

**TEMPLETON COMMUNITY
SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2016**



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JUNE 30, 2016**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Governmental Funds Balance Sheet to the Government Wide Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13 - 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	17 - 18
Statement of Cash Flows	19 - 20
Notes to Financial Statements	21 - 49
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	50
Schedules of Plan's Proportionate Share of the Net Pension Liability	51
Schedules of District Contributions	52



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

Independent Auditor's Report

To the Board of Directors
Templeton Community Services District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the business-type activities of Templeton Community Services District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of Templeton Community Services District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedule of proportionate share of the net pension liability and schedule of district contributions on pages 3 - 8 and 50 - 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Leaf & Cole LLP

San Diego, California
December 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which begin on page 9.

Financial Highlights

- The District's net position increased by \$345,539 to \$22,267,832 during the fiscal year ended June 30, 2016.
- The District's revenues increased from \$5,462,323 for the year ended June 30, 2015, to \$5,508,957 for the year ended June 30, 2016, an increase of \$46,634. A decrease in capital grants and contributions is more than offset by an increase in general revenues, especially unrealized gains included in interest income.
- The District's total expenses decreased from \$5,576,642 for the year ended June 30, 2015 to \$5,163,418 for the year ended June 30, 2016. This decrease of \$413,224 can be attributed to a decrease in the amount of retirement expense recognized in employee benefits.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 9 and 10) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Business-type activities are reported in the same manner as the statement of net position and the statement of activities. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 11 and provide detailed information about the District's most significant funds.

- Governmental funds--Several of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 12 and 15.
- Business-type funds--When the District charges customers for the services it provides--whether to outside customers or to other units of the District--these services are generally reported in business-type funds. Business-type funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the District's enterprise funds (a component of business-type funds) are the same as the business type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for business-type funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The District as a Whole

The District's combined net position increased from \$21,922,293 a year ago to \$22,267,832 at June 30, 2016. Our analysis below focuses on the net position and changes in net position of the District's governmental and business-type activities.

Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
<u>Assets:</u>						
Current and other assets	\$ 3,338,906	\$ 3,386,825	\$ 11,491,974	\$ 11,395,746	\$ 14,830,880	\$ 14,782,571
Capital assets	3,138,181	3,044,305	24,106,303	24,384,876	27,244,484	27,429,181
Total Assets	6,477,087	6,431,130	35,598,277	35,780,622	42,075,364	42,211,752
<u>Deferred Outflows of Resources:</u>						
Actuarial deferred outflows related to contributions	120,959	130,526	75,613	78,109	196,572	208,635
<u>Liabilities:</u>						
Noncurrent liabilities	2,252,383	2,046,551	6,010,050	6,493,241	8,262,433	8,539,792
Other liabilities	130,918	180,468	11,251,870	11,256,844	11,382,788	11,437,312
Total Liabilities	2,383,301	2,227,019	17,261,920	17,750,085	19,645,221	19,977,104
<u>Deferred Inflows of Resources:</u>						
Actuarial deferred inflows related to contributions	245,688	342,175	113,195	178,815	358,883	520,990
<u>Net Position:</u>						
Net investment in capital assets	3,138,181	3,044,305	18,835,278	19,113,851	21,973,459	22,158,156
Restricted for capital improvements	1,783,415	1,988,745	-	-	1,783,415	1,988,745
Unrestricted	(952,539)	(1,040,588)	(536,503)	(1,184,020)	(1,489,042)	(2,224,608)
Total Net Position	\$ 3,969,057	\$ 3,992,462	\$ 18,298,775	\$ 17,929,831	\$ 22,267,832	\$ 21,922,293

Net position of the District's governmental activities decreased \$23,405. The net position of our business-type activities increased by \$368,944. Business-type activities generated in excess of one million dollars and transferred in excess of \$720,000 to governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Fees and charges for services	\$ 357,929	\$ 350,899	\$ 3,021,520	\$ 3,014,958	\$ 3,379,449	\$ 3,365,857
Capital grants and contributions	95,486	147,307	509,617	634,651	605,103	781,958
General Revenues:						
Property taxes	996,932	954,011	-	-	996,932	954,011
Interest income	40,949	14,894	148,104	62,634	189,053	77,528
Other income	98,772	44,714	239,648	238,255	338,420	282,969
Total Revenues	<u>1,590,068</u>	<u>1,511,825</u>	<u>3,918,889</u>	<u>3,950,498</u>	<u>5,508,957</u>	<u>5,462,323</u>
Expenses:						
General fund	1,024,484	1,127,948	-	-	1,024,484	1,127,948
Fire protection	747,439	977,339	-	-	747,439	977,339
Parks and recreation	533,902	543,151	-	-	533,902	543,151
Street lights	31,098	28,359	-	-	31,098	28,359
Water	-	-	1,521,446	1,529,586	1,521,446	1,529,586
Sewer	-	-	1,061,192	1,090,065	1,061,192	1,090,065
Drainage	-	-	14,720	15,395	14,720	15,395
Solid waste	-	-	29,265	27,412	29,265	27,412
Interest on long-term liabilities	-	-	199,872	237,387	199,872	237,387
Total Expenses	<u>2,336,923</u>	<u>2,676,797</u>	<u>2,826,495</u>	<u>2,899,845</u>	<u>5,163,418</u>	<u>5,576,642</u>
Change in Net Position Before Transfers	(746,855)	(1,164,972)	1,092,394	1,050,653	345,539	(114,319)
Transfers	<u>723,450</u>	<u>695,625</u>	<u>(723,450)</u>	<u>(695,625)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (23,405)</u>	<u>\$ (469,347)</u>	<u>\$ 368,944</u>	<u>\$ 355,028</u>	<u>\$ 345,539</u>	<u>\$ (114,319)</u>

Governmental Activities

Revenues for the District's governmental activities increased by \$78,243 while total expenses decreased \$339,874 between 2016 and 2015. The increase in revenues is due to an increase in property tax revenues. Expenses decreased due to a decrease in the amount of retirement expense recognized in employee benefits.

Business-Type Activities

Revenues of the District's business-type activities decreased \$31,609 and expenses decreased by \$73,350 between 2016 and 2015. A decrease in capital grants and contributions were offset by an increase in interest income, while interest expense decreased more than \$37,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the District had \$43,794,374 invested in a broad range of capital assets, including a water system, sanitation system, buildings, park facilities, and fire equipment. Significant additions include the purchase of a fire truck in the fire protection fund as well as transmission and distribution facilities and collection facilities in the water and sewer funds respectively related to Las Tablas Villas.

