

**TEMPLETON COMMUNITY SERVICES
DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2023**

NIGRO & NIGRO^{PC}

TEMPLETON COMMUNITY SERVICES DISTRICT

For the Fiscal Year Ended June 30, 2023

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Templeton Community Services District
Templeton, California

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Templeton Community Services District (District) as of and for the year ended June 30, 2023, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, Budgetary Comparison Schedule – Parks and Recreation Fund, Budgetary Comparison Schedule – Public Safety Fund, Budgetary Comparison Schedule – Roads Fund, Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 19, 2023, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Murrieta, California
December 19, 2023

TEMPLETON COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Management's Discussion and Analysis (MD&A) offers readers of Templeton Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased 4.4%, or \$1,816,951 from the prior year's net position of \$40,974,342 to \$42,791,293, as a result of this year's operations.
- Total revenues from all sources increased by 33.67%, or \$2,782,981 from \$8,264,797 to \$11,047,778 from the prior year, primarily due to \$1,399,871 in capital contributions, as well as a \$484,146 increase in investment income due to rising market interest rates.
- Total expenses for the District's operations before depreciation expense increased by 57.93% or \$2,963,623 from \$5,116,082 to \$8,079,705, from the prior year, primarily due to increases in employee benefit expenses due to an increase in the non-cash expense associated with the change in the District's net pension and OPEB liabilities.

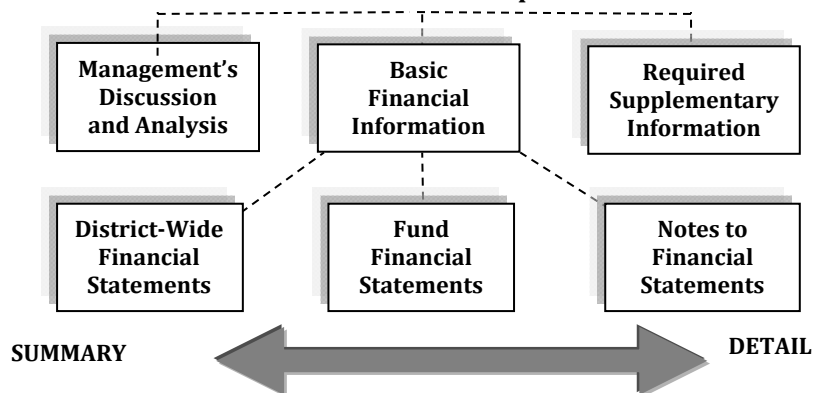
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.

Figure A-1. Organization of Templeton Community Services District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



TEMPLETON COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Fund	Proprietary Funds
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services	Activities of the District that operate like a business, such as self-insurance funds
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

TEMPLETON COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers compensation claims, health and welfare benefits, and property and liability claims.

TEMPLETON COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
ASSETS:						
Current assets	\$ 2,562,993	\$ 5,657,768	\$ 20,367,729	\$ 2,337,986	\$ 22,930,722	\$ 7,995,754
Non-current assets	3,704,386	-	319,794	58,869	4,024,180	58,869
Capital assets, net	2,761,811	2,724,747	28,741,732	6,077,659	31,503,543	8,802,406
Total assets	9,029,190	8,382,515	49,429,255	8,474,514	58,458,445	16,857,029
DEFERRED OUTFLOWS OF RESOURCES	1,901,669	1,851,613	989,360	1,887,994	2,891,029	3,739,607
LIABILITIES:						
Current liabilities	299,200	262,827	546,692	699,735	845,892	962,562
Non-current liabilities	775,744	1,293,179	14,032,473	13,906,096	14,808,217	15,199,275
Total liabilities	1,074,944	1,556,006	14,579,165	14,605,831	15,654,109	16,161,837
DEFERRED INFLOWS OF RESOURCES	1,604,276	665,246	1,299,796	2,724,036	2,904,072	3,389,282
NET POSITION						
Net investment in capital assets	2,761,811	2,724,747	24,417,943	24,692,026	27,179,754	27,416,773
Restricted	3,704,386	3,658,191	58,869	58,869	3,763,255	3,717,060
Unrestricted	1,785,442	5,288,129	10,062,842	8,210,571	11,848,284	13,498,700
Total net position	\$ 8,251,639	\$ 11,671,067	\$ 34,539,654	\$ 32,961,466	\$ 42,791,293	\$ 44,632,533

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$42,791,293 as of June 30, 2023.

By far the largest portion of the District's net position (64% as of June 30, 2023) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal year 2023, the District shows a positive balance in its unrestricted net position of \$11,848,284 that may be utilized in future years.

TEMPLETON COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
REVENUES:						
Program revenues	\$ 753,978	\$ 527,403	\$ 7,716,198	\$ 6,009,436	\$ 8,470,176	\$ 6,536,839
General revenues	2,310,458	1,851,653	267,144	(123,695)	2,577,602	1,727,958
Total revenues	3,064,436	2,379,056	7,983,342	5,885,741	11,047,778	8,264,797
EXPENSES:						
Operations	2,849,982	2,916,709	5,030,382	2,006,266	7,880,364	4,922,975
Depreciation expense	201,238	178,369	949,884	941,948	1,151,122	1,120,317
Interest expense	-	-	199,341	193,107	199,341	193,107
Total expenses	3,051,220	3,095,078	6,179,607	3,141,321	9,230,827	6,236,399
Change in net position before transfers	13,216	(716,022)	1,803,735	2,744,420	1,816,951	2,028,398
Transfers	225,547	1,811,548	(225,547)	(1,811,548)	-	-
Change in net position	238,763	1,095,526	1,578,188	932,872	1,816,951	2,028,398
NET POSITION:						
Beginning of year	8,012,876	6,917,350	32,961,466	32,028,594	40,974,342	38,945,944
End of year	<u>\$ 8,251,639</u>	<u>\$ 8,012,876</u>	<u>\$ 34,539,654</u>	<u>\$ 32,961,466</u>	<u>\$ 42,791,293</u>	<u>\$ 40,974,342</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased by \$1,816,951 during the fiscal year ended June 30, 2023.

Total revenues from all sources increased by 33.67%, or \$2,782,981 from \$8,264,797 to \$11,047,778 from the prior year, primarily due to \$1,399,871 in capital contributions, as well as a \$484,146 increase in investment income due to rising market interest rates.

Total expenses for the District's operations before depreciation expense increased by 57.93% or \$2,963,623 from \$5,116,082 to \$8,079,705, from the prior year, primarily due to increases in employee benefits expenses due to the increase in the non-cash expense associated with the change in the District's net pension and OPEB liabilities.

TEMPLETON COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2023, the District reported a total fund balance in its governmental funds of \$6,007,943. An amount of \$2,224,030 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's governmental funds at year-end were \$157,128 more than actual. Actual revenues were less than the anticipated budget by \$12,522.

CAPITAL ASSET ADMINISTRATION

Table A-3: Capital Assets at Year End, Net of Depreciation

	<u>Balance July 1, 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2023</u>
Non-depreciable capital assets	\$ 11,320,190	\$ 281,259	\$ (55,614)	\$ 11,545,835
Depreciable capital assets	42,731,959	467,793	(159,526)	43,040,226
Total capital assets	54,052,149	749,052	(215,140)	54,586,061
Accumulated depreciation	(22,090,921)	(1,151,123)	159,526	(23,082,518)
Total capital assets, net	<u>\$ 31,961,228</u>	<u>\$ (402,071)</u>	<u>\$ (55,614)</u>	<u>\$ 31,503,543</u>

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$31,503,543 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various improvements and equipment totaling \$693,438.

