

**TEMPLETON COMMUNITY
SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2018**



Leaf & Cole, LLP
Certified Public Accountants

**TEMPLETON COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 7
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17 - 18
Notes to Financial Statements	19 - 47
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	48
Schedule of Changes in the District’s Net OPEB Liability and Related Ratios	49
Schedule of OPEB Contributions	50 - 51
Schedules of Plan’s Proportionate Share of the Net Pension Liability	52
Schedules of District Contributions	53



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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 10 to the financial statements, the District changed its method of accounting and financial reporting for postemployment benefits other than pensions in order to conform with “Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. Our report is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, and the required supplementary information on pages 48 - 53 as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Leaf & Cole LLP

San Diego, California
October 16, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which begin on page 8.

Financial Highlights

- The District's net position increased by \$2,485,593 to \$24,677,045 during the fiscal year ended June 30, 2018.
- The District's revenues increased from \$7,417,289 for the year ended June 30, 2017, to \$7,633,205 for the year ended June 30, 2018, an increase of \$215,916. The District experienced increases in fees and charges for services.
- The District's total expenses decreased from \$5,520,882 for the year ended June 30, 2017 to \$5,147,612 for the year ended June 30, 2018. This decrease is primarily attributed to changes in actuarial assumptions used in calculating the District's net OPEB liability which reduced the cost of employee benefits in the current year.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 8 and 9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Business-type activities are reported in the same manner as the statement of net position and the statement of activities. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The District as a Whole

The District's combined net position increased from \$22,191,452 a year ago to \$24,677,045 at June 30, 2018. Net position at June 30, 2017 was restated by \$(1,972,787) as a result of Implementing "Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" \$(2,652,912) and a prior period adjustment for prepaid capacity fees that had been previously connected totaling \$680,125. 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	
	2018	2017	2018	2017	2018	2017
<u>Assets:</u>						
Current and other assets	\$ 4,630,399	\$ 4,555,010	\$ 12,357,354	\$ 11,982,438	\$ 16,987,753	\$ 16,537,448
Capital assets	2,788,351	2,950,154	25,279,919	24,625,197	28,068,270	27,575,351
Total Assets	7,418,750	7,505,164	37,637,273	36,607,635	45,056,023	44,112,799
<u>Deferred Outflows of Resources:</u>						
Actuarial deferred outflows related to contributions	1,231,326	335,008	915,393	215,657	2,146,719	550,665
<u>Liabilities:</u>						
Noncurrent liabilities	4,344,267	4,424,526	6,829,624	7,091,781	11,173,891	11,516,307
Other liabilities	205,282	155,939	11,019,193	10,604,259	11,224,475	10,760,198
Total Liabilities	4,549,549	4,580,465	17,848,817	17,696,040	22,398,366	22,276,505
<u>Deferred Inflows of Resources:</u>						
Actuarial deferred inflows related to contributions	65,871	122,301	61,460	73,206	127,331	195,507
<u>Net Position:</u>						
Net investment in capital assets	2,788,351	2,950,154	21,096,470	20,198,113	23,884,821	23,148,267
Restricted for capital improvements	2,700,846	2,288,733	-	-	2,700,846	2,288,733
Unrestricted	(1,454,541)	(2,101,481)	(454,081)	(1,144,067)	(1,908,622)	(3,245,548)
Total Net Position	\$ 4,034,656	\$ 3,137,406	\$ 20,642,389	\$ 19,054,046	\$ 24,677,045	\$ 22,191,452