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 633,429	633,429	\$ 3,256,820	\$ 3,256,820	\$ 3,890,249	\$ 3,890,249
Water delivery entitlement	-	-	6,764,312	7,203,787	6,764,312	7,203,787
Construction-in-progress	-	-	508,999	240,327	508,999	240,327
Buildings and improvements	3,346,370	3,346,370	25,568,547	25,179,517	28,914,917	28,525,887
Equipment	1,193,711	1,174,956	1,376,841	1,242,780	2,570,552	2,417,736
Vehicles	810,731	751,443	334,614	291,278	1,145,345	1,042,721
Totals	<u>\$ 5,984,241</u>	<u>\$ 5,906,198</u>	<u>\$ 37,810,133</u>	<u>\$ 37,414,509</u>	<u>\$ 43,794,374</u>	<u>\$ 43,320,707</u>

Debt

At June 30, 2016, the District had loans payable to the State of California, Water Resources Control Board and the San Luis Obispo County Flood Control and Water Conservation District. During the current year, District made principal payments of \$191,469 on the loans payable. On August 5, 2015 the San Luis Obispo County Flood Control and Water Conservation District refinanced its debt related to the Nacimiento Water Project and revised its cost estimate resulting in a reduction of \$439,475 in the amount owed by the District under a water delivery entitlement contract.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Loans Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,561,782</u>	<u>\$ 5,192,726</u>	<u>\$ 4,561,782</u>	<u>\$ 5,192,726</u>

Economic Factors and Next Year's Budget and Rates

The District's management and Board of Directors considered many factors when setting the fiscal year 2017 budget including the economy and employment growth. These indicators were taken into account when adopting the general fund budget for 2017. Amounts budgeted for general fund expenditures in 2017 are \$948,969 an increase of \$53,835 over the final 2016 budgeted expenditures of \$895,134. Budget increases are due to increased health insurance costs, election fees, and purchased services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the District's Financial Management

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 3,295,632	\$ 10,840,042	\$ 14,135,674
Accounts receivable	35,685	391,369	427,054
Accrued interest receivable	7,589	25,470	33,059
Inventory	-	27,593	27,593
Deposits	-	207,500	207,500
Capital Assets:			
Land and other non-depreciable capital assets	633,429	10,530,131	11,163,560
Plant and equipment, net of accumulated depreciation	<u>2,504,752</u>	<u>13,576,172</u>	<u>16,080,924</u>
TOTAL ASSETS	<u>6,477,087</u>	<u>35,598,277</u>	<u>42,075,364</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred outflows related to contributions	<u>120,959</u>	<u>75,613</u>	<u>196,572</u>
<u>LIABILITIES:</u>			
Accounts payable	58,680	203,316	261,996
Accrued wages	30,549	16,853	47,402
Customer deposits	10,500	87,541	98,041
Unearned revenue	31,189		31,189
Prepaid capacity fees	-	10,944,160	10,944,160
Noncurrent Liabilities:			
Due within one year	218,605	418,975	637,580
Due after one year	<u>2,033,778</u>	<u>5,591,075</u>	<u>7,624,853</u>
TOTAL LIABILITIES	<u>2,383,301</u>	<u>17,261,920</u>	<u>19,645,221</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred inflows related to pensions	<u>245,688</u>	<u>113,195</u>	<u>358,883</u>
<u>Commitments and Contingencies</u>			
<u>NET POSITION:</u>			
Net investment in capital assets	3,138,181	19,479,930	22,618,111
Restricted for capital improvements	1,783,415	-	1,783,415
Unrestricted	<u>(952,539)</u>	<u>(1,181,155)</u>	<u>(2,133,694)</u>
TOTAL NET POSITION	<u>\$ 3,969,057</u>	<u>\$ 18,298,775</u>	<u>\$ 22,267,832</u>