See Note 5 for further information on the District's capital assets.

TEMPLETON COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

CAPITAL ASSET ADMINISTRATION (continued)

Table A-4: Long-term Debt and Debt Service

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>
Notes payable	\$ 4,470,155	\$ -	\$ (146,366)	\$ 4,323,789

In 2023, the District's Long-term debt decreased by \$146,366 from regular principal payments on existing loans.

See Note 7 for further information on the District's long-term debt.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at (805) 434-4900.

TEMPLETON COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2023

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments (note 2 and 3)	\$ 2,258,019	\$ 19,334,668	\$ 21,592,687
Accrued interest receivable	29,709	99,913	129,622
Accounts receivable – services	-	737,217	737,217
Accounts receivable – others	155,969	45,345	201,314
Grants receivable	83,404	8,494	91,898
Lease receivable (note 4)	-	78,852	78,852
Property taxes and assessments receivable	35,892	-	35,892
Inventory	-	63,240	63,240
Total current assets	2,562,993	20,367,729	22,930,722
Non-current assets:			
Restricted – cash and cash equivalents (note 2 and 3)	3,704,386	58,869	3,763,255
Lease receivable (note 4)	-	260,925	260,925
Capital assets – not being depreciated (note 5)	847,965	10,697,870	11,545,835
Capital assets – being depreciated, net (note 5)	1,913,846	18,043,862	19,957,708
Total non-current assets	6,466,197	29,061,526	31,503,543
Total assets	9,029,190	49,429,255	54,434,265
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to net OPEB liability (note 9)	224,165	94,749	318,914
Deferred amounts related to net pension liability (Note 10)	1,677,504	894,611	2,572,115
Total deferred outflows of resources	1,901,669	989,360	2,572,115
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	163,874	275,045	438,919
Customer deposits and unearned revenue	95,562	62,171	157,733
Accrued interest payable	-	45,352	45,352
Long-term liabilities – due within one year:			
Compensated absences (note 6)	39,764	17,104	56,868
Notes payable (note 7)	-	147,020	147,020
Total current liabilities	299,200	546,692	845,892
Non-current liabilities:			
Long-term liabilities – due within one year:			
Compensated absences (note 6)	39,765	17,104	56,869
Prepaid capacity fees (note 8)	-	9,480,855	9,480,855
Notes payable (note 7)	-	4,176,769	4,176,769
Net OPEB liability (note 9)	439,422	185,735	625,157
Net pension liability (note 10)	296,557	172,010	468,567
Total non-current liabilities	775,744	14,032,473	14,808,217
Total liabilities	1,074,944	14,579,165	15,654,109
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to leases (note 4)	-	331,862	331,862
Deferred amounts related to net pension liability (note 10)	1,604,276	967,934	2,572,210
Total deferred inflows of resources	1,604,276	1,299,796	2,904,072
NET POSITION			
Net investment in capital assets (note 11)	2,761,811	24,417,943	27,179,754
Restricted for capital improvements	3,704,386	-	3,704,386
Restricted for debt service	-	58,869	58,869
Unrestricted	1,785,442	10,062,842	11,848,284
Total net position	\$ 8,251,639	\$ 34,539,654	\$ 42,791,293

TEMPLETON COMMUNITY SERVICES DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2023*

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
Primary government:			
Governmental activities:			
General government	\$ 121,812	\$ 801	\$ -
Fire protection	2,051,705	-	236,471
Parks and recreation	842,574	463,153	53,553
Street lights	33,038	-	-
Community facilities	2,091	-	-
Total governmental activities	3,051,220	463,954	290,024
Business-type activities:			
Water	3,230,088	2,983,474	1,218,931
Sewer	2,497,198	3,032,944	246,604
Drainage	28,142	8,698	-
Solid waste	424,179	225,547	-
Total business-type activities	6,179,607	6,250,663	1,465,535
Total primary government	\$ 9,230,827	\$ 6,714,617	\$ 1,755,559

TEMPLETON COMMUNITY SERVICES DISTRICT

Statement of Activities (continued)

For the Fiscal Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (121,011)	\$ -	\$ (121,011)
Fire protection	(1,815,234)	-	(1,815,234)
Parks and recreation	(325,868)	-	(325,868)
Street lights	(33,038)	-	(33,038)
Community facilities	(2,091)	-	(2,091)
Total governmental activities	(2,297,242)	-	(2,297,242)
Business-type activities:			
Water	-	972,317	972,317
Sewer	-	782,350	782,350
Drainage	-	(19,444)	(19,444)
Solid waste	-	(198,632)	(198,632)
Total business-type activities	-	1,536,591	1,536,591
Total primary government	(2,297,242)	1,536,591	(760,651)
General revenues:			
Property taxes and assessments	2,058,119	-	2,058,119
Investment earnings	33,120	139,467	172,587
Other income	219,219	127,677	346,896
Total general revenues	2,310,458	267,144	2,577,602
Transfers	225,547	(225,547)	-
Change in net position	238,763	1,578,188	1,816,951
Net position:			
Beginning of year	8,012,876	32,961,466	40,974,342
End of year	\$ 8,251,639	\$ 34,539,654	\$ 42,791,293

TEMPLETON COMMUNITY SERVICES DISTRICT
Balance Sheet – Governmental Funds
June 30, 2023

Assets	General Government	Fire Protection	Parks and Recreation	Street Lights	Community Facilities	Total Governmental Funds
Assets:						
Cash and investments	\$ 417,181	\$ 3,649,173	\$ 1,792,889	\$ 44,234	\$ 58,928	\$ 5,962,405
Accrued interest receivable	994	18,896	9,284	229	306	29,709
Accounts receivable – other	154,311	1,658	-	-	-	155,969
Grants receivable	-	83,404	-	-	-	83,404
Property taxes and assessments receivable	-	27,646	7,649	597	-	35,892
Total assets	\$ 572,486	\$ 3,780,777	\$ 1,809,822	\$ 45,060	\$ 59,234	\$ 6,267,379
Liabilities and Fund Balance						
Liabilities:						
Accounts payable and accrued expenses	\$ 23,624	\$ 104,805	\$ 31,835	\$ 3,610	\$ -	\$ 163,874
Customer deposits and unearned revenue	1,084	2,601	91,877	-	-	95,562
Total liabilities	24,708	107,406	123,712	3,610	-	259,436
Fund balance: (note 12)						
Restricted	-	2,775,606	928,778	-	-	3,704,384
Assigned	36,144	32,082	11,303	-	-	79,529
Unassigned	511,634	865,683	746,029	41,450	59,234	2,224,030
Total fund balance	547,778	3,673,371	1,686,110	41,450	59,234	6,007,943
Total liabilities and fund balance	\$ 572,486	\$ 3,780,777	\$ 1,809,822	\$ 45,060	\$ 59,234	\$ 6,267,379

TEMPLETON COMMUNITY SERVICES DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023

Total Fund Balances – Total Governmental Funds	<u>\$ 6,007,943</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	2,761,811
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	1,901,669
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(79,529)
Net OPEB liability	(439,422)
Net pension liability	(296,557)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(1,604,276)</u>
Total adjustments	<u>2,243,696</u>
Net Position of Governmental Activities	<u><u>\$ 8,251,639</u></u>

TEMPLETON COMMUNITY SERVICES DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2023*