Net position of the District's governmental activities increased \$897,250. The net position of our business-type activities increased by \$1,588,343. Business-type activities generated in excess of \$2.5 million dollars and transferred in excess of \$900,000 to governmental activities. Actuarial deferred outflows increased significantly. As discussed in Footnote 1, the District made its first contribution to fund other postemployment benefits in the current year, but after the current measurement date of June 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Fees and charges for services	\$ 277,116	\$ 368,921	\$ 3,753,107	\$ 3,265,229	\$ 4,030,223	\$ 3,634,150
Capital grants and contributions	386,013	504,719	1,498,020	1,295,300	1,884,033	1,800,019
General Revenues:						
Taxes and assessments	1,121,251	1,051,463	-	-	1,121,251	1,051,463
Interest income	34,250	27,220	105,015	79,955	139,265	107,175
Other income	245,040	480,075	213,393	344,407	458,433	824,482
Total Revenues	2,063,670	2,432,398	5,569,535	4,984,891	7,633,205	7,417,289
Expenses:						
General fund	931,469	1,091,654	-	-	931,469	1,091,654
Fire protection	667,467	734,788	-	-	667,467	734,788
Parks and recreation	455,534	534,019	-	-	455,534	534,019
Street lights	38,522	37,487	-	-	38,522	37,487
Water	-	-	1,439,799	1,494,708	1,439,799	1,494,708
Sewer	-	-	1,391,515	1,387,455	1,391,515	1,387,455
Drainage	-	-	17,286	16,969	17,286	16,969
Solid waste	-	-	25,885	34,311	25,885	34,311
Interest on long-term liabilities	-	-	180,135	189,491	180,135	189,491
Total Expenses	2,092,992	2,397,948	3,054,620	3,122,934	5,147,612	5,520,882
Change in Net Position Before Transfers	(29,322)	34,450	2,514,915	1,861,957	2,485,593	1,896,407
Transfers	926,572	801,360	(926,572)	(801,360)	-	-
Increase in Net Position	\$ 897,250	\$ 835,810	\$ 1,588,343	\$ 1,060,597	\$ 2,485,593	\$ 1,896,407

Governmental Activities

Revenues for the District's governmental activities decreased by \$368,728 while total expenses decreased \$304,956 between 2018 and 2017. Increases in taxes and assessments and investment income were more than offset by decreases in other revenue categories. In the prior year the fire protection fund sold land for a gain of nearly \$400,000.

Business-Type Activities

Revenues of the District's business-type activities increased \$584,644 and expenses decreased by \$68,314 between 2018 and 2017. Total costs were less than anticipated as the implementation of a new accounting pronouncement had the effect of reducing the cost of employee benefits recorded in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the District had \$46,348,748 invested in a broad range of capital assets, including a water system, sanitation system, buildings, park facilities, and fire equipment. Significant additions include the Eastside area wastewater force main and the purchase of a 310EL backhoe.

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 633,429	\$ 633,429	\$ 3,602,720	\$ 3,602,720	\$ 4,236,149	\$ 4,236,149
Water delivery entitlement	-	-	6,734,312	6,764,312	6,734,312	6,764,312
Construction-in-progress	-	-	1,829,955	582,922	1,829,955	582,922
Buildings and improvements	3,346,370	3,346,370	26,352,081	26,326,139	29,698,451	29,672,509
Equipment	1,207,908	1,193,711	1,485,372	1,390,607	2,693,280	2,584,318
Vehicles	812,441	812,441	344,160	334,614	1,156,601	1,147,055
Totals	<u>\$ 6,000,148</u>	<u>\$ 5,985,951</u>	<u>\$ 40,348,600</u>	<u>\$ 39,001,314</u>	<u>\$ 46,348,748</u>	<u>\$ 44,987,265</u>

Debt

At June 30, 2018, 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 \$204,051 on the loans payable. In addition, the San Luis Obispo County Flood Control and Water Conservation District refinanced its debt related to the Nacimiento Water Project, reducing the District's loans payable by an additional \$30,000.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Loans Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,130,773</u>	<u>\$ 4,364,824</u>	<u>\$ 4,130,773</u>	<u>\$ 4,364,824</u>

Economic Factors and Next Year's Budget and Rates

The District's management and Board of Directors considered many factors when setting the budget including the economy and employment growth. These indicators were taken into account when adopting the general fund budget for 2019. Amounts budgeted for general fund expenditures in 2019 are \$1,172,715, a decrease of \$1,083 from the final 2018 budgeted expenditures of \$1,173,798.