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

**TEMPLETON COMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Fees and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General fund	\$ 1,024,484	\$ 2,833	\$ -	\$ (1,021,651)	\$ -	\$ (1,021,651)
Fire protection	747,439	125,444	67,062	(554,933)	-	(554,933)
Parks and recreation	533,902	229,652	28,424	(275,826)	-	(275,826)
Street lights	31,098	-	-	(31,098)	-	(31,098)
Total Governmental Activities	<u>2,336,923</u>	<u>357,929</u>	<u>95,486</u>	<u>(1,883,508)</u>	<u>-</u>	<u>(1,883,508)</u>
Business-Type Activities:						
Water	1,521,446	1,637,559	267,800	-	383,913	383,913
Sewer	1,061,192	1,249,614	241,817	-	430,239	430,239
Drainage	14,720	8,712	-	-	(6,008)	(6,008)
Solid waste	29,265	125,635	-	-	96,370	96,370
Interest on long-term liabilities	199,872	-	-	-	(199,872)	(199,872)
Total Business-Type Activities	<u>2,826,495</u>	<u>3,021,520</u>	<u>509,617</u>	<u>-</u>	<u>704,642</u>	<u>704,642</u>
Total Activities	<u>\$ 5,163,418</u>	<u>\$ 3,379,449</u>	<u>\$ 605,103</u>	<u>(1,883,508)</u>	<u>704,642</u>	<u>(1,178,866)</u>
General Revenues:						
Taxes and assessments				996,932	-	996,932
Interest income				40,949	148,104	189,053
Other income				98,772	239,648	338,420
Total General Revenues				<u>1,136,653</u>	<u>387,752</u>	<u>1,524,405</u>
Transfers				<u>723,450</u>	<u>(723,450)</u>	<u>-</u>
Total General Revenues and Transfers				<u>1,860,103</u>	<u>(335,698)</u>	<u>1,524,405</u>
Change in Net Position				(23,405)	368,944	345,539
Net Position at Beginning of Year				<u>3,992,462</u>	<u>17,929,831</u>	<u>21,922,293</u>
NET POSITION AT END OF YEAR				<u>\$ 3,969,057</u>	<u>\$ 18,298,775</u>	<u>\$ 22,267,832</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	ASSETS				Total Governmental Funds
	General Fund	Fire Protection	Parks and Recreation	Street Lights	
<u>Assets:</u>					
Cash and cash equivalents	\$ 4,679	\$ 2,128,486	\$ 1,089,425	\$ 73,042	\$ 3,295,632
Accounts receivable	-	29,421	6,109	155	35,685
Accrued interest receivable	2	5,000	2,412	175	7,589
Total Assets	<u>\$ 4,681</u>	<u>\$ 2,162,907</u>	<u>\$ 1,097,946</u>	<u>\$ 73,372</u>	<u>\$ 3,338,906</u>
LIABILITIES AND FUND BALANCES					
<u>Liabilities:</u>					
Accounts payable	\$ 6,602	\$ 43,606	\$ 5,072	\$ 3,400	\$ 58,680
Accrued wages	13,407	13,056	4,086	-	30,549
Customer deposits	1,000	5,200	4,300	-	10,500
Unearned revenue	-	-	31,189	-	31,189
Total Liabilities	<u>21,009</u>	<u>61,862</u>	<u>44,647</u>	<u>3,400</u>	<u>130,918</u>
<u>Fund Balances:</u>					
Unassigned	(16,328)	617,348	753,581	69,972	1,424,573
Restricted	-	1,483,697	299,718	-	1,783,415
Total Fund Balances	<u>(16,328)</u>	<u>2,101,045</u>	<u>1,053,299</u>	<u>69,972</u>	<u>3,207,988</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,681</u>	<u>\$ 2,162,907</u>	<u>\$ 1,097,946</u>	<u>\$ 73,372</u>	<u>\$ 3,338,906</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances - Governmental funds		\$ 3,207,988
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and other non-depreciable capital assets	\$ 633,429	
Plant and equipment, net of accumulated depreciation	<u>2,504,752</u>	
Total Capital Assets, Net		3,138,181
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including noncurrent liabilities, are reported. Noncurrent liabilities relating to governmental activities consist of:		
Compensated absences	(35,750)	
Net OPEB Obligation	(1,462,183)	
Net pension liability	<u>(754,450)</u>	
Total Long-Term Liabilities		(2,252,383)
In governmental funds, deferred outflows of resources and deferred inflows of resources are not reported. In the statement of net position, the deferred outflows of resources and deferred inflows of resources are reported and consist of:		
Deferred outflows of resources related to contributions	120,959	
Deferred inflows of resources related to pensions	<u>(245,688)</u>	<u>(124,729)</u>
Total		
Total Net Position - Governmental Activities		<u>\$ 3,969,057</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Total Governmental Funds
Revenues:					
Taxes and assessments	\$ -	\$ 717,509	\$ 262,487	\$ 16,936	\$ 996,932
Program fees	-	-	191,849	-	191,849
Grant revenue	-	125,619	-	-	125,619
Other income	16,099	72,803	9,870	-	98,772
Contributions	-	67,062	28,424	-	95,486
Interest income	-	26,833	13,197	919	40,949
Rental income	2,833	(175)	37,803	-	40,461
Total Revenues	<u>18,932</u>	<u>1,009,651</u>	<u>543,630</u>	<u>17,855</u>	<u>1,590,068</u>
Expenditures:					
Current:					
Salaries and wages	432,819	346,654	183,006	-	962,479
Employee benefits	183,632	112,010	48,563	-	344,205
Professional fees	80,505	11,696	17,616	-	109,817
Program expense	-	-	97,383	-	97,383
Payroll taxes	34,339	30,732	16,098	-	81,169
Other	14,256	51,567	10,925	-	76,748
Utilities	12,499	7,811	17,232	30,248	67,790
Supplies	9,900	28,021	6,387	-	44,308
Insurance	43,292	-	-	-	43,292
Worker's compensation	6,188	29,888	6,953	-	43,029
Vehicle operation	1,474	31,021	749	-	33,244
Dues and fees	22,909	4,426	1,190	-	28,525
Purchased services	15,966	5,650	2,948	850	25,414
Directors	22,200	-	-	-	22,200
Repairs and maintenance	5,862	1,884	8,075	-	15,821
Education	4,605	9,608	506	-	14,719
Legal fees	9,656	4,117	495	-	14,268
Travel	2,133	9,431	1,715	-	13,279
Postage	3,283	-	-	-	3,283
Capital outlay	-	268,540	2,374	-	270,914
Total Expenditures	<u>905,518</u>	<u>953,056</u>	<u>422,215</u>	<u>31,098</u>	<u>2,311,887</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(886,586)</u>	<u>56,595</u>	<u>121,415</u>	<u>(13,243)</u>	<u>(721,819)</u>

(Continued)