	<u>General Government</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Community Facilities</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property taxes and assessments	\$ -	\$ 1,084,712	\$ 392,904	\$ 34,845	\$ 35,287	\$ 1,547,748
Measure A parcel tax	-	510,371	-	-	-	510,371
Charges for services	801	-	463,153	-	-	463,954
Grant revenue	-	236,471	53,553	-	-	290,024
Other income	2,499	198,719	18,001	-	-	219,219
Investment earnings	1,178	21,174	10,306	252	210	33,120
Total revenues	<u>4,478</u>	<u>2,051,447</u>	<u>937,917</u>	<u>35,097</u>	<u>35,497</u>	<u>3,064,436</u>
Expenditures:						
Current:						
Salaries and benefits	895,707	1,151,858	410,838	-	-	2,458,403
Materials and services	360,201	308,838	293,305	33,038	2,091	997,473
Administrative costs allocation	(1,326,742)	132,674	205,645	-	-	(988,423)
Capital outlay	-	142,518	95,784	-	-	238,302
Total expenditures	<u>(70,834)</u>	<u>1,735,888</u>	<u>1,005,572</u>	<u>33,038</u>	<u>2,091</u>	<u>2,705,755</u>
Excess of revenues over(under) expenditures	75,312	315,559	(67,655)	2,059	33,406	358,681
Other financing sources(uses):						
Operating transfers in/(out)	-	-	225,547	-	-	225,547
Change in fund balance	75,312	315,559	157,892	2,059	33,406	584,228
Fund balances:						
Beginning of year	472,466	3,357,812	1,528,218	39,391	25,828	5,423,715
End of year	<u>\$ 547,778</u>	<u>\$ 3,673,371</u>	<u>\$ 1,686,110</u>	<u>\$ 41,450</u>	<u>\$ 59,234</u>	<u>\$ 6,007,943</u>

TEMPLETON COMMUNITY SERVICES DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities*

For the Fiscal Year Ended June 30, 2023

Net Changes in Fund Balance - Total Governmental Funds	<u>\$ 584,228</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as	
Change in compensated absences	(8,544)
Change in net OPEB expense	447,814
Change in net pension expense	(821,799)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	238,302
Depreciation expense	<u>(201,238)</u>
Total adjustments	<u>(345,465)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 238,763</u></u>

TEMPLETON COMMUNITY SERVICES DISTRICT
Balance Sheets – Proprietary Funds
June 30, 2023

<u>ASSETS</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Drainage Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Current assets:					
Cash and investments	\$ 13,648,659	\$ 5,584,723	\$ 101,286	\$ -	\$ 19,334,668
Accrued interest receivable	70,674	28,941	298	-	99,913
Accounts receivable – services	414,266	321,918	1,033	-	737,217
Accounts receivable – others	5,754	10,749	-	28,842	45,345
Grants receivable	-	8,494	-	-	8,494
Lease receivable	78,852	-	-	-	78,852
Due (to)/from other funds (note 13)	704,492	(704,492)	-	-	-
Inventory	60,032	3,208	-	-	63,240
Total current assets	14,982,729	5,253,541	102,617	28,842	20,367,729
Non-current assets:					
Restricted – cash and cash equivalents	-	58,869	-	-	58,869
Lease receivable	260,925	-	-	-	260,925
Capital assets – not being depreciated	8,658,026	1,890,443	149,401	-	10,697,870
Capital assets – being depreciated, net	4,487,536	13,430,453	125,873	-	18,043,862
Total non-current assets	13,406,487	15,379,765	275,274	-	29,061,526
Total assets	28,389,216	20,633,306	377,891	28,842	49,429,255
DEFERRED OUTFLOWS OF RESOURCES					
OPEB related deferred outflows of resources	54,056	40,215	478	-	94,749
Pension related deferred outflows of resources	515,060	373,740	5,811	-	894,611
Total deferred outflows of resources	569,116	413,955	6,289	-	989,360
Total assets and deferred outflows of resources	\$ 28,958,332	\$ 21,047,261	\$ 384,180	\$ 28,842	\$ 50,418,615
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 89,472	\$ 177,821	\$ 131	\$ 7,621	\$ 275,045
Customer deposits and unearned revenue	56,438	5,733	-	-	62,171
Accrued interest payable	45,352	-	-	-	45,352
Compensated absences	9,741	7,363	-	-	17,104
Notes payable	110,000	37,020	-	-	147,020
Total current liabilities	311,003	227,937	131	7,621	546,692
Non-current liabilities:					
Compensated absences	9,741	7,363	-	-	17,104
Prepaid capacity fees	6,420,318	3,060,537	-	-	9,480,855
Notes payable	3,000,000	1,176,769	-	-	4,176,769
Net OPEB liability	105,964	78,833	938	-	185,735
Net pension liability	99,033	71,860	1,117	-	172,010
Total non-current liabilities	9,635,056	4,395,362	2,055	-	14,032,473
Total liabilities	9,946,059	4,623,299	2,186	7,621	14,579,165
DEFERRED INFLOWS OF RESOURCES					
Lease related deferred inflows of resources	331,862	-	-	-	331,862
Pension related deferred inflows of resources	557,275	404,372	6,287	-	967,934
Total deferred inflows of resources	889,137	404,372	6,287	-	1,299,796
NET POSITION					
Net investment in capital assets	10,035,562	14,107,107	275,274	-	24,417,943
Restricted for debt service	-	58,869	-	-	58,869
Unrestricted	8,087,574	1,853,614	100,433	21,221	10,062,842
Total net position	18,123,136	16,019,590	375,707	21,221	34,539,654
Total liabilities, deferred inflows of resources and net position	\$ 28,958,332	\$ 21,047,261	\$ 384,180	\$ 28,842	\$ 50,418,615

TEMPLETON COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund For the Fiscal Year Ended June 30, 2023

	Water Operations	Sewer Operations	Drainage Operations	Solid Waste Operations	Total
Operating revenues:					
User fees	\$ 2,942,981	\$ 2,732,069	\$ 8,698	\$ -	\$ 5,683,748
Service charges	40,493	33,689	-	-	74,182
Wastewater sales	-	267,186	-	-	267,186
Solid waste franchise fees	-	-	-	225,547	225,547
Total operating revenues	2,983,474	3,032,944	8,698	225,547	6,250,663
Operating expenses:					
Operations	2,712,170	1,870,964	23,069	424,179	5,030,382
Total operating expenses	2,712,170	1,870,964	23,069	424,179	5,030,382
Operating income before depreciation	271,304	1,161,980	(14,371)	(198,632)	1,220,281
Depreciation expense	(333,898)	(610,913)	(5,073)	-	(949,884)
Operating income(loss)	(62,594)	551,067	(19,444)	(198,632)	270,397
Non-operating revenue(expense):					
Investment earnings	111,723	27,379	346	19	139,467
Grant revenue	57,170	8,494	-	-	65,664
Rental revenue – cellular antenna	82,966	-	-	-	82,966
Other income	36,648	8,063	-	-	44,711
Interest expense	(184,020)	(15,321)	-	-	(199,341)
Total non-operating, net	104,487	28,615	346	19	133,467
Capital contributions:					
Connection fees	1,161,761	238,110	-	-	1,399,871
Total capital contributions	1,161,761	238,110	-	-	1,399,871
Transfers in(out)	-	-	-	(225,547)	(225,547)
Change in net position	1,203,654	817,792	(19,098)	(424,160)	1,578,188
Net position:					
Beginning of year	16,919,482	15,201,798	394,805	445,381	32,961,466
End of year	\$ 18,123,136	\$ 16,019,590	\$ 375,707	\$ 21,221	\$ 34,539,654