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, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 4,584,334	\$ 11,784,807	\$ 16,369,141
Accounts receivable	22,102	475,944	498,046
Accrued interest receivable	23,963	64,230	88,193
Inventory	-	32,373	32,373
Deposits	-	-	-
Capital Assets:			
Land and other non-depreciable capital assets	633,429	12,166,987	12,800,416
Plant and equipment, net of accumulated depreciation	<u>2,154,922</u>	<u>13,112,932</u>	<u>15,267,854</u>
TOTAL ASSETS	<u>7,418,750</u>	<u>37,637,273</u>	<u>45,056,023</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows - OPEB	800,053	630,487	1,430,540
Deferred Outflows - Pension	289,606	199,596	489,202
Deferred contributions - Pension	<u>141,667</u>	<u>85,310</u>	<u>226,977</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,231,326</u>	<u>915,393</u>	<u>2,146,719</u>
<u>LIABILITIES:</u>			
Accounts payable	62,657	998,994	1,061,651
Accrued wages	33,565	17,091	50,656
Customer deposits	8,107	58,489	66,596
Unearned revenue	49,421	-	49,421
Prepaid capacity fees	-	9,914,763	9,914,763
Noncurrent Liabilities:			
Due within one year	274,091	421,934	696,025
Due after one year	<u>4,121,708</u>	<u>6,437,546</u>	<u>10,559,254</u>
TOTAL LIABILITIES	<u>4,549,549</u>	<u>17,848,817</u>	<u>22,398,366</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred inflows related to pensions	<u>65,871</u>	<u>61,460</u>	<u>127,331</u>
<u>Commitments and Contingencies</u>			
<u>NET POSITION:</u>			
Net investment in capital assets	2,788,351	21,096,470	23,884,821
Restricted for capital improvements	2,700,846	-	2,700,846
Unrestricted	<u>(1,454,541)</u>	<u>(454,081)</u>	<u>(1,908,622)</u>
TOTAL NET POSITION	<u>\$ 4,034,656</u>	<u>\$ 20,642,389</u>	<u>\$ 24,677,045</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, 2018**

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General fund	\$ 931,469	\$ 3,583	\$ -	\$ (927,886)	\$ -	\$ (927,886)
Fire protection	667,467	-	249,316	(418,151)	-	(418,151)
Parks and recreation	455,534	273,533	136,697	(45,304)	-	(45,304)
Street lights	38,522	-	-	(38,522)	-	(38,522)
Total Governmental Activities	2,092,992	277,116	386,013	(1,429,863)	-	(1,429,863)
Business-Type Activities:						
Water	1,439,799	2,017,791	358,274	-	936,266	936,266
Sewer	1,391,515	1,587,415	1,139,746	-	1,335,646	1,335,646
Drainage	17,286	8,699	-	-	(8,587)	(8,587)
Solid waste	25,885	139,202	-	-	113,317	113,317
Interest on long-term liabilities	180,135	-	-	-	(180,135)	(180,135)
Total Business-Type Activities	3,054,620	3,753,107	1,498,020	-	2,196,507	2,196,507
Total Activities	\$ 5,147,612	\$ 4,030,223	\$ 1,884,033	(1,429,863)	2,196,507	766,644
General Revenues:						
Taxes and assessments				1,121,251	-	1,121,251
Interest income				34,250	105,015	139,265
Other income				245,040	213,393	458,433
Total General Revenues				1,400,541	318,408	1,718,949
Transfers				926,572	(926,572)	-
Total General Revenues and Transfers				2,327,113	(608,164)	1,718,949
Changes in Net Position				897,250	1,588,343	2,485,593
Net Position at Beginning of Year, as Restated				3,137,406	19,054,046	22,191,452
NET POSITION AT END OF YEAR				\$ 4,034,656	\$ 20,642,389	\$ 24,677,045

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	ASSETS				
	<u>General Fund</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>					
Cash and cash equivalents	\$ 246,306	\$ 3,071,365	\$ 1,218,677	\$ 47,986	\$ 4,584,334
Accounts receivable	-	17,339	4,577	186	22,102
Accrued interest receivable	392	16,907	6,381	283	23,963
Total Assets	<u>\$ 246,698</u>	<u>\$ 3,105,611</u>	<u>\$ 1,229,635</u>	<u>\$ 48,455</u>	<u>\$ 4,630,399</u>
LIABILITIES AND FUND BALANCES					
<u>Liabilities:</u>					
Accounts payable	\$ 8,770	\$ 46,376	\$ 3,856	\$ 3,655	\$ 62,657
Accrued wages	17,366	11,658	4,541	-	33,565
Customer deposits	1,000	3,807	3,300	-	8,107
Unearned revenue	73	-	49,348	-	49,421
Total Liabilities	<u>27,209</u>	<u>61,841</u>	<u>61,045</u>	<u>3,655</u>	<u>153,750</u>
<u>Fund Balances:</u>					
Unassigned	<u>219,489</u>	<u>3,043,770</u>	<u>1,168,590</u>	<u>44,800</u>	<u>4,476,649</u>
Total Fund Balances	<u>219,489</u>	<u>3,043,770</u>	<u>1,168,590</u>	<u>44,800</u>	<u>4,476,649</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 246,698</u>	<u>\$ 3,105,611</u>	<u>\$ 1,229,635</u>	<u>\$ 48,455</u>	<u>\$ 4,630,399</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 STATEMENT OF NET POSITION
JUNE 30, 2018**