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Total Governmental Funds</u>
Other Financing Sources					
<u>(Uses):</u>					
Transfers in	\$ 910,000	\$ -	\$ -	\$ -	\$ 910,000
Transfers out	<u>-</u>	<u>(91,000)</u>	<u>(95,550)</u>	<u>-</u>	<u>(186,550)</u>
Total Other Financing Sources (Uses)	<u>910,000</u>	<u>(91,000)</u>	<u>(95,550)</u>	<u>-</u>	<u>723,450</u>
Net Change in Fund Balances	23,414	(34,405)	25,865	(13,243)	1,631
Fund Balances at Beginning of Year	<u>(39,742)</u>	<u>2,135,450</u>	<u>1,027,434</u>	<u>83,215</u>	<u>3,206,357</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ (16,328)</u></u>	<u><u>\$ 2,101,045</u></u>	<u><u>\$ 1,053,299</u></u>	<u><u>\$ 69,972</u></u>	<u><u>\$ 3,207,988</u></u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total net change in fund balances - Governmental funds	\$	1,631
Amounts reported for governmental activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to depreciation expense is less than capital outlay.		93,876
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used was more than the amounts earned by \$3,135		(3,135)
In the statement of activities, net OPEB obligation is measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the net OPEB obligation earned was more than the amount used by \$254,701		(254,701)
Deferred outflows related to contributions are not recognized in the governmental funds. The change in deferred outflows related to contributions is reflected in pension expense in the statement of activities, but not the statement of revenues, expenses and changes in fund balances. The change in deferred outflows related to contributions totaled \$9,567		(9,567)
Deferred inflows related to pensions are not recognized in the governmental funds. The change in deferred inflows related to pensions is reflected in pension expense in the statement of activities, but not the statement of revenues, expenses, and changes in fund balances. The change in deferred inflows related to pensions totaled 96,487.		96,487
Net pension liability is not recognized in the governmental funds. The change in net pension liability is reflected in pension expense in the statement of activities, but not in the statement of revenues, expenses and changes in fund balances. The change in net pension liability totaled \$52,004		<u>52,004</u>
Changes in Net Position - Governmental Activities	\$	<u><u>(23,405)</u></u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Current Assets:</u>					
Cash and cash equivalents	\$ 9,451,276	\$ 765,456	\$ 139,515	\$ 483,795	\$ 10,840,042
Accounts receivable	235,960	140,465	946	13,998	391,369
Accrued interest receivable	22,098	1,920	329	1,123	25,470
Inventory	27,593	-	-	-	27,593
Total Current Assets	<u>9,736,927</u>	<u>907,841</u>	<u>140,790</u>	<u>498,916</u>	<u>11,284,474</u>
<u>Noncurrent Assets:</u>					
Capital Assets:					
Land and other non-depreciable capital assets	8,238,262	2,142,468	149,401	-	10,530,131
Plant and equipment, net of accumulated depreciation	<u>5,322,367</u>	<u>8,074,994</u>	<u>178,811</u>	<u>-</u>	<u>13,576,172</u>
Total Capital Assets	<u>13,560,629</u>	<u>10,217,462</u>	<u>328,212</u>	<u>-</u>	<u>24,106,303</u>
Other Noncurrent Assets:					
Deposits	<u>207,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,500</u>
Total Other Noncurrent Assets	<u>207,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,500</u>
Total Noncurrent Assets	<u>13,768,129</u>	<u>10,217,462</u>	<u>328,212</u>	<u>-</u>	<u>24,313,803</u>
TOTAL ASSETS	<u>23,505,056</u>	<u>11,125,303</u>	<u>469,002</u>	<u>498,916</u>	<u>35,598,277</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>					
Deferred outflows related to contributions	<u>46,258</u>	<u>28,027</u>	<u>321</u>	<u>1,007</u>	<u>75,613</u>
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Accounts payable	62,155	141,146	-	15	203,316
Accrued wages	11,642	4,938	-	273	16,853
Customer deposits	67,594	19,947	-	-	87,541
Accrued interest payable	57,989	6,602	-	-	64,591
Prepaid capacity fees	6,929,202	4,014,958	-	-	10,944,160
Compensated absences	12,962	5,554	-	-	18,516
Loans payable	78,000	118,958	-	-	196,958
Net OPEB obligation	23,262	15,280	246	1,172	39,960
Net pension liability	62,981	33,902	517	1,550	98,950
Total Current Liabilities	<u>7,305,787</u>	<u>4,361,285</u>	<u>763</u>	<u>3,010</u>	<u>11,670,845</u>
<u>Noncurrent Liabilities:</u>					
Compensated absences	10,491	4,427	-	-	14,918
Loans payable	3,722,000	642,824	-	-	4,364,824
Net OPEB obligation	526,199	267,068	1,603	29,686	824,556
Net pension liability	248,914	125,847	(50)	12,066	386,777
Total Noncurrent Liabilities	<u>4,507,604</u>	<u>1,040,166</u>	<u>1,553</u>	<u>41,752</u>	<u>5,591,075</u>
TOTAL LIABILITIES	<u>11,813,391</u>	<u>5,401,451</u>	<u>2,316</u>	<u>44,762</u>	<u>17,261,920</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Deferred inflows related to pensions	<u>75,558</u>	<u>33,509</u>	<u>(83)</u>	<u>4,211</u>	<u>113,195</u>
<u>NET POSITION:</u>					
Net investment in capital assets	9,702,640	9,449,078	328,212	-	19,479,930
Unrestricted	<u>1,959,725</u>	<u>(3,730,708)</u>	<u>138,878</u>	<u>450,950</u>	<u>(1,181,155)</u>
TOTAL NET POSITION	<u>\$ 11,662,365</u>	<u>\$ 5,718,370</u>	<u>\$ 467,090</u>	<u>\$ 450,950</u>	<u>\$ 18,298,775</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water	Sewer	Drainage	Solid Waste	Total
<u>Operating Revenues:</u>					
Charges for services	\$ 1,637,559	\$ 1,249,614	\$ 8,712	\$ -	\$ 2,895,885
Franchise fees	-	-	-	125,635	125,635
Total Operating Revenues	<u>1,637,559</u>	<u>1,249,614</u>	<u>8,712</u>	<u>125,635</u>	<u>3,021,520</u>
<u>Operating Expenses:</u>					
Depreciation	342,586	323,044	8,567	-	674,197
Salaries and wages	293,349	192,691	3,093	14,778	503,911
Employee benefits	178,939	112,174	1,459	6,590	299,162
Treatment and disposal	-	222,907	-	-	222,907
Repairs and maintenance	141,835	57,140	-	-	198,975
Utilities	145,586	42,219	-	-	187,805
Legal fees	141,143	9,835	147	878	152,003
Professional fees	78,864	2,060	-	-	80,924
Nacimeinto operations	54,697	-	-	-	54,697
Other	33,638	5,692	-	4,437	43,767
Payroll taxes	22,708	15,056	240	1,292	39,296
Water analysis	7,076	27,498	-	-	34,574
Worker's compensation	20,997	10,137	69	349	31,552
Dues and fees	17,804	8,457	1,145	-	27,406
Supplies	15,012	3,296	-	941	19,249
Purchased services	12,073	6,056	-	-	18,129
Vehicle operation	12,267	5,457	-	-	17,724
Interceptor maintenance	-	16,510	-	-	16,510
Travel	1,710	348	-	-	2,058
Education	1,162	615	-	-	1,777
Total Operating Expenses	<u>1,521,446</u>	<u>1,061,192</u>	<u>14,720</u>	<u>29,265</u>	<u>2,626,623</u>
Operating Income (Loss)	<u>116,113</u>	<u>188,422</u>	<u>(6,008)</u>	<u>96,370</u>	<u>394,897</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest income	130,449	9,814	1,756	6,085	148,104
Other income	92,192	30,000	-	225	122,417
Lease revenue	117,231	-	-	-	117,231
Interest expense	(178,056)	(21,816)	-	-	(199,872)
Total Nonoperating Revenues (Expenses)	<u>161,816</u>	<u>17,998</u>	<u>1,756</u>	<u>6,310</u>	<u>187,880</u>
Income (Loss) Before Transfers and Capital Contributions	<u>277,929</u>	<u>206,420</u>	<u>(4,252)</u>	<u>102,680</u>	<u>582,777</u>

(Continued)

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Transfers and Capital Contributions:</u>					
Transfers out	\$ (400,400)	\$ (273,000)	\$ (4,550)	\$ (45,500)	\$ (723,450)
Capital contributions	267,800	241,817	-	-	509,617
Treated wastewater sales	(88,716)	88,716	-	-	-
Total Transfers and Capital Contributions	<u>(221,316)</u>	<u>57,533</u>	<u>(4,550)</u>	<u>(45,500)</u>	<u>(213,833)</u>
Change in Net Position	56,613	263,953	(8,802)	57,180	368,944
Net Position at Beginning of Year	<u>11,605,752</u>	<u>5,454,417</u>	<u>475,892</u>	<u>393,770</u>	<u>17,929,831</u>
NET POSITION AT END OF YEAR	<u>\$ 11,662,365</u>	<u>\$ 5,718,370</u>	<u>\$ 467,090</u>	<u>\$ 450,950</u>	<u>\$ 18,298,775</u>

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>					
Cash received from customers	\$ 1,617,394	\$ 1,236,103	\$ 8,709	\$ 125,585	\$ 2,987,791
Cash payments to suppliers for goods and services	(1,439,049)	(735,403)	(6,959)	(61,142)	(2,242,553)
Cash payments to employees for services	(286,507)	(189,776)	(3,093)	(9,972)	(489,348)
Net Cash Provided by (Used in) Operating Activities	<u>(108,162)</u>	<u>310,924</u>	<u>(1,343)</u>	<u>54,471</u>	<u>255,890</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>					
Receipts from other income	<u>209,423</u>	<u>30,000</u>	<u>-</u>	<u>225</u>	<u>239,648</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>209,423</u>	<u>30,000</u>	<u>-</u>	<u>225</u>	<u>239,648</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(129,026)	(358,888)	(8,635)	-	(496,549)
Principal paid on loans payable	(75,525)	(115,944)	-	-	(191,469)
Interest paid on loans payable	(190,759)	(22,821)	-	-	(213,580)
Receipts from contributed capital	<u>244,778</u>	<u>76,174</u>	<u>-</u>	<u>-</u>	<u>320,952</u>
Net Cash Used in Capital and Related Financing Activities	<u>(150,532)</u>	<u>(421,479)</u>	<u>(8,635)</u>	<u>-</u>	<u>(580,646)</u>
<u>Cash Flows From Investing Activities:</u>					
Investment income	<u>118,535</u>	<u>8,984</u>	<u>1,589</u>	<u>5,439</u>	<u>134,547</u>
Net Cash Provided by Investing Activities	<u>118,535</u>	<u>8,984</u>	<u>1,589</u>	<u>5,439</u>	<u>134,547</u>
Net Increase (Decrease) in Cash and Cash Equivalents	69,264	(71,571)	(8,389)	60,135	49,439
Cash and Cash Equivalents at Beginning of Year	<u>9,382,012</u>	<u>837,027</u>	<u>147,904</u>	<u>423,660</u>	<u>10,790,603</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,451,276</u>	<u>\$ 765,456</u>	<u>\$ 139,515</u>	<u>\$ 483,795</u>	<u>\$ 10,840,042</u>

(Continued)

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Reconciliation of Operating Income (Loss)</u>					
<u>to Net Cash Provided by</u>					
<u>(Used in) Operating Activities:</u>					
Operating income (loss)	\$ 116,113	\$ 188,422	\$ (6,008)	\$ 96,370	\$ 394,897
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	342,586	323,044	8,567	-	674,197
Transfers	(489,116)	(184,284)	(4,550)	(45,500)	(723,450)
(Increase) Decrease in:					
Accounts receivable	(20,165)	(13,511)	(3)	(50)	(33,729)
Inventory	497	-	-	-	497
Deferred outflows related to contributions	3,972	(1,850)	107	267	2,496
Increase (Decrease) in:					
Accounts payable	(43,663)	(45,046)	(43)	(284)	(89,036)
Accrued wages	3,284	1,384	-	155	4,823
Customer deposits	(73,605)	2,959	-	-	(70,646)
Compensated absences	3,558	1,531	-	-	5,089
Net OPEB obligation	92,320	60,642	973	4,651	158,586
Net pension liability	(3,799)	1,955	(106)	(264)	(2,214)
Deferred inflows related to pensions	(40,144)	(24,322)	(280)	(874)	(65,620)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (108,162)</u>	<u>\$ 310,924</u>	<u>\$ (1,343)</u>	<u>\$ 54,471</u>	<u>\$ 255,890</u>
 <u>Noncash Investing, Capital and Financing Activities:</u>					
Contributions of capital assets	<u>\$ 166,020</u>	<u>\$ 172,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,550</u>
Debt reduction	<u>\$ 439,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,475</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Organization and Significant Accounting Policies:

Organization

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

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

Significant Accounting Policies

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

Basis of Presentation

Government-Wide Statements

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

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

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

The funds of the District are described below:

Governmental Funds

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

Proprietary Funds

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

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

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Method of Accounting

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

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

Accrual

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

Modified Accrual

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

Estimates

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

Revenue Recognition

The District recognizes revenue from user fees, service charges, program fees and rental fees as they are earned. The District has recorded unearned revenue for soccer registrations totaling \$31,189 at June 30, 2016.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Significant Accounting Policies (Continued)

Investments

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

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivables. Management believes that all accounts receivable were fully collectible, therefore, no allowance for doubtful accounts receivable was recorded as of June 30, 2016.

Taxes and Assessments

Property taxes and assessments are billed by the County of San Luis Obispo to property owners. The District's property tax calendar for the fiscal year ended June 30, 2016, was as follows:

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

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

Inventory

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life of more than two year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

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

Depreciation aggregated \$851,235 for the year ended June 30, 2016.

Interest

The District incurs interest charges on noncurrent liabilities. No interest was capitalized as a cost of capital assets for the year ended June 30, 2016.

Compensated Absences

Accumulated unpaid vacation totaling \$69,184 at June 30, 2016, is accrued when incurred and included in noncurrent liabilities.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds

The fund balances of the governmental funds are classified as follows at June 30, 2016:

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

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Fire and park facility fees are collected for new development. Restricted fire and park fund balances related to facility fees totaled \$1,483,697 and \$299,718 at June 30, 2016, respectively.

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

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

Unassigned - All other spendable amounts.

Risk Management

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

At June 30, 2016, the District participated in the self-insurance programs of the Authority as follows:

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

- \$500 per occurrence for third party generated liability property damage.
- \$1,000 per occurrence for third party auto liability property damage.
- 50% co-insurance after initial \$10,000 cost expended by the Authority, up to \$50,000, per occurrence, for employment related claims;

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Significant Accounting Policies (Continued)

Risk Management (Continued)

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

Employee Dishonesty Coverage - Total of \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction.

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

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

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

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

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

Pensions

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Significant Accounting Policies (Continued)

Pensions (Continued)

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

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	June 30, 2014 to June 30, 2015

Fair Value Measurements

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

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

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

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Significant Accounting Policies (Continued)

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of general fund transfers from the following:

Water	\$ 400,400
Sewer	273,000
Parks and recreation	95,550
Fire protection	91,000
Solid waste	45,500
Drainage	4,550
Total	<u>\$ 910,000</u>

Economic Dependency

The District extracts approximately 55% of its water supply from the underflow of the Salinas River, 10% from reclaimed water from the Selby Ponds, 28% from groundwater wells located in the Atascadero sub basin, and 7% from Nacimiento recharge. Interruption of these sources would impact the District negatively.

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 6, 2016, the date the financial statements were available to be issued.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2 - Cash and Investments:

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

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

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

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2 - Cash and Investments: (Continued)

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

Cash and investments held by the District were comprised of the following at June 30, 2016:

	Maturity in Years		
	Less Than 1 Year	1 - 5 Years	Total
California Local Agency Investment Fund (LAIF)	\$ 9,323,956	\$ -	\$ 9,323,956
Negotiable certificates of deposit	-	3,537,615	3,537,615
Deposits with financial institutions	1,274,103	-	1,274,103
Total Cash and Investments	\$ 10,598,059	\$ 3,537,615	\$ 14,135,674
Financial Statement Classification:			
Cash and cash equivalents			\$ 14,135,674

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2016.

Disclosures Relating to Credit Risk

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

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

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

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

Custodial Credit Risk

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

At June 30, 2016, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2016, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

Governmental Activities:				
	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 633,429	\$ -	\$ -	\$ 633,429
Total Capital Assets Not Being Depreciated	<u>\$ 633,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,429</u>
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 3,346,370	\$ -	\$ -	\$ 3,346,370
Equipment	1,174,956	18,755	-	1,193,711
Vehicles	751,443	252,159	(192,871)	810,731
Total	<u>5,272,769</u>	<u>270,914</u>	<u>(192,871)</u>	<u>5,350,812</u>
Less: Accumulated depreciation	<u>(2,861,893)</u>	<u>(177,038)</u>	<u>192,871</u>	<u>(2,846,060)</u>
Total Capital Assets Being Depreciated	<u>\$ 2,410,876</u>	<u>\$ 93,876</u>	<u>\$ -</u>	<u>\$ 2,504,752</u>
Business-Type Activities:				
	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 3,256,820	\$ -	\$ -	\$ 3,256,820
Water delivery entitlement	7,203,787	-	(439,475)	6,764,312
Construction in progress	240,327	289,656	(20,984)	508,999
Total Capital Assets Not Being Depreciated	<u>\$ 10,700,934</u>	<u>\$ 289,656</u>	<u>\$ (460,459)</u>	<u>\$ 10,530,131</u>
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 25,179,517	\$ 389,030	\$ -	\$ 25,568,547
Equipment	1,242,780	134,061	-	1,376,841
Vehicles	291,278	43,336	-	334,614
Total	<u>26,713,575</u>	<u>566,427</u>	<u>-</u>	<u>27,280,002</u>
Less: Accumulated depreciation	<u>(13,029,633)</u>	<u>(674,197)</u>	<u>-</u>	<u>(13,703,830)</u>
Total Capital Assets Being Depreciated	<u>\$ 13,683,942</u>	<u>\$ (107,770)</u>	<u>\$ -</u>	<u>\$ 13,576,172</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4 -Noncurrent Liabilities:

Noncurrent liabilities consists of the following at June 30:

	Balance at June 30, 2015 (As Restated)	Increases	Decreases	Balance at June 30, 2016	Payable Within One Year	Payable After One Year
Governmental Activities:						
Compensated absences (Note 1)	\$ 32,615	\$ 35,750	\$ (32,615)	\$ 35,750	\$ 11,275	\$ 24,475
Net OPEB obligation (Note 6)	1,207,482	318,881	(64,180)	1,462,183	64,180	1,398,003
Net pension liability (Note 7)	806,454	91,142	(143,146)	754,450	143,150	611,300
Total	<u>\$ 2,046,551</u>	<u>\$ 445,773</u>	<u>\$ (239,941)</u>	<u>\$ 2,252,383</u>	<u>\$ 218,605</u>	<u>\$ 2,033,778</u>
Business-Type Activities:						
Accrued interest payable	\$ 78,299	\$ 199,872	\$ (213,580)	\$ 64,591	\$ 64,591	\$ -
Compensated absences (Note 1)	28,345	33,434	(28,345)	33,434	18,516	14,918
Loans payable	5,192,726	-	(630,944)	4,561,782	196,958	4,364,824
Net OPEB obligation (Note 6)	705,930	198,543	(39,957)	864,516	39,960	824,556
Net pension liability (Note 7)	487,941	96,739	(98,953)	485,727	98,950	386,777
Total	<u>\$ 6,493,241</u>	<u>\$ 528,588</u>	<u>\$ (1,011,779)</u>	<u>\$ 6,010,050</u>	<u>\$ 418,975</u>	<u>\$ 5,591,075</u>

Loans payable consist of the following at June 30, 2016:

Loans Payable

State of California, Water Resources Control Board-The District entered into a contract with the State of California, Water Resources Control Board, for a loan in the amount of \$2,144,073 to increase the wastewater treatment capacity of the Meadowbrook Wastewater Treatment Plant. The loan accrues interest at 2.6% with annual payments of principal and interest in the amount of \$138,764. The loan matures March 4, 2022. The District shall maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of this loan. Accrued interest totaled \$6,602 at June 30, 2016.

\$ 761,782

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4 -Noncurrent Liabilities: (Continued)

Loans Payable (Continued)

San Luis Obispo County Flood Control and Water Conservation District - The District entered into a water delivery entitlement contract in the original amount of \$4,615,000 to pay its share of various capital expenses relating to the funding of design costs, engineering, planning, mapping, acquiring easements and right-of-way, and construction in connection with the Nacimiento Water Project (Project). The District has pledged certain revenues it collects from the operation of the Project for payment of debt service on the loan. On August 5, 2015 the San Luis Obispo County Flood Control and Water Conservation District refinanced its debt related to the project and revised its cost allocation resulting in a \$439,475 reduction in the District's share of the project's cost and a revised debt service schedule. Under this revised debt service schedule the loan accrues interest between 3% and 5% with semiannual payments of interest and principal through 2041 as set forth in the contract. Accrued interest totaled \$57,989 at June 30, 2016.

Total Loans Payable.

	3,800,000
	\$ 4,561,782

Debt service requirements on loans payable at June 30, 2016 are as follows:

Business-Type Activities

<u>Year Ended June 30</u>	Loans Payable	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 196,958	\$ 191,823
2018	204,051	184,730
2019	212,224	177,331
2020	223,480	169,526
2021	231,821	161,274
2022 - 2026	705,248	694,098
2027 - 2031	725,000	539,275
2032 - 2036	905,000	361,503
2037 - 2041	1,158,000	133,585
	\$ 4,561,782	\$ 2,613,145

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5 - Prepaid Capacity Fees:

The District records capacity fees collected as a liability until its duty to perform has been completed and service has begun at which time these fees are recorded as contributed capital. Following is a summary of the prepaid capacity fees liability at June 30, 2016:

Balance at Beginning of Year	\$ 10,794,275
Add: Capacity Fees Received	320,952
Less: Water and Sewer Connections	(171,067)
Balance at End of Year	\$ 10,944,160

Note 6 - Postemployment Benefits:

Plan Description

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

Funding Policy and Annual OPEB Costs

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's annual other postemployment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Cod. Sec. P50 "Postemployment Benefits Other Than Pension Benefits - Employer Reporting." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Board of Directors has established a policy of funding the ARC on a pay as you go basis. The current ARC rate is 37% of annual covered payroll. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the District's net OPEB obligation for the year ended June 30, 2016:

Annual required contribution	\$ 552,990
Interest on net OPEB obligation	71,753
Adjustment to annual required contribution	(107,319)
Annual OPEB cost	517,424
Contributions (including benefits paid)	(104,137)
Increase in net OPEB obligation	413,287
Net OPEB obligation at Beginning of Year	1,913,412
Net OPEB obligation at End of Year	\$ 2,326,699

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6 - Postemployment Benefits: (Continued)

Funding Policy and Annual OPEB Costs (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 442,365	\$ 66,730	15.1%	\$ 1,136,422
June 30, 2014	454,186	70,902	15.6%	1,519,706
June 30, 2015	466,460	72,755	15.6%	1,913,412
June 30, 2016	517,424	104,137	20.1%	2,326,699

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the Plan was not yet funded. The District's actuarial accrued liability for benefits at July 1, 2015 was \$4,799,948 and the covered payroll (annual payroll of active employees covered by the Plan) was \$1,474,753 with a ratio of the UAAL to the covered payroll of 325.5%.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (A)	<u>Actuarial Accrued Liability Entry Age</u> (B)	<u>Unfunded AAL (UAAL)</u> (B-A)	<u>Funded Status</u> (A/B)	<u>Covered Payroll</u> (C)	<u>UAAL as a Percentage of Covered Payroll</u> [(B-A)/C]
July 1, 2015	\$ -	\$ 4,799,948	\$ 4,799,948	0.0%	\$ 1,474,753	325.5%
July 1, 2012	-	3,338,557	3,338,557	0.0%	1,158,154	288.3%
July 1, 2009	-	2,487,290	2,487,290	0.0%	904,000	275.1%

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6 - Postemployment Benefits: (Continued)

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefits obligations is the Projected Unit Credit with Service Prorate Method. The actuarial assumptions included a 3.75% discount rate, which assumes the District continues to maintain the retiree health benefits program as an unfunded plan. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the District for current and future retirees; an annual healthcare cost trend rate of 8.25% percent initially, reduced by decrements of .75% per year to an ultimate rate of 5.3% after the seventh year. Both rates include a 2.75% inflation assumption. The UAAL is being amortized using the level-dollar method on a open period over 30 years. It is assumed the District's inflation rate is 2.75% per year.

Note 7 - Defined Benefit Pension Plan:

General Information About the Pension Plans

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2013	On or After January 1, 2013 With Prior Service	Without Prior Service
Benefit formula	3.0% @ 60	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50+	50+	52+
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.0%	8.0%	6.25%
Required employer contribution rates	11.72%	9.07%	6.24%

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plans (Continued)

	Safety		
	Prior to January 1, 2013	On or After January 1, 2013	
		With Prior Service	Without Prior Service
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50+	50+	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	9.0%	11.5%
Required employer contribution rates	18.52%	15.63%	11.15%

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (measurement date), the active employee contribution rate in the miscellaneous plan for employees hired prior to January 1, 2013 is 8.0% of annual payroll, and the employer's contribution rate is 11.718% of annual payroll. The active employee contribution rate in the miscellaneous plan for those employees hired on or after January 1, 2013 is 6.25% of annual pay, and the average employer contribution rate is 6.237% of annual payroll. The active employee contribution rate in the safety plan for employees hired prior to January 1, 2013 is 9% of annual payroll and the employer's contribution rate 18.524% of annual covered payroll. The active employee contribution rate in the safety plan for employees hired on or after January 1, 2013 is 11.5% of annual payroll and the average employer contribution rate is 11.153% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

The District's contribution to the Plan for the year ended June 30, 2016 were as follows:

	<u>Miscellaneous</u>
Contributions - Employer	\$ 160,545
Contributions - Employee (Paid by Employer)	\$ -
	<u><u> </u></u>
	<u>Safety</u>
Contributions - Employer	\$ 36,027
Contributions - Employee (Paid by Employer)	\$ -
	<u><u> </u></u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Defined Benefit Pension Plan: (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial valuation. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

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

Discount Rate

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Defined Benefit Pension Plan: (Continued)

Discount Rate (Continued)

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

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

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11 + ²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period.

² An expected inflation of 3.0% used for this period.

Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Pension</u> (b)	<u>Net Pension Liability</u> (c) = (a) - (b)
Balance at June 30, 2014	\$ 7,493,239	\$ 6,198,844	\$ 1,294,395
Balance at June 30, 2015	8,257,092	7,016,915	1,240,177
Net Changes During 2014 - 2015	<u>\$ 763,853</u>	<u>\$ 818,071</u>	<u>\$ (54,218)</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Defined Benefit Pension Plan: (Continued)

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

The net pension liability of the plan is measured as of June 30, 2015, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2014	0.043518%	0.005834%
Proportion - June 30, 2015	<u>0.051323%</u>	<u>0.006932%</u>
Change - Increase (Decrease)	<u>0.007805%</u>	<u>0.001098%</u>

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

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

	<u>Current Rate -1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate +1% (8.65%)</u>
Plan's Net Pension Liability	\$ <u>2,365,845</u>	\$ <u>1,240,177</u>	\$ <u>311,781</u>

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Defined Benefit Pension Plan: (Continued)

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

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

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

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

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2016, the District recognized a pension expense of \$(7,688) for the Plan. As of June 30, 2016, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 196,572	\$ -
Differences between actual contributions made and proportionate share of contributions	-	100,794
Differences between expected and actual experience	-	(4,522)
Changes of assumptions	-	124,927
Net difference between projected and actual earnings on pension plan investments	-	62,776
Adjustment due to difference in proportions	-	74,908
Total	<u>\$ 196,572</u>	<u>\$ 358,883</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Defined Benefit Pension Plan: (Continued)

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

The \$196,572 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2016	\$ (121,447)
2017	(121,447)
2018	(100,295)
2019	(15,694)
Total	\$ (358,883)

Note 8 - Commitments and Contingencies:

Contracts

The District has entered into various contracts for the purchase of material and construction of water facilities. The amounts contracted are based on the contractors' estimated cost of construction. At June 30, 2016, the total unpaid amount on these contracts is approximately \$91,564.

Litigation

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9 - New Governmental Accounting Standards:

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, “Accounting and Financial Reporting for Pensions”. This pronouncement is effective for periods beginning after June 15, 2015. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The effects of this pronouncement on the financial statements of the District resulted in a reduction in net position at June 30, 2014.

GASB No. 71

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

GASB No. 72

In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, “Fair Value Measurement and Application.” This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 73

In June 2015, The Governmental Accounting Standards Board issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This pronouncement establishes requirements for defined benefit pension plans that are not with the scope of Statement No. 68, as well as assets accumulated for purposes of providing those pensions. It establishes requirements for defined contribution pension plans that are not within the scope of Statement No. 68 and amends certain provisions of Statement No. 67. The pronouncement extends the approach to accounting and financial reporting established in Statement 68 to all pensions with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in the notes and required supplementary information by all similarly situated employers and nonemployer contributing entities. The requirements of this statement addressing accounting and financial reporting for employers that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. All other provisions are effective for periods beginning after June 15, 2015. This pronouncement is not anticipated to have a material effect on the financial statements of the District.

GASB No. 74

In June 2015, the Governmental Accounting Standards Board issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.” This pronouncement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This pronouncement replaces Statement No. 42 and Statement No. 57. It also includes requirements for defined contributions OPEB plans that replace the requirements for those OPEB plans in Statement No.25, Statement No. 43 and Statement No. 50. This pronouncement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This pronouncement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 75

In June 2015, the Government Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". This pronouncement replaces the requirements of Statement No. 45, and Statement No. 57. Statement No 74 establishes new accounting and financial reporting requirements for OPEB plans. This pronouncement addresses accounting and financial report for OPEB that is provided to the employees of state and local governmental employers. It also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For define benefit OPEB, this pronouncement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This pronouncement also addresses note disclosure and required supplementary information about defined benefit OPEB. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 76

In June 2015, the Government Accounting Standards Board issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The objective of this pronouncement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). This pronouncement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This pronouncement supersedes Statement No. 55. The requirement of this pronouncement are effective for financial statements for period beginning after June 15, 2015 and should be applied retroactively. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, "Tax Abatement Disclosures". This pronouncement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This pronouncement requires governments that enter into tax abatement agreements to disclose brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during period and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 78

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan". This pronouncement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan, that is used to provide defined benefit pensions both to employees of state or local governmental employers and to employers, and that has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Pronouncement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 79

In December 2015, the Governmental Accounting Standards Board issued Statement No. 79, "Certain External Investment Pools and Pool Participants". This pronouncement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This pronouncement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirement of this pronouncement are effective for reporting periods beginning after June 15, 2015 except for certain provisions on portfolio quality, custodial credit risk, and shadowing pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 80

In January 2016, the Government Accounting Standards Board issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". This pronouncement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units including in the financial reporting entity pursuant to the provision of Statement No. 39. The requirements of this pronouncement are effective for reporting period beginning after June 15, 2016. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, “Irrevocable Split-Interest Agreements”. This Pronouncement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Pronouncement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Pronouncement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73”. This Pronouncement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Pronouncement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**TEMPLETON COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<u>Revenues:</u>				
Income	\$ 9,600	\$ 9,600	\$ 18,932	\$ 9,332
Total Revenues	<u>9,600</u>	<u>9,600</u>	<u>18,932</u>	<u>9,332</u>
<u>Expenditures:</u>				
Current:				
Salaries and wages	417,809	417,809	432,819	(15,010)
Employee benefits	176,443	181,443	183,632	(2,189)
Insurance	47,500	47,500	43,292	4,208
Payroll taxes	33,432	33,432	34,339	(907)
Worker's compensation	6,223	6,223	6,188	35
Supplies	12,000	12,000	9,900	2,100
Purchased services	11,375	11,375	15,966	(4,591)
Professional fees	82,930	82,930	80,505	2,425
Utilities	15,044	15,044	12,499	2,545
Directors	27,000	24,000	22,200	1,800
Dues and fees	33,114	33,114	22,909	10,205
Postage	2,500	2,500	3,283	(783)
Legal fees	12,000	12,000	9,656	2,344
Other	6,650	6,650	14,256	(7,606)
Travel	2,345	2,345	2,133	212
Repairs and maintenance	2,000	2,000	5,862	(3,862)
Education	7,350	7,350	4,605	2,745
Vehicle operation	1,000	1,000	1,474	(474)
Capital outlay	500	42,750	-	42,750
Total Expenditures	<u>897,215</u>	<u>941,465</u>	<u>905,518</u>	<u>35,947</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(887,615)</u>	<u>(931,865)</u>	<u>(886,586)</u>	<u>45,279</u>
<u>Other Financing Sources:</u>				
Transfers in	903,667	903,667	910,000	6,333
Total Other Financing Sources	<u>903,667</u>	<u>903,667</u>	<u>910,000</u>	<u>6,333</u>
Net Change in Fund Balance	<u>\$ 16,052</u>	<u>\$ (28,198)</u>	23,414	<u>\$ 51,612</u>
Fund Balance at Beginning of Year			<u>(39,742)</u>	
FUND BALANCE AT END OF YEAR			<u>\$ (16,328)</u>	

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Notes to Schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

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

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 20, 2016**

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

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

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

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