TEMPLETON COMMUNITY SERVICES DISTRICT

Statement of Cash Flows – Proprietary Fund For the Fiscal Year Ended June 30, 2023

	Water Operations	Sewer Operations	Drainage Operations	Solid Waste Operations	Total
Cash flows from operating activities:					
Cash receipts from customers and others	\$ 4,856,396	\$ 3,045,912	\$ 8,639	\$ 220,655	\$ 8,131,602
Cash paid to employees for salaries and benefits	(457,268)	(347,544)	(4,013)	-	(808,825)
Cash paid to vendors and suppliers	(3,583,163)	(932,401)	(9,259)	(217,925)	(4,742,748)
Net cash provided by (used in) operating activities	815,965	1,765,967	(4,633)	2,730	2,580,029
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(150,666)	(304,470)	-	-	(455,136)
Proceeds from capital contributions	1,157,143	74,622	-	-	1,231,765
Proceeds from grants	73,250	-	-	-	73,250
Principal payments on notes payable	(110,000)	(36,366)	-	-	(146,366)
Interest payments on notes payable	(185,853)	(42,436)	-	-	(228,289)
Net cash provided by (used in) capital/financing activities	783,874	(308,650)	-	-	475,224
Cash flows from investing activities:					
Receipts/(payments) – interfund loan	139,502	(139,502)	-	-	-
Investment earnings	86,678	27,198	165	54	114,095
Net cash provided by investing activities	86,678	27,198	165	54	114,095
Net increase(decrease) in cash	1,686,517	1,484,515	(4,468)	2,784	3,169,348
Cash and cash equivalents:					
Beginning of year	11,962,142	4,159,077	105,754	(2,784)	16,224,189
End of year	<u>\$ 13,648,659</u>	<u>\$ 5,643,592</u>	<u>\$ 101,286</u>	<u>\$ -</u>	<u>\$ 19,393,537</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income(loss)	\$ (62,594)	\$ 551,067	\$ (19,444)	\$ (198,632)	\$ 270,397
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	333,898	610,913	5,073	-	949,884
Rental income	82,966	-	-	-	82,966
Other income	36,648	8,063	-	-	44,711
Transfers	-	-	-	(225,547)	(225,547)
Changes in account balances:					
(Increase)decrease in assets:					
Accounts receivable – services	40,943	3,579	(59)	(4,892)	39,571
Lease receivable	1,685,455	-	-	-	1,685,455
Inventory	(25,971)	(3,208)	-	-	(29,179)
Prepaid items	-	8,568	-	-	8,568
(Increase)decrease in deferred outflows of resources	265,060	146,511	3,664	478,803	894,038
Increase(decrease) in liabilities:					
Accounts payable and accrued expenses	(72,148)	44,846	87	7,621	(19,594)
Customer deposits and unearned revenue	26,910	1,326	-	-	28,236
Compensated absences	(3,467)	(2,606)	-	-	(6,073)
Net OPEB liability	167,030	263,905	4,376	(14,407)	420,904
Net pension liability	(211,716)	(58,998)	(605)	126,655	(144,664)
Increase(decrease) in deferred inflows of resources	(1,447,049)	192,001	2,275	(166,871)	(1,419,644)
Total adjustments	878,559	1,214,900	14,811	201,362	2,309,632
Net cash provided by (used in) operating activities	\$ 815,965	\$ 1,765,967	\$ (4,633)	\$ 2,730	\$ 2,580,029

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of 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 financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, The Financial Reporting Entity. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization’s governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units as of year-end.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the 'current financial resources' measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The primary revenue sources susceptible to accrual are property taxes, charges for services, and interest associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all the financial resources of the District, except those required to be accounted for in another fund when necessary.

Park and Recreation Fund: This fund is used to account for all park and recreation activity within the District's service area.

Fire Protection Fund: This fund is used to account for all public safety (Fire protection services) within the District's service area.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

Street Light Fund: This fund is used to account for the revenues received from property assessments and expenditures incurred to maintain and operate the streetlights within the District's service area.

Community Facilities Fund: This fund is used to account for the revenues received from property assessments and expenditures incurred to maintain and operate the community facilities within the District's service area.

Enterprise Funds

Water Fund: This fund accounts for the water transmission and distribution operations of the District.

Wastewater Fund: This fund accounts for the wastewater operations of the District.

Drainage Fund: This fund accounts for the drainage operations of the District.

Solid Waste Fund: This fund accounts for the solid waste collection and disposal operations of the District.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Investments (continued)

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Receivables - Services

The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible and has not recorded an allowance for doubtful accounts.

4. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments’ leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District’s lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Inventory

Inventory consists 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.

6. Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District’s classes of assets are as follows:

Description	Estimated Lives
Buildings and improvements	20-30 years
Community center	40 years
Drainage	5-40 years
Transmission and distribution systems	5-75 years
Collection systems	10-50 years
Vehicles and equipment	3-10 years

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

9. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

10. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefit Plan (OPEB Plan) and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2022

Measurement Date June 30, 2022

Measurement Period July 1, 2021 to June 30, 2022

11. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and addition to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

11. Pensions (continued)

The following timeframes are used for pension reporting:

Valuation Date June 30, 2021

Measurement Date June 30, 2022

Measurement Period July 1, 2021 to June 30, 2022

12. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets."

13. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

13. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

F. Property Taxes and Assessments

Property taxes attached as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of San Luis Obispo Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The San Luis Obispo County Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

The property tax calendar is as follows:

- Lien date March 1
- Levy date July 1
- Due dates November 1 and March 1
- Collection dates December 10 and April 10

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>Balance</u>
Cash and investments	\$ 21,592,687
Restricted – cash and cash equivalents	<u>3,763,255</u>
Total	<u><u>\$ 25,355,942</u></u>

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash and investments at June 30, 2023, consisted of the following:

Description	Balance
Cash on hand	\$ 550
Deposits held with financial institutions	244,737
Deposits in money-market funds	1,005,748
Deposits with Local Agency Investment Fund (LAIF)	9,046,083
Investments	15,058,824
Total	<u>\$ 25,355,942</u>

Demand Deposits

At June 30, 2023, the carrying amount of the District's demand deposits were \$244,737 and the financial institution's balance was \$223,298. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

Local Agency Investment Fund (LAIF) (continued)

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, the District held \$9,046,083 in LAIF.

Money-Market Funds

Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of \$1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money market funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of June 30, 2023 the District held \$1,005,748, in money market funds.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

Investments

Investments as of June 30, 2023 consisted of the following:

Type of Investments	Measurement Focus	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 months	25 to 120 months
Negotiable certificates-of-deposit	Level 2	AAA	\$ 15,058,824	\$ 932,510	\$ 1,780,239	\$ 12,346,075
Total investments			<u>\$ 15,058,824</u>	<u>\$ 932,510</u>	<u>\$ 1,780,239</u>	<u>\$ 12,346,075</u>

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

Authorized Investments and Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Credit Rating</u>
U.S. Treasury Obligations	5-years	None	None	N/A
U.S. Government Sponsored Agency Securities	5-years	None	50%	None
Asset-Backed Securities	5-years	15%	5%	AAA
Banker's Acceptances	180 days	40%	5%	A-1
Collateralized Certificates-of-Deposit	5-years	30%	5%	\$250k deposit
Commercial Paper	270 days	25%	5%	AA above
Medium- Term Notes	5-years	30%	5%	A, A2
Money-Market Funds	None	20%	5%	AAAm, Aaa
MortgageBacked Securities	5-years	15%	5%	AAA, Aaa
Municipal Securities	5-years	20%	None	A, A2
California Local Agency Investment Fund (LAIF)	None	15%	15%	None
County of Ventura Investment Pool	None	15%	15%	None

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in the LAIF.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 3 – RESTRICTED ASSETS AND NET POSITION

Description	Balance
Restricted – cash and cash equivalents	\$ 3,763,255
Total restricted net position	\$ 3,763,255

Restricted assets are cash and cash equivalents which are comprised of \$58,869 placed in a reserve fund as required by the State of California Water Resources Control Board Installment Sale Agreement, and \$3,704,386 received from capital impact fees that the District is obligated to use for new developments.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable for the year ended June 30, 2023 was as follows:

Description	Balance July 1, 2022	Adjustments	Deductions	Balance June 30, 2023
Total lease receivable	\$ 2,025,232	\$ (1,610,404)	\$ (75,051)	\$ 339,777

The District is reporting a total lease receivable of \$339,77, and a total related deferred inflows of resources of \$331,862 for the year ending June 30, 2023. The District is reporting total lease revenue of \$82,966 and interest revenue of \$9,250 related to lease payments received for the year ending June 30, 2023.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.50% to discount the lease revenue to the net present value. In some cases, leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. The District's lease is summarized as follows:

Cellular Antenna Site Rental No. 1

The District, on July 1, 2022, renewed a continuous lease with T-Mobile for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$172,044. As of June 30, 2023, the value of the lease receivable was \$141,439. The lease is required to make monthly fixed payments of \$2,852 for the first 12-month period, then increase 3.0% on February 1st of each year. The lease has an interest rate of 2.50%. The value of the deferred inflow of resources was \$137,635 as of June 30, 2023. The District recognized lease revenue of \$34,409 and interest revenue of \$3,955 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental No. 2

The District, on July 1, 2022, renewed a continuous lease with Global Signal for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$140,233. As of June 30, 2023, the value of the lease receivable was \$115,286. The lease is required to make monthly fixed payments of \$2,319 for the first 12-month period, then increase 3.0% on February 1st of each year. The lease has an interest rate of 2.50%. The value of the deferred inflow of resources was \$112,186 as of June 30, 2023. The District recognized lease revenue of \$28,047 and interest revenue of \$3,224 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Cellular Antenna Site Rental No. 3

The District, on July 1, 2022, renewed a continuous lease with Cingular for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$102,550. As of June 30, 2023, the value of the lease receivable was \$83,052. The lease is required to make monthly fixed payments of \$1,820 for the duration of the current lease term, then increases 15.0% upon renewal. The lease has an interest rate of 2.50%. The value of the deferred inflow of resources was \$82,040 as of June 30, 2023. The District recognized lease revenue of \$20,510 and interest revenue of \$2,341 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Minimum future lease receipts for the next four fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 78,852	\$ 7,601	\$ 86,453
2025	82,807	5,584	88,391
2026	86,920	3,467	90,387
2027	91,198	1,246	92,444
Total	339,777	\$ 17,898	\$ 357,675
Current	<u>(78,852)</u>		
Long-term	<u>\$ 260,925</u>		

Changes in the District’s deferred inflows of resources related to leases for June 30, 2023 is as follows:

<u>Description</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Total deferred inflows	<u>\$ 2,025,232</u>	<u>\$ (1,610,404)</u>	<u>\$ (82,966)</u>	<u>\$ 331,862</u>

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2023, will be amortized in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 82,966
2025	82,966
2026	82,966
2027	82,966
Total	<u>\$ 331,864</u>

TEMPLETON COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 5 - CAPITAL ASSETS

Governmental Activities

Changes in capital assets for governmental activities for the year were as follows:

	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 633,429	\$ -	\$ -	\$ 633,429
Construction-in-progress	172,666	41,870	-	214,536
Total non-depreciable assets	<u>806,095</u>	<u>41,870</u>	<u>-</u>	<u>847,965</u>
Depreciable assets:				
Buildings and improvements	3,400,397	17,583	-	3,417,980
Equipment	1,288,235	56,046	(41,082)	1,303,199
Vehicles	860,201	122,803	(92,853)	890,151
Total depreciable assets	<u>5,548,833</u>	<u>196,432</u>	<u>(133,935)</u>	<u>5,611,330</u>
Accumulated depreciation:				
Buildings and improvements	(1,981,221)	(87,538)	-	(2,068,759)
Equipment	(1,162,028)	(26,580)	41,082	(1,147,526)
Vehicles	(486,932)	(87,120)	92,853	(481,199)
Total accumulated depreciation	<u>(3,630,181)</u>	<u>(201,238)</u>	<u>133,935</u>	<u>(3,697,484)</u>
Total depreciable assets, net	<u>1,918,652</u>	<u>(4,806)</u>	<u>-</u>	<u>1,913,846</u>
Total capital assets, net	<u>\$ 2,724,747</u>	<u>\$ 37,064</u>	<u>\$ -</u>	<u>\$ 2,761,811</u>

Depreciation expense was charged to governmental activities as follows:

Depreciation Expense per Fund	
General government	\$ 24,255
Fire protection	108,648
Parks and recreation	<u>68,335</u>
Total	<u>\$ 201,238</u>

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 5 – CAPITAL ASSETS (continued)

Business-Type Activities and Proprietary Funds

Changes in capital assets for business-type activities for the year were as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
Non-depreciable assets:				
Land	\$ 3,640,457	\$ -	\$ -	\$ 3,640,457
Water delivery entitlement	6,734,312	-	-	6,734,312
Construction-in-progress	139,326	239,389	(55,614)	323,101
Total non-depreciable assets	<u>10,514,095</u>	<u>239,389</u>	<u>(55,614)</u>	<u>10,697,870</u>
Depreciable assets:				
Buildings and improvements	34,745,565	211,054	-	34,956,619
Equipment	2,047,425	60,307	-	2,107,732
Vehicles	390,136	-	(25,591)	364,545
Total depreciable assets	<u>37,183,126</u>	<u>271,361</u>	<u>(25,591)</u>	<u>37,428,896</u>
Accumulated depreciation:				
Buildings and improvements	(16,656,599)	(847,583)	-	(17,504,182)
Equipment	(1,445,226)	(87,939)	-	(1,533,165)
Vehicles	(358,915)	(14,363)	25,591	(347,687)
Total accumulated depreciation	<u>(18,460,740)</u>	<u>(949,885)</u>	<u>25,591</u>	<u>(19,385,034)</u>
Total depreciable assets, net	<u>18,722,386</u>	<u>(678,524)</u>	<u>-</u>	<u>18,043,862</u>
Total capital assets, net	<u>\$ 29,236,481</u>	<u>\$ (439,135)</u>	<u>\$ (55,614)</u>	<u>\$ 28,741,732</u>

NOTE 6 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

- The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation related to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

The changes to the compensated absences balance at June 30, 2023 were as follows:

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 89,794	\$ 100,188	\$ (76,245)	\$ 113,737	\$ 56,868	\$ 56,869

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 7 – NOTES PAYABLE

Changes in the notes payables amounts for the fiscal year ended June 30, 2023 were as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-type activities:				
Water fund:				
Nacimiento	\$ 3,220,000	\$ -	\$ (110,000)	\$ 3,110,000
Sewer fund:				
USCUP	1,250,155	-	(36,366)	1,213,789
Total	4,470,155	<u>\$ -</u>	<u>\$ (146,366)</u>	4,323,789
Less: current portion due	<u>(146,366)</u>			<u>(147,020)</u>
Long-term portion due	<u>\$ 4,323,789</u>			<u>\$ 4,176,769</u>

Business-type Activities

Nacimiento Water Project Note Payable

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. The San Luis Obispo County Flood Control and Water Conservation District has refinanced its debt related to the project and revised its cost allocation on more than one occasion resulting in a \$469,475 reduction in the District's share of the project's cost and a revised debt service schedule. Under the most recently 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. At June 30, 2023, the outstanding of the Nacimiento note payable was \$3,110,000. Annual debt service requirements for are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 110,000	\$ 133,306	\$ 243,306
2025	120,000	127,556	247,556
2026	125,000	121,431	246,431
2027	135,000	114,931	249,931
2028	140,000	108,756	248,756
2029-2033	790,000	448,884	1,238,884
2034-2038	990,000	250,881	1,240,881
2039-2041	<u>700,000</u>	<u>39,600</u>	<u>739,600</u>
Totals	3,110,000	<u>\$ 1,345,345</u>	<u>\$ 4,455,345</u>
Less: current	<u>(110,000)</u>		
Long-term	<u>\$ 3,000,000</u>		

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 7 – NOTES PAYABLE (continued)

Business-type Activities (continued)

Upper Salinas River Basin Conjunctive Use Project (USCUP) Note Payable

State of California, Water Resources Control Board (State Water Board) - The District entered into a Construction Installment Sale Agreement (Agreement) with the State of California, Water Resources Control Board in the amount of \$2,815,570 of which the State Water Board agreed to forgive up to \$1,440,134 to help finance the Upper Salinas River Basin Conjunctive Use Project. The Agreement accrues interest at 1.8% with annual payments of principal and interest in the amount of \$58,869. The Agreement matures June 1, 2049. The District has covenanted to fix, prescribe and collect rates, fees, and charges in amounts necessary to cover operations and maintenance cost and shall ensure that net revenues are equal to at least 110% of the maximum annual debt service. At June 30, 2023, the outstanding of the USCUP note payable was \$1,213,789. Annual debt service requirements for are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 37,020	\$ 21,848	\$ 58,868
2025	37,687	21,182	58,869
2026	38,365	20,504	58,869
2027	39,056	19,813	58,869
2028	39,759	19,110	58,869
2029-2033	209,790	84,553	294,343
2034-2038	229,363	66,980	296,343
2039-2043	250,762	43,581	294,343
2044-2048	274,158	20,185	294,343
2049	57,829	1,041	58,870
Totals	1,213,789	\$ 318,797	\$ 1,532,586
Less: current	(37,020)		
Long-term	\$ 1,176,769		

NOTE 8 – 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. Additions to prepaid capacity fees reflect capacity fees received during the year for future water and sewer connections, while deletions reflect water and sewer connections completed during the year as well as refunds for relinquished connection rights. The changes to the prepaid capacity fees balance the year ended June 30, 2023, were as follows:

<u>Balance</u>			<u>Balance</u>
<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
\$ 9,680,028	\$ 1,253,505	\$ (1,452,678)	\$ 9,480,855

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2023</u>
OPEB related deferred outflows	\$ 318,914
Net other post-employment benefits liability	625,157
OPEB related deferred inflows	-

A. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, Templeton Community Services District Other Postemployment Benefits Plan, (OPEB Plan) provides OPEB for all permanent full-time general and public safety employees of the District. The OPEB Plan is a single-employer defined benefit OPEB plan administered by the California Employers' Retiree Benefit Trust (CERBT). The District's Code grants the authority to establish and amend the benefit terms of the OPEB plan to the District's Board of Directors. CERBT issues a publicly available financial report that can be obtained at the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

OPEB trust assets are invested in a qualified irrevocable trust. The District finds implicit and explicit subsidy benefit payments out of its general operating funds. Trust contributions are made on an ad-hoc basis as determined annually by the Board of Directors.

Contributions

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's Board of Directors had previously established a policy of funding the Annual Required Contribution (ARC) on a pay as you go basis, under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. However, the District has made discretionary contributions to CERBT in addition to continuing to fund benefit payments from the District's general assets. No discretionary contributions were made for the year ended June 30, 2023.

Accounting for the Plan

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

B. Net OPEB Liability/(Asset)

The Agency's total OPEB liability/(asset) was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability/(asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market Value of assets as of measurement date
Actuarial Assumptions	
Discount rate	5.50%
Inflation	2.25%
Salary increases	2.75%
Investment rate of return	5.50%
Healthcare cost trend rates	6.7% for FY2022, trending down annually to 3.7% by 2075 and later
Mortality	CalPERS 2020 Study
Disability	CalPERS 2020 Study

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
Global Equities	40.00%	4.80%
U.S. Fixed	43.00%	1.10%
TIPS	5.00%	0.25%
REITs	8.00%	3.20%
Commodities	4.00%	1.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that the Agency's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Net OPEB Liability/(Asset)

The changes in the total OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022 (Measurement date July 1, 2021)	\$ 3,453,015	\$ 3,362,357	\$ 90,658
Changes for the year:			
Service cost	118,376	-	118,376
Interest	191,706	-	191,706
Changes in assumptions	-	-	-
Changes in experience	(27,503)	-	(27,503)
Contributions by employer	-	171,647	(171,647)
Net investment income	-	(422,717)	422,717
Administrative expenses	-	(850)	850
Benefit payments	(171,647)	(171,647)	-
Net changes	110,932	(423,567)	534,499
Balance at June 30, 2023 (Measurement date June 30, 2022)	\$ 3,563,947	\$ 2,938,790	\$ 625,157

Changes of Assumptions

In fiscal year 2022-23, the discount rate changed from 6.00% to 5.50%, and the inflation rate changed from 2.50% to 2.25%.

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current discount rate:

	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Net OPEB Liability	\$ 1,105,378	\$ 625,157	\$ 231,866

Sensitivity of the Total OPEB Liability (Asset) to Changes in Medical Trend Rates

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

	1% Decrease 5.70%	Healthcare Cost Trend Rates 6.70%	1% Increase 7.70%
Net OPEB Liability	\$ 183,584	\$ 625,157	\$ 1,165,338

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Agency recognized OPEB expense of \$171,419. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on OPEB plan investments	\$ 318,914	\$ -
Total Deferred Outflows/(Inflows) of Resources	\$ 318,914	\$ -

The differences between projected and actual earnings on plan investments is amortized over five years. The Agency reported \$0 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 63,106
2025	68,276
2026	66,008
2027	121,524
Total	\$ 318,914

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN

Summary

The following total balances on the statement of net position will be addressed in this footnote as follows:

<u>Description</u>	<u>Miscellaneous Plans</u>	<u>Safety Plans</u>	<u>Total</u>
Pension related deferred outflows	\$ 2,075,183	\$ 496,932	\$ 2,572,115
Net pension liability	399,003	69,564	468,567
Pension related deferred inflows	2,245,267	326,943	2,572,210

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plans

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans		
	Classic Tier 1	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	With prior service On or after January 1, 2013	Without prior service On or after January 1, 2013
Hire date			
Benefit formula	3.0% @ 60	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	8.000%	6.750%
Required employer contribution rates	15.250%	11.590%	7.590%
	Safety Plans		
	Classic Tier 1	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	With prior service On or after January 1, 2013	Without prior service On or after January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	2.5% @ 65	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	1.0% to 2.5%
Required member contribution rates	9.000%	9.000%	13.000%
Required employer contribution rates	23.710%	20.640%	13.130%

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 and 2021 Annual Actuarial Valuation Reports. This report and 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, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description, Benefits Provided, and Employees Covered (continued)

At June 30, 2022, the following Miscellaneous Plans members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	4	2	11	6
Transferred and terminated members	11	1	8	12
Retired members and beneficiaries	20	1	1	21
Total plan members	35	4	20	39

At June 30, 2022, the following Safety Plans members were covered by the benefit terms:

Plan Members	Safety Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	1	1	7	2
Transferred and terminated members	1	1	26	2
Retired members and beneficiaries	5	2	-	7
Total plan members	7	4	33	11

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based on the average final 36 months of compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based on the average final 36 months of compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description, Benefits Provided, and Employees Covered (continued)

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 6.90% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Contributions for the Miscellaneous Plans for the year ended June 30, 2023, were as follows:

Contribution Type	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Contributions – employer	\$ 247,665	\$ 35,714	\$ 54,961	\$ 338,340
Contributions – members	32,941	24,398	27,102	84,441
Total contributions	\$ 280,606	\$ 60,112	\$ 82,063	\$ 422,781

Contributions for the Safety Plans for the year ended June 30, 2023, were as follows:

Contribution Type	Safety Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Contributions – employer	\$ 61,633	\$ 30,324	\$ 51,635	\$ 143,592
Contributions – members	9,337	13,063	52,011	74,411
Total contributions	\$ 70,970	\$ 43,387	\$ 103,646	\$ 218,003

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District’s proportionate share 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 following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous and Safety Plans for the fiscal year ended June 30, 2022 (Measurement Date):

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 10,501,376	\$ 9,482,734	\$ 1,018,642
Balance as of June 30, 2022 (Measurement Date)	\$ 11,823,184	\$ 11,424,181	\$ 399,003
Change in Plan Net Pension Liability	\$ 1,321,808	\$ 1,941,447	\$ (619,639)

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Safety Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 1,821,619	\$ 1,650,353	\$ 171,266
Balance as of June 30, 2022 (Measurement Date)	\$ 2,077,630	\$ 2,008,066	\$ 69,564
Change in Plan Net Pension Liability	\$ 256,011	\$ 357,713	\$ (101,702)

The District’s proportionate share percentage of the net pension liability for the Miscellaneous Plans for the June 30, 2022, measurement date was as follows:

<u>CalPERS – Miscellaneous Plan</u>	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2023</u>	<u>Fiscal Year Ending June 30, 2022</u>	
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.017879%	0.015592%	0.002287%
Percentage of Plan (PERF C) Net Pension Liability	0.006277%	0.006045%	0.000232%

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

The District’s proportionate share percentage of the net pension liability for the Safety Plans for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	
CalPERS – Safety Plan			
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.008527%	0.053647%	-0.045120%
Percentage of Plan (PERF C) Net Pension Liability	0.003454%	0.018835%	-0.015381%

For the year ended June 30, 2023, the District recognized pension expense/(credit) in the amounts of \$1,805,049 for the CalPERS Miscellaneous Plan and \$385,019 for the CalPERS Safety Plan.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 483,932	\$ -
Difference between actual and proportionate share of employer contributions	1,865,222	(76,649)
Adjustment due to differences in proportions	80,097	(2,489,440)
Differences between expected and actual experience	10,892	(6,122)
Differences between projected and actual earnings on pension plan investments	84,072	-
Changes in assumptions	47,900	-
Total Deferred Outflows/(Inflows) of Resources	\$ 2,572,115	\$ (2,572,211)

The District will recognize \$483,932 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 3.8 years.

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ (196,078)
2025	(192,400)
2026	(146,953)
2027	51,403
Total	\$ (484,028)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability, respectively. The June 30, 2022, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return</u> ^{1,2}
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

¹ An expected inflation of 2.3% is used for this period.

² Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

For the year ended June 30, 2023 for the CalPERS Miscellaneous Plans

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	\$ 2,010,716	\$ 399,003	\$ (927,037)

For the year ended June 30, 2023 for the CalPERS Safety Plans:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Safety Plan	\$ 356,481	\$ 69,564	\$ (164,927)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

TEMPLETON COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2023

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2023, the net investment in capital assets was calculated as follows:

Description	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets:			
Capital assets – not being depreciated	\$ 847,965	\$ 10,697,870	\$ 11,545,835
Capital assets – being depreciated, net	1,913,846	18,043,862	19,957,708
Notes payable – current portion	-	(147,020)	(147,020)
Notes payable – non-current portion	-	(4,176,769)	(4,176,769)
Total net investment in capital assets	\$ 2,761,811	\$ 24,417,943	\$ 27,179,754

NOTE 12 – FUND BALANCES

At June 30, 2023, fund balances of the District’s governmental funds were classified as follows:

Description	General Government	Fire Protection	Parks and Recreation	Street Lights	Community Facilities	Total Governmental Funds
Restricted						
Capital projects	\$ -	\$ 2,775,606	\$ 928,778	\$ -	\$ -	\$ 3,704,384
Assigned:						
Compensated absences	36,144	32,082	11,303	-	-	79,529
Unassigned	511,634	865,683	746,029	41,450	59,234	2,224,030
Total fund balance	\$ 547,778	\$ 3,673,371	\$ 1,686,110	\$ 41,450	\$ 59,234	\$ 6,007,943

NOTE 13 – INTERFUND ACTIVITIES

Due to/from other funds amounts are for an interfund loan from the Water Fund to the Sewer Fund for the construction of the Upper Salinas Conjunctive Use Project (USCUP). Due to/from other funds consisted of the following at June 30, 2023:

Amount	Due To/From		Purpose
	From Fund	To Fund	
\$ 704,492	Sewer	Water	Interfund Loan

In fiscal year 2021-22 the Board of Directors passed a resolution to annually transfer all franchise fees received in the solid waste fund to the Parks and Recreation fund. Interfund transfers for the year ending June 30, 2023, were as follows:

Amount	Transfer		Purpose
	From Fund	To Fund	
\$ 225,547	Solid Waste	Parks & Rec	Operating

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about SDRMA is as follows:

A. Entity	SDRMA
B. Purpose	To pool member contributions and realize the advantages of self-insurance
C. Participants	As of June 30, 2023 – 499 member agencies
D. Governing board	Seven representatives employed by members
E. Condensed financial information	June 30, 2023
Statement of net position:	
Total assets	<u>June 30, 2023</u> <u>\$ 146,574,993</u>
Deferred outflows	<u>1,664,198</u>
Total liabilities	<u>76,343,471</u>
Deferred inflows	<u>374,517</u>
Net position	<u>\$ 71,521,203</u>
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 100,884,445
Total expenses	<u>(96,706,371)</u>
Change in net position	4,178,074
Beginning - net position	<u>67,343,129</u>
Ending - net position	<u>\$ 71,521,203</u>
F. Member agencies share of year-end financial position	Not Calculated

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 14 – RISK MANAGEMENT (continued)

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$750 million per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$100,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022, and 2021.

NOTE 15 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

NOTE 16 – ECONOMIC DEPENDENCY

The District extracts approximately 46% of its water supply from the underflow of the Salinas River, 8% from reclaimed water from the Selby Ponds, 41% from groundwater wells located in the Atascadero sub basin, and 5% from Nacimiento recharge. Interruption of these sources would impact the District negatively.

TEMPLETON COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

NOTE 18 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 19, 2023, the date on which the financial statements were available to be issued.

Required Supplementary Information

TEMPLETON COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Charges for services	\$ 1,000	\$ 1,000	\$ 801	\$ (199)
Other income	2,000	2,000	2,499	499
Investment earnings	14,000	14,000	1,178	(12,822)
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>4,478</u>	<u>(12,522)</u>
EXPENDITURES:				
Current:				
Salaries and benefits	1,014,922	1,014,922	895,707	119,215
Materials and services	398,114	398,114	360,201	37,913
Administrative costs allocation	(1,326,742)	(1,326,742)	(1,326,742)	-
Total expenditures	<u>86,294</u>	<u>86,294</u>	<u>(70,834)</u>	<u>157,128</u>
NET CHANGE IN FUND BALANCES	<u>\$ (69,294)</u>	<u>\$ (69,294)</u>	75,312	<u>\$ 144,606</u>
FUND BALANCES:				
Beginning of year			<u>472,466</u>	
End of year			<u>\$ 547,778</u>	

TEMPLETON COMMUNITY SERVICES DISTRICT

Schedule of Proportionate Share of the Net Pension Liability, Miscellaneous plan For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.043518%	\$ 1,075,549	\$ 1,032,147	104.21%	82.90%
June 30, 2015	0.039221%	1,076,027	1,039,124	103.55%	84.63%
June 30, 2016	0.043534%	1,512,312	1,019,823	148.29%	80.11%
June 30, 2017	0.045310%	1,786,151	987,238	180.92%	78.40%
June 30, 2018	0.046041%	1,735,155	1,036,636	167.38%	80.26%
June 30, 2019	0.048287%	1,933,660	1,081,735	178.76%	79.71%
June 30, 2020	0.050737%	2,140,125	1,188,815	180.02%	78.91%
June 30, 2021	0.053647%	1,018,642	1,183,843	86.05%	90.30%
June 30, 2022	0.008527%	399,003	1,212,018	32.92%	96.63%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

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 of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90% the inflation rate from 2.50% to 2.30%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

TEMPLETON COMMUNITY SERVICES DISTRICT

Schedule of Proportionate Share of the Net Pension Liability, Safety plan For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*						
California Public Employees' Retirement System (CalPERS) Safety Plan						
Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	
June 30, 2014	0.005834%	\$ 218,847	\$ 162,431	134.73%	81.79%	
June 30, 2015	0.003984%	164,151	159,479	102.93%	86.94%	
June 30, 2016	0.004632%	239,876	158,932	150.93%	81.72%	
June 30, 2017	0.004775%	285,325	166,898	170.96%	79.95%	
June 30, 2018	0.004955%	290,708	206,410	140.84%	80.38%	
June 30, 2019	0.005207%	325,053	160,142	202.98%	79.46%	
June 30, 2020	0.005571%	371,181	130,207	285.07%	78.75%	
June 30, 2021	0.004880%	171,266	445,925	38.41%	90.60%	
June 30, 2022	0.101200%	69,564	530,776	13.11%	96.65%	

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

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 of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90% the inflation rate from 2.50% to 2.30%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

TEMPLETON COMMUNITY SERVICES DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous and Safety Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 208,635	\$ (208,635)	\$ -	\$ 1,198,603	17.41%
June 30, 2016	196,572	(196,572)	-	1,178,755	16.68%
June 30, 2017	209,340	(209,340)	-	1,154,136	18.14%
June 30, 2018	226,977	(226,977)	-	1,243,046	18.26%
June 30, 2019	252,881	(252,881)	-	1,241,877	20.36%
June 30, 2020	288,539	(288,194)	345	1,319,022	21.88%
June 30, 2021	393,686	(393,223)	463	1,465,748	26.86%
June 30, 2022	431,835	(431,906)	(71)	1,742,794	24.78%
June 30, 2023	481,932	(481,932)	-	1,996,295	24.14%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2019	Entry Age	Fair Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense
Retirement Age	Miscellaneous 3.0%@60, 2.5%@55 and 2.0%@62 Safety 3.0%@50, 3.0%@55 and 2.7%@57
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

TEMPLETON COMMUNITY SERVICES DISTRICT

Schedule of Changes in the District's OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2023

Fiscal Year Ended Measurement Date	Last Ten Fiscal Years*					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability:						
Service cost	\$ 118,376	\$ 84,818	\$ 80,108	\$ 106,907	\$ 185,063	\$ 202,325
Interest	191,706	184,793	177,731	226,827	179,118	157,200
Changes in assumptions	-	126,551	-	34,702	(1,680,933)	(532,326)
Differences between expected and actual experience	(27,503)	135,667	11,656	(712,253)	-	-
Changes of benefit terms	-	-	-	-	-	-
Benefit payments	(171,647)	(147,755)	(165,263)	(148,438)	(145,250)	(178,943)
Net change in total OPEB liability	110,932	384,074	104,232	(492,255)	(1,462,002)	(351,744)
Total OPEB liability - beginning	3,453,015	3,068,941	2,964,709	3,456,964	4,918,966	5,270,710
Total OPEB liability - ending	3,563,947	3,453,015	3,068,941	2,964,709	3,456,964	4,918,966
Plan fiduciary net position:						
Contributions - employer	171,647	1,166,171	385,380	341,077	1,467,547	-
Net investment income	(422,717)	401,772	87,077	118,587	9,665	178,943
Administrative expense	(850)	(749)	(809)	(273)	(381)	-
Benefit payments	(171,647)	(147,755)	(165,263)	(148,438)	(151,251)	(178,943)
Net change in plan fiduciary net position	(423,567)	1,419,439	306,385	310,953	1,325,580	-
Plan fiduciary net position - beginning	3,362,357	1,942,918	1,636,533	1,325,580	-	-
Plan fiduciary net position - ending	2,938,790	3,362,357	1,942,918	1,636,533	1,325,580	-
District's net OPEB liability	\$ 625,157	\$ 90,658	\$ 1,126,023	\$ 1,328,176	\$ 2,131,384	\$ 4,918,966
Plan fiduciary net position as a percentage of the total OPEB liability	82.46%	97.37%	63.31%	55.20%	38.35%	0.00%
Covered payroll	\$ 1,660,340	\$ 1,581,938	\$ 1,275,494	\$ 1,195,308	\$ 1,277,171	\$ 1,233,245
District's net OPEB liability as a percentage of covered payroll	37.65%	5.73%	88.28%	111.12%	166.88%	398.86%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2017 – There were no changes of benefits terms
 Measurement Date June 30, 2018 – There were no changes of benefits terms
 Measurement Date June 30, 2019 – There were no changes of benefits terms
 Measurement Date June 30, 2020 – There were no changes of benefits terms
 Measurement Date June 30, 2021 – There were no changes of benefits terms
 Measurement Date June 30, 2022 – There were no changes of benefits terms

Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions
 Measurement Date June 30, 2018 – There were no changes in assumptions except change in discount rate
 Measurement Date June 30, 2019 – There were no changes in assumptions except change in discount rate
 Measurement Date June 30, 2020 – There were no changes in assumptions except change in discount rate
 Measurement Date June 30, 2021 – There were no changes in assumptions except change in discount rate
 Measurement Date June 30, 2022 – There was a change in discount rate and inflation rate

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

Other Independent Auditors' Report



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Templeton Community Services District
Templeton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Templeton Community Services District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Templeton Community Services District's basic financial statements, and have issued our report thereon dated December 19, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Templeton Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Templeton Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Templeton Community Services District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Templeton Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California
December 19, 2023