Total fund balances - Governmental funds \$ 4,476,649

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>2,154,922</u>	
Total Capital Assets, Net		2,788,351

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	(51,532)	
Net OPEB Liability	(3,088,292)	
Net pension liability	<u>(1,255,975)</u>	
Total Long-Term Liabilities		(4,395,799)

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 - OPEB	800,053	
Deferred Outflows - Pension	289,606	
Deferred contributions - Pension	141,667	
Deferred inflows related to pensions	<u>(65,871)</u>	
Total		<u>1,165,455</u>

Total Net Position - Governmental Activities \$ 4,034,656

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, 2018

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Total Governmental Funds
Revenues:					
Taxes and assessments	\$ -	\$ 806,054	\$ 294,626	\$ 20,571	\$ 1,121,251
Contributions	-	249,316	136,697	-	386,013
Other income	3,346	174,729	66,965	-	245,040
Program fees	-	-	240,755	-	240,755
Rental income	3,583	-	32,778	-	36,361
Interest income	599	24,254	8,996	401	34,250
Total Revenues	<u>7,528</u>	<u>1,254,353</u>	<u>780,817</u>	<u>20,972</u>	<u>2,063,670</u>
Expenditures:					
Current:					
Employee benefits	210,855	516,617	351,846	-	1,079,318
Salaries and wages	468,469	396,177	181,079	-	1,045,725
Program expense	-	-	101,558	-	101,558
Professional fees	96,415	1,230	780	-	98,425
Payroll taxes	36,396	33,658	15,762	-	85,816
Other	22,699	52,254	6,517	-	81,470
Utilities	10,175	11,083	17,925	32,789	71,972
Supplies	13,238	40,342	9,588	-	63,168
Insurance	52,390	-	-	-	52,390
Purchased services	26,257	4,989	5,130	233	36,609
Vehicle operation	3,494	28,880	4,197	-	36,571
Dues and fees	28,007	3,050	1,597	-	32,654
Legal fees	12,033	9,994	750	-	22,777
Worker's compensation	3,062	15,088	3,507	-	21,657
Directors	21,450	-	-	-	21,450
Repairs and maintenance	5,220	4,665	6,514	-	16,399
Education	5,165	3,721	592	-	9,478
Travel	1,300	2,272	2,240	-	5,812
Postage	1,485	-	-	-	1,485
Capital outlay	-	-	27,930	-	27,930
Total Expenditures	<u>1,018,110</u>	<u>1,124,020</u>	<u>737,512</u>	<u>33,022</u>	<u>2,912,664</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,010,582)</u>	<u>130,333</u>	<u>43,305</u>	<u>(12,050)</u>	<u>(848,994)</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, 2018**

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lights</u>	<u>Total Governmental Funds</u>
<u>Other Financing Sources</u>					
<u>(Uses):</u>					
Transfers in	\$ 1,165,498	\$ -	\$ -	\$ -	\$ 1,165,498
Transfers out	<u>-</u>	<u>(116,549)</u>	<u>(122,377)</u>	<u>-</u>	<u>(238,926)</u>
Total Other Financing Sources and (Uses)	<u>1,165,498</u>	<u>(116,549)</u>	<u>(122,377)</u>	<u>-</u>	<u>926,572</u>
Net Change in Fund Balances	154,916	13,784	(79,072)	(12,050)	77,578
Fund Balances at Beginning of Year (As Restated)	<u>64,573</u>	<u>3,029,986</u>	<u>1,247,662</u>	<u>56,850</u>	<u>4,399,071</u>
FUND BALANCES AT END OF YEAR	<u>\$ 219,489</u>	<u>\$ 3,043,770</u>	<u>\$ 1,168,590</u>	<u>\$ 44,800</u>	<u>\$ 4,476,649</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, 2018**

Total net change in fund balances - Governmental funds	\$	77,578
Amounts reported for governmental activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to depreciation expense is greater than capital outlay.		(161,803)
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 \$10,173.		(10,173)
In the statement of activities, net OPEB liability 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 liability earned was less than the amount used by \$224,558.		224,558
Deferred outflows related to OPEB contributions are not recognized in the governmental funds. The change in deferred outflows - OPEB is reflected in employee benefits expense in the statement of activities, but not the statement of revenues, expenses and changes in fund balances. The change in deferred outