitments and Contingencies</u>			
 <u>NET POSITION:</u>			
Net investment in capital assets	3,150,164	19,310,487	22,460,651
Restricted for capital improvements	1,841,438	-	1,841,438
Unrestricted	<u>635,178</u>	<u>(885,554)</u>	<u>(250,376)</u>
TOTAL NET POSITION	<u>\$ 5,626,780</u>	<u>\$ 18,424,933</u>	<u>\$ 24,051,713</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, 2014**

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Fees and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General fund	\$ 1,065,871	\$ -	\$ -	\$ (1,065,871)	\$ -	\$ (1,065,871)
Fire protection	1,028,233	259,953	63,429	(704,851)	-	(704,851)
Parks and recreation	534,230	183,794	25,137	(325,299)	-	(325,299)
Street lights	27,149	-	-	(27,149)	-	(27,149)
Community Center	-	-	-	-	-	-
Total Governmental Activities	<u>2,655,483</u>	<u>443,747</u>	<u>88,566</u>	<u>(2,123,170)</u>	<u>-</u>	<u>(2,123,170)</u>
Business-Type Activities:						
Water	1,861,489	1,954,480	40,062	-	133,053	133,053
Sewer	1,017,465	941,668	38,087	-	(37,710)	(37,710)
Drainage	11,949	8,735	-	-	(3,214)	(3,214)
Solid waste	33,080	113,722	-	-	80,642	80,642
Interest on long-term liabilities	243,412	-	-	-	(243,412)	(243,412)
Total Business-Type Activities	<u>3,167,395</u>	<u>3,018,605</u>	<u>78,149</u>	<u>-</u>	<u>(70,641)</u>	<u>(70,641)</u>
Total Activities	<u>\$ 5,822,878</u>	<u>\$ 3,462,352</u>	<u>\$ 166,715</u>	<u>(2,123,170)</u>	<u>(70,641)</u>	<u>(2,193,811)</u>
General Revenues:						
Taxes and assessments				888,472	-	888,472
Interest income				7,611	39,156	46,767
Other income				62,399	226,660	289,059
Total General Revenues				<u>958,482</u>	<u>265,816</u>	<u>1,224,298</u>
Transfers				<u>750,878</u>	<u>(750,878)</u>	<u>-</u>
Total General Revenues and Transfers				<u>1,709,360</u>	<u>(485,062)</u>	<u>1,224,298</u>
Changes in Net Position				(413,810)	(555,703)	(969,513)
Net Position at Beginning of Year				<u>6,040,590</u>	<u>18,980,636</u>	<u>25,021,226</u>
NET POSITION AT END OF YEAR				<u>\$ 5,626,780</u>	<u>\$ 18,424,933</u>	<u>\$ 24,051,713</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

ASSETS

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Community Center	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 18,503	\$ 1,940,908	\$ 1,069,029	\$ 87,620	\$ -	\$ 3,116,060
Accounts receivable	1	205,232	6,186	506	-	211,925
Accrued interest receivable	-	109	60	5	-	174
Prepaid insurance	47,382	-	-	-	-	47,382
Prepaid PERS Contribution	-	284,364	67,685	-	-	352,049
Total Assets	<u>\$ 65,886</u>	<u>\$ 2,430,613</u>	<u>\$ 1,142,960</u>	<u>\$ 88,131</u>	<u>\$ -</u>	<u>\$ 3,727,590</u>

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	\$ 13,712	\$ 164,697	\$ 15,594	\$ 2,869	\$ -	\$ 196,872
Accrued wages	7,928	8,639	2,947	-	-	19,514
Customer deposits	-	3,825	2,700	-	-	6,525
Unearned revenue	-	-	33,574	-	-	33,574
Total Liabilities	<u>21,640</u>	<u>177,161</u>	<u>54,815</u>	<u>2,869</u>	<u>-</u>	<u>256,485</u>
Fund Balances:						
Unassigned	(3,136)	377,433	770,677	85,262	-	1,230,236
Nonspendable	47,382	284,364	67,685	-	-	399,431
Restricted	-	1,591,655	249,783	-	-	1,841,438
Total Fund Balance	<u>44,246</u>	<u>2,253,452</u>	<u>1,088,145</u>	<u>85,262</u>	<u>-</u>	<u>3,471,105</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,886</u>	<u>\$ 2,430,613</u>	<u>\$ 1,142,960</u>	<u>\$ 88,131</u>	<u>\$ -</u>	<u>\$ 3,727,590</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, 2014**

Total fund balances - Governmental funds		\$ 3,471,105
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>2,516,735</u>	
Total Capital Assets, Net		3,150,164
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	(31,084)	
Net OPEB Obligation	<u>(963,405)</u>	
Total Long-Term Liabilities		<u>(994,489)</u>
Total Net Position - Governmental Activities		<u>\$ 5,626,780</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Community Center	Total Governmental Funds
Revenues:						
Taxes and assessments	\$ -	\$ 634,764	\$ 229,220	\$ 24,488	\$ -	\$ 888,472
Grant revenue	-	257,335	-	-	-	257,335
Program fees	-	-	158,879	-	-	158,879
Contributions	-	63,429	25,137	-	-	88,566
Other income	21,085	34,928	6,386	-	-	62,399
Rental income	-	2,618	24,915	-	-	27,533
Interest income	19	4,700	2,678	214	-	7,611
Total Revenues	<u>21,104</u>	<u>997,774</u>	<u>447,215</u>	<u>24,702</u>	<u>-</u>	<u>1,490,795</u>
Expenditures:						
Current:						
Salaries and wages	399,714	312,176	157,573	-	-	869,463
Employee benefits	182,728	232,892	58,345	-	-	473,965
Supplies	14,624	143,514	6,456	-	-	164,594
Professional fees	86,083	27,283	-	-	-	113,366
Program expense	-	-	93,567	-	-	93,567
Payroll taxes	33,607	27,309	14,585	-	-	75,501
Utilities	13,823	6,917	15,844	27,149	-	63,733
Other	14,895	36,063	10,440	-	-	61,398
Purchased services	42,763	7,905	7,912	-	-	58,580
Insurance	42,230	-	-	-	-	42,230
Vehicle operation	2,341	25,875	80	-	-	28,296
Repairs and maintenance	2,900	6,143	16,140	-	-	25,183
Worker's compensation	4,862	14,578	4,899	-	-	24,339
Directors	22,800	-	-	-	-	22,800
Legal fees	16,470	5,515	112	-	-	22,097
Dues and fees	18,544	1,146	1,399	-	-	21,089
Education	3,069	10,374	221	-	-	13,664
Travel	4,335	7,421	80	-	-	11,836
Postage	3,398	-	-	-	-	3,398
Capital outlay	23,502	1,168	24,462	-	-	49,132
Total Expenditures	<u>932,688</u>	<u>866,279</u>	<u>412,115</u>	<u>27,149</u>	<u>-</u>	<u>2,238,231</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(911,584)</u>	<u>131,495</u>	<u>35,100</u>	<u>(2,447)</u>	<u>-</u>	<u>(747,436)</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, 2014**

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Community Center	Total Governmental Funds
Other Financing Sources						
(Uses):						
Transfers in	\$ 945,000	\$ -	\$ 91,017	\$ -	\$ -	\$ 1,036,017
Transfers out	-	(94,950)	(99,172)	-	(91,017)	(285,139)
Total Other Financing Sources and (Uses)	<u>945,000</u>	<u>(94,950)</u>	<u>(8,155)</u>	<u>-</u>	<u>(91,017)</u>	<u>750,878</u>
Net Change in Fund Balances	33,416	36,545	26,945	(2,447)	(91,017)	3,442
Fund Balances at Beginning of Year	<u>10,830</u>	<u>2,216,907</u>	<u>1,061,200</u>	<u>87,709</u>	<u>91,017</u>	<u>3,467,663</u>
FUND BALANCES AT END OF YEAR	<u>\$ 44,246</u>	<u>\$ 2,253,452</u>	<u>\$ 1,088,145</u>	<u>\$ 85,262</u>	<u>\$ -</u>	<u>\$ 3,471,105</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, 2014**

Total net change in fund balances - Governmental funds	\$ 3,442
Amounts reported for governmental activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to depreciation expense is greater than capital outlay.	(159,415)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used was more than the amounts earned by \$11,684.	(11,684)
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 \$246,153.	<u>(246,153)</u>
Changes in Net Position - Governmental Activities	<u>\$ (413,810)</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Current Assets:</u>					
Cash and cash equivalents	\$ 8,697,174	\$ 566,238	\$ 148,755	\$ 377,613	\$ 9,789,780
Accounts receivable	270,286	118,526	963	12,851	402,626
Accrued interest receivable	469	53	8	21	551
Inventory	23,347	-	-	-	23,347
Prepaid PERS contribution	39,456	23,563	178	1,781	64,978
Total Current Assets	<u>9,030,732</u>	<u>708,380</u>	<u>149,904</u>	<u>392,266</u>	<u>10,281,282</u>
<u>Noncurrent Assets:</u>					
Capital Assets:					
Land and other non-depreciable capital assets	8,925,970	1,828,896	149,401	-	10,904,267
Plant and equipment, net of accumulated depreciation	<u>5,425,123</u>	<u>8,260,004</u>	<u>187,168</u>	<u>-</u>	<u>13,872,295</u>
Total Capital Assets	<u>14,351,093</u>	<u>10,088,900</u>	<u>336,569</u>	<u>-</u>	<u>24,776,562</u>
Other Noncurrent Assets:					
Prepaid PERS contribution	<u>157,826</u>	<u>94,250</u>	<u>712</u>	<u>7,124</u>	<u>259,912</u>
Total Other Noncurrent Assets	<u>157,826</u>	<u>94,250</u>	<u>712</u>	<u>7,124</u>	<u>259,912</u>
Total Noncurrent Assets	<u>14,508,919</u>	<u>10,183,150</u>	<u>337,281</u>	<u>7,124</u>	<u>25,036,474</u>
TOTAL ASSETS	<u>23,539,651</u>	<u>10,891,530</u>	<u>487,185</u>	<u>399,390</u>	<u>35,317,756</u>
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Accounts payable	98,048	108,286	-	2,499	208,833
Accrued wages	7,516	3,175	-	-	10,691
Customer deposits	55,871	-	-	-	55,871
Accrued interest payable	71,758	8,586	-	-	80,344
Compensated absences	21,700	9,300	-	-	31,000
Prepaid capacity fees	6,605,865	3,953,661	-	-	10,559,526
Loans payable	80,000	113,005	-	-	193,005
Net OPEB obligation	8,775	4,320	-	405	13,500
Total Current Liabilities	<u>6,949,533</u>	<u>4,200,333</u>	<u>-</u>	<u>2,904</u>	<u>11,152,770</u>
<u>Noncurrent Liabilities:</u>					
Compensated absences	3,168	1,358	-	-	4,526
Loans payable	4,315,000	877,726	-	-	5,192,726
Net OPEB obligation	<u>354,962</u>	<u>166,874</u>	<u>-</u>	<u>20,965</u>	<u>542,801</u>
Total Noncurrent Liabilities	<u>4,673,130</u>	<u>1,045,958</u>	<u>-</u>	<u>20,965</u>	<u>5,740,053</u>
TOTAL LIABILITIES	<u>11,622,663</u>	<u>5,246,291</u>	<u>-</u>	<u>23,869</u>	<u>16,892,823</u>
<u>NET POSITION</u>					
Net investment in capital assets	9,884,335	9,089,583	336,569	-	19,310,487
Unrestricted	<u>2,032,653</u>	<u>(3,444,344)</u>	<u>150,616</u>	<u>375,521</u>	<u>(885,554)</u>
TOTAL NET POSITION	<u>\$ 11,916,988</u>	<u>\$ 5,645,239</u>	<u>\$ 487,185</u>	<u>\$ 375,521</u>	<u>\$ 18,424,933</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, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Operating Revenues:</u>					
Charges for services	\$ 1,954,480	\$ 941,668	\$ 8,735	\$ -	\$ 2,904,883
Franchise fees	-	-	-	113,722	113,722
Total Operating Revenues	<u>1,954,480</u>	<u>941,668</u>	<u>8,735</u>	<u>113,722</u>	<u>3,018,605</u>
<u>Operating Expenses:</u>					
Depreciation	536,889	327,012	11,771	-	875,672
Salaries and wages	306,751	154,999	-	5,795	467,545
Employee benefits	275,902	143,092	178	4,336	423,508
Utilities	221,465	45,900	-	-	267,365
Repairs and maintenance	146,595	47,195	-	-	193,790
Treatment and disposal	-	155,589	-	-	155,589
Professional fees	109,243	25,201	-	-	134,444
Legal fees	69,678	7,549	-	1,834	79,061
Other	22,441	7,251	-	15,976	45,668
Water analysis	11,690	32,904	-	-	44,594
Purchased services	24,523	11,960	-	4,334	40,817
Dues and fees	32,487	7,717	-	-	40,204
Payroll taxes	23,839	11,960	-	312	36,111
Supplies	19,694	8,784	-	653	29,131
Vehicle operation	17,095	8,721	-	-	25,816
Worker's compensation	16,615	9,193	-	(160)	25,648
Nacimeinto Operations	24,195	-	-	-	24,195
Interceptor maintenance	-	11,390	-	-	11,390
Education	1,253	828	-	-	2,081
Travel	1,134	220	-	-	1,354
Total Operating Expenses	<u>1,861,489</u>	<u>1,017,465</u>	<u>11,949</u>	<u>33,080</u>	<u>2,923,983</u>
Operating Income (Loss)	<u>92,991</u>	<u>(75,797)</u>	<u>(3,214)</u>	<u>80,642</u>	<u>94,622</u>
<u>Nonoperating Revenues (Expenses):</u>					
Lease revenue	132,083	-	-	-	132,083
Other income	88,665	1,912	-	4,000	94,577
Investment income	35,053	2,830	363	910	39,156
Interest expense	(215,744)	(27,668)	-	-	(243,412)
Total Nonoperating Revenues (Expenses)	<u>40,057</u>	<u>(22,926)</u>	<u>363</u>	<u>4,910</u>	<u>22,404</u>
Income (Loss) Before Transfers and Capital Contributions	<u>133,048</u>	<u>(98,723)</u>	<u>(2,851)</u>	<u>85,552</u>	<u>117,026</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, 2014**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Transfers and Capital Contributions:</u>					
Transfers out	\$ (415,580)	\$ (283,350)	\$ (4,723)	\$ (47,225)	\$ (750,878)
Capital contributions	40,062	38,087	-	-	78,149
Total Transfers and Capital Contributions	<u>(375,518)</u>	<u>(245,263)</u>	<u>(4,723)</u>	<u>(47,225)</u>	<u>(672,729)</u>
Change in Net Position	(242,470)	(343,986)	(7,574)	38,327	(555,703)
Net Position at Beginning of Year	<u>12,159,458</u>	<u>5,989,225</u>	<u>494,759</u>	<u>337,194</u>	<u>18,980,636</u>
NET POSITION AT END OF YEAR	<u><u>\$ 11,916,988</u></u>	<u><u>\$ 5,645,239</u></u>	<u><u>\$ 487,185</u></u>	<u><u>\$ 375,521</u></u>	<u><u>\$ 18,424,933</u></u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>					
Cash received from customers	\$ 1,957,753	\$ 905,038	\$ 8,706	\$ 112,813	\$ 2,984,310
Cash payments to suppliers for goods and services	(1,530,258)	(902,365)	(5,791)	(81,313)	(2,519,727)
Cash payments to employees for services	(303,116)	(153,487)	-	(4,096)	(460,699)
Net Cash Provided by (Used in) Operating Activities	<u>124,379</u>	<u>(150,814)</u>	<u>2,915</u>	<u>27,404</u>	<u>3,884</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>					
Receipts from other income	<u>220,748</u>	<u>1,912</u>	<u>-</u>	<u>4,000</u>	<u>226,660</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>220,748</u>	<u>1,912</u>	<u>-</u>	<u>4,000</u>	<u>226,660</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(18,099)	(62,905)	-	-	(81,004)
Principal paid on loans payable	(75,000)	(110,142)	-	-	(185,142)
Interest paid on loans payable	(216,682)	(28,623)	-	-	(245,305)
Receipts from contributed capital	<u>354,446</u>	<u>76,074</u>	<u>-</u>	<u>-</u>	<u>430,520</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>44,665</u>	<u>(125,596)</u>	<u>-</u>	<u>-</u>	<u>(80,931)</u>
<u>Cash Flows From Investing Activities:</u>					
Investment income	<u>35,459</u>	<u>2,883</u>	<u>371</u>	<u>926</u>	<u>39,639</u>
Net Cash Provided by Investing Activities	<u>35,459</u>	<u>2,883</u>	<u>371</u>	<u>926</u>	<u>39,639</u>
Net Increase (Decrease) in Cash and Cash Equivalents	425,251	(271,615)	3,286	32,330	189,252
Cash and Cash Equivalents at Beginning of Year	<u>8,271,923</u>	<u>837,853</u>	<u>145,469</u>	<u>345,283</u>	<u>9,600,528</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,697,174</u>	<u>\$ 566,238</u>	<u>\$ 148,755</u>	<u>\$ 377,613</u>	<u>\$ 9,789,780</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, 2014**

	Water	Sewer	Drainage	Solid Waste	Total
<u>Reconciliation of Operating Income (Loss)</u>					
<u>to Net Cash Provided by</u>					
<u>(Used in) Operating Activities:</u>					
Operating income (loss)	\$ 92,991	\$ (75,797)	\$ (3,214)	\$ 80,642	\$ 94,622
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	536,890	327,012	11,771	-	875,673
Transfers	(415,580)	(283,350)	(4,723)	(47,225)	(750,878)
Construction in progress expensed	43,296				43,296
(Increase) Decrease in:					
Accounts receivable	3,273	(36,630)	(29)	(909)	(34,295)
Inventory	(3,837)	-	-	-	(3,837)
Prepaid PERS contribution	(197,282)	(117,813)	(890)	(8,905)	(324,890)
Increase (Decrease) in:					
Accounts payable	10,515	(9,815)	-	2,102	2,802
Accrued wages	1,547	617	-	-	2,164
Customer deposits	(39,493)	(1,394)	-	-	(40,887)
Compensated absences	2,088	895	-	-	2,983
Net OPEB obligation	89,971	45,461	-	1,699	137,131
Net Cash Provided by (Used in) Operating Activities	\$ 124,379	\$ (150,814)	\$ 2,915	\$ 27,404	\$ 3,884
 <u>Noncash Investing, Capital and Financing Activities:</u>					
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - Organization and Significant Accounting Policies:

Organization

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

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100, "Defining the Financial Reporting Entity." The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

Significant Accounting Policies

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

Basis of Presentation

Government-Wide Statements

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

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each function of the business-type activities of the District and for each program of the governmental activities. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. GASB Cod. Sec. 2200, "Comprehensive Annual Financial Report", sets forth minimum criteria for the determination of major funds.

The funds of the District are described below:

Governmental Funds

The focus of the governmental funds measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports the general fund, fire protection, parks and recreation, street lights and community center as major governmental funds. The community center fund was transferred to the parks and recreation fund during the year ended June 30, 2014.

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, 2014**

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

Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Method of Accounting

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

The District has not elected to apply the option allowed in GASB Cod. Sec P80.103, "Proprietary Fund, Accounting and Financial Reporting" and as a consequence will continue to apply GASB Statements and interpretations.

Accrual

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

Modified Accrual

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The District recognizes revenue from user fees, service charges, program fees and rental fees as they are earned. The District has recorded unearned revenue for soccer registrations totaling \$33,574 at June 30, 2014.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Significant Accounting Policies (Continued)

Investments

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

Allowance for Doubtful Accounts

Management believes that all accounts receivable were fully collectible, therefore, no allowance for doubtful accounts was recorded as of June 30, 2014.

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, 2014, 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.

Prepaid PERS Contribution

During the year ended June 30, 2014, the District prepaid the accumulated PERS side fund liability resulting from risk pooling, valued at \$812,327. The prepayment is amortizable over a six year period and will result in a decrease to the District's 2013/2014 PERS employer contribution rate. The prepaid PERS contribution totals \$812,327, net of accumulated amortization of \$135,388 at June 30, 2014.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Significant Accounting Policies (Continued)

Capital Assets

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

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

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

Depreciation aggregated \$1,084,220 for the year ended June 30, 2014.

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, 2014.

Compensated Absences

Accumulated unpaid vacation totaling \$66,610 at June 30, 2014, is accrued when incurred and included in noncurrent liabilities.

Fund Balances - Governmental Funds

The fund balances of the governmental funds are classified as follows at June 30, 2014:

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

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Fire and park facility fees are collected for new development. Restricted fire and park fund balances related to facility fees totaled \$1,591,655 and \$249,783 at June 30, 2014, respectively.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds (Continued)

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

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

Unassigned - All other spendable amounts.

Risk Management

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

At June 30, 2014, the District participated in the self-insurance programs of the Authority as follows:

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

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

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Significant Accounting Policies (Continued)

Risk Management (Continued)

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

Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of general fund transfers from the following:

Water	\$ 415,580
Sewer	283,350
Parks and recreation	99,172
Fire protection	94,950
Solid waste	47,225
Drainage	4,723
	<u>\$ 945,000</u>

The community center's net position totaling \$91,017 was transferred to parks and recreation during the year ended June 30, 2014.

Economic Dependency

The District extracts approximately 40.3% of its water supply from the underflow of the Salinas River, 12.7% from reclaimed water from the Selby Ponds and 47.0% from groundwater wells located in the Atascadero sub basin. Interruption of these sources would impact the District negatively.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows the District considers all investment instruments purchased with a maturity of three months or less to be cash. 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 September 16, 2014, the date the financial statements were available to be issued.

Note 2 - Cash and Investments:

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

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

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 2 - Cash and Investments: (Continued)

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

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

Cash and investments held by the District were comprised of the following at June 30, 2014:

	Maturity in Years		
	Less Than 1 Year	1 - 5 Years	Total
California Local Agency Investment Fund (LAIF)	\$ 1,315,994	\$ -	\$ 1,315,994
Deposits with financial institutions	10,601,846	-	10,601,846
Investments:			
Negotiable certificates of deposit	245,000	743,000	988,000
Total Cash and Investments	\$ 12,162,840	\$ 743,000	\$ 12,905,840
Financial Statement Classification:			
Cash and cash equivalents			\$ 12,905,840

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by holding only cash and cash equivalents.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2014.

Disclosures Relating to Credit Risk

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

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2014, 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, 2014**

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

Governmental Activities:				
	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Capital Assets Not Being Depreciated				
Land	\$ 633,429	\$ -	\$ -	\$ 633,429
Total Capital Assets Not Being Depreciated	<u>\$ 633,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,429</u>
Capital Assets Being Depreciated				
Buildings and improvements	\$ 3,275,416	\$ 28,162	\$ -	\$ 3,303,578
Equipment	1,122,257	20,970	-	1,143,227
Vehicles	751,443	-	-	751,443
Total	<u>5,149,116</u>	<u>49,132</u>	<u>-</u>	<u>5,198,248</u>
Less: Accumulated depreciation	<u>(2,472,966)</u>	<u>(208,547)</u>	<u>-</u>	<u>(2,681,513)</u>
Total Capital Assets Being Depreciated	<u>\$ 2,676,150</u>	<u>\$ (159,415)</u>	<u>\$ -</u>	<u>\$ 2,516,735</u>
Business-Type Activities:				
	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Capital Assets Not Being Depreciated				
Land	\$ 3,256,820	\$ -	\$ -	\$ 3,256,820
Water delivery entitlement	7,452,020	-	-	7,452,020
Construction in progress	208,100	78,774	91,447	195,427
Total Capital Assets Not Being Depreciated	<u>\$ 10,916,940</u>	<u>\$ 78,774</u>	<u>\$ 91,447</u>	<u>\$ 10,904,267</u>
Capital Assets Being Depreciated				
Buildings and improvements	\$ 24,657,888	\$ 39,536	\$ -	\$ 24,697,424
Equipment	1,227,911	10,846	-	1,238,757
Vehicles	321,777	-	-	321,777
Total	<u>26,207,576</u>	<u>50,382</u>	<u>-</u>	<u>26,257,958</u>
Less: Accumulated depreciation	<u>(11,509,990)</u>	<u>(875,673)</u>	<u>-</u>	<u>(12,385,663)</u>
Total Capital Assets Being Depreciated	<u>\$ 14,697,586</u>	<u>\$ (825,291)</u>	<u>\$ -</u>	<u>\$ 13,872,295</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 4 - Noncurrent Liabilities:

Noncurrent liabilities consists of the following at June 30:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014	Payable Within One Year	Payable After One Year
Government Activities -						
Compensated absences (Note 1)	\$ 19,400	\$ 31,328	\$ 19,644	\$ 31,084	\$ 23,500	\$ 7,584
Net OPEB obligation (Note 6)	717,252	303,892	57,739	963,405	58,200	905,205
Total	<u>\$ 736,652</u>	<u>\$ 335,220</u>	<u>\$ 77,383</u>	<u>\$ 994,489</u>	<u>\$ 81,700</u>	<u>\$ 912,789</u>
Business-Type Activities -						
Compensated absences (Note 1)	\$ 32,543	\$ 29,423	\$ 26,440	\$ 35,526	\$ 31,000	\$ 4,526
Accrued interest payable	82,237	-	1,893	80,344	80,344	-
Loans payable	5,570,873	-	185,142	5,385,731	193,005	5,192,726
Net OPEB obligation (Note 6)	419,170	150,294	13,163	556,301	13,500	542,801
Total	<u>\$ 6,104,823</u>	<u>\$ 179,717</u>	<u>\$ 226,638</u>	<u>\$ 6,057,902</u>	<u>\$ 317,849</u>	<u>\$ 5,740,053</u>

Loans payable consist of the following at June 30, 2014:

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.

\$ 990,731

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

Total Loans Payable.

4,395,000
\$ 5,385,731

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 4 - Noncurrent Liabilities: (Continued)

Debt service requirements on loans payable as of June 30, 2014 are as follows:

Business-Type Activities

Year Ended June 30	Loans Payable	
	Principal	Interest
2015	\$ 193,005	\$ 239,434
2016	200,944	233,195
2017	208,958	226,231
2018	212,051	218,638
2019	225,224	210,715
2020-2024	955,549	927,368
2025-2029	715,000	748,250
2030-2034	925,000	544,000
2035-2039	1,185,000	281,000
2030-2044	565,000	25,762
	<u>\$ 5,385,731</u>	<u>\$ 3,654,593</u>

Note 5 - Prepaid Capacity Fees:

The District records capacity fees collected as a liability until its duty to perform has been completed and service has begun at which time these fees are recorded as contributed capital. Following is a summary of the prepaid capacity fees liability at June 30, 2014:

Balance at Beginning of Year	\$ 10,207,155
Add: Capacity Fees Received	430,620
Less: Water and Sewer Connections	(78,149)
Refunds	(100)
Balance at End of Year	<u>\$ 10,559,526</u>

Note 6 - Postemployment Benefits:

Plan Description

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 6 - Postemployment Benefits: (Continued)

Funding Policy and Annual OPEB Costs

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's annual other postemployment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Cod. Sec. P50 "Postemployment Benefits Other Than Pension Benefits - Employer Reporting." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Board of Directors has established a policy of funding the ARC on a pay as you go basis. The current ARC rate is 31.0% of annual covered payroll. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the District's net OPEB obligation for the year ended June 30, 2014:

Annual required contribution	\$ 474,244
Interest on net OPEB obligation	45,001
Adjustment to annual required contribution	<u>(65,059)</u>
Annual OPEB cost	454,186
Contributions (including benefits paid)	<u>(70,902)</u>
Increase in net OPEB obligation	383,284
Net OPEB obligation at Beginning of Year	<u>1,136,422</u>
Net OPEB obligation at End of Year	<u><u>\$ 1,519,706</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 299,135	\$ 53,179	17.8%	\$ 760,787
June 30, 2013	442,365	66,730	15.1%	1,136,422
June 30, 2014	454,186	70,902	15.6%	1,519,706

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 6 - Postemployment Benefits: (Continued)

Funding Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Liability Accrued Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Status (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2012	\$ -	\$ 3,338,557	\$ 3,338,557	0.0%	\$ 1,154,154	289.3%
July 1, 2009	-	2,487,290	2,487,290	0.0%	904,000	275.1%

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

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefits obligations is the Projected Unit Credit with Service Prorate Method. The actuarial assumptions included a 4% discount rate, which assumes the District continues to maintain the retiree health benefits program as an unfunded plan. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the District for current and future retirees; an annual healthcare cost trend rate of 8.5% percent initially, reduced by decrements of .5% per year to an ultimate rate of 5% after the seventh year. Both rates include a 3% inflation assumption. The UAAL is being amortized using the level-dollar method on a open period over 30 years. It is assumed the District's inflation rate is 3.0% per year.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 7 - Defined Benefit Pension Plan:

Miscellaneous Plan

Plan Description

The District contributes to the California Public Retirement Plan System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 3% at 60 pool for employees hired prior to December 22, 2012, the 2.5% at 55 pool for employees hired after December 22, 2012, and the 2% at 62 pool for employees hired after January 1, 2013 with no prior CalPERS membership or those with CalPERS membership who have had a break in service greater than six months. CalPERS provides retirement and disability benefits, annual cost-of living adjustments; and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefit provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPER's annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members in the 3% at 60 and 2.5% at 55 pools are required to contribute 8% of their annual covered salary, which the District paid on behalf of the employee until August 16, 2013. Beginning August 17, 2013, all employees began making this contribution. Plan members in the 2% at 62 pool are required to contribute 6.25% of their annual covered earnings. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2014 and 2013, were 24.881% and 24.204%, respectively, for the 3% at 60 pool, 14.083% and 13.307% for the 2.5% at 55 pool, and 6.25% and 6.25% for the 2% at 62 pool. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$298,018, \$259,921 and \$278,906, respectively, which were equal to the required contributions each year.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 7 - Defined Benefit Pension Plan: (Continued)

Safety Plan

Plan Description

The District contributes to the California Public Retirement Plan System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 3% at 50 pool for employees hired prior to December 22, 2012, the 3% at 55 pool for employees hired after December 22, 2012, and the 2.7% at 57 pool for employees hired after January 1, 2013 with no prior CalPERS membership or those with CalPERS membership who have had a break in service greater than six months. CalPERS provides retirement and disability benefits, annual cost-of living adjustments; and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefit provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The Plan selects options benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPER's annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members in the 3% at 50 and 3% at 55 pools are required to contribute 9% of their annual covered salary, which the District paid on behalf of the employee until August 16, 2013. Beginning August 17, 2013, all employees began making this contribution. Plan members in the 2.7% at 57 pool are required to contribute 11.5% of their annual covered earnings. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2014 and 2013 were 57.901% and 54.472% respectively for the 3% at 50 pool, 20.774% and 20.057% for the 3% at 55 pool, and 11.5% and 11.5% for the 2.7% at 57 pool. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended June 30, 2014, 2013 and 2012, were \$144,605, \$92,742 and \$95,501 respectively, which were equal to the required contributions each year.

Note 8 - Commitments and Contingencies:

Contracts

The District has entered into various contracts for the purchase of material and construction of water facilities. The amounts contracted are based on the contractors' estimated cost of construction. At June 30, 2014, the total unpaid amount on these contracts is approximately \$257,828.

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, 2014

Note 9 - New Governmental Accounting Standards:

GASB No. 66

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

GASB No. 67

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

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2014. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The District has not determine the effects of this pronouncement on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 69.

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

GASB No. 70

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

GASB No. 71

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**TEMPLETON COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<u>Revenues:</u>				
Other income	\$ 29,020	\$ 29,020	\$ 21,085	\$ (7,935)
Interest income	-	-	19	19
Total Revenues	<u>29,020</u>	<u>29,020</u>	<u>21,104</u>	<u>(7,916)</u>
<u>Expenditures:</u>				
Salaries and wages	401,500	401,500	399,714	(1,786)
Employee benefits	188,075	188,075	182,728	(5,347)
Insurance	46,000	46,000	42,230	(3,770)
Payroll taxes	32,170	32,170	33,607	1,437
Worker's compensation	5,239	5,239	4,862	(377)
Supplies	19,000	19,000	14,624	(4,376)
Purchased services	36,200	36,200	42,763	6,563
Professional fees	95,700	95,700	86,083	(9,617)
Utilities	16,900	16,900	13,823	(3,077)
Directors	29,850	29,850	22,800	(7,050)
Dues and fees	22,700	22,700	18,544	(4,156)
Postage	3,500	3,500	3,398	(102)
Legal fees	25,000	25,000	16,470	(8,530)
Other	10,600	10,600	14,895	4,295
Travel	8,000	8,000	4,335	(3,665)
Repairs and maintenance	2,000	2,000	2,900	900
Education	6,000	6,000	3,069	(2,931)
Vehicle operation	3,000	3,000	2,341	(659)
Capital outlay	38,300	38,300	23,502	(14,798)
Total Expenditures	<u>989,734</u>	<u>989,734</u>	<u>932,688</u>	<u>(57,046)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(960,714)</u>	<u>(960,714)</u>	<u>(911,584)</u>	<u>49,130</u>
<u>Other Financing Sources:</u>				
Transfers in	984,730	984,730	945,000	(39,730)
Total Other Financing Sources	<u>984,730</u>	<u>984,730</u>	<u>945,000</u>	<u>(39,730)</u>
Net Change in Fund Balance	<u>\$ 24,016</u>	<u>\$ 24,016</u>	33,416	<u>\$ 9,400</u>
Fund Balance at Beginning of Year			<u>10,830</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 44,246</u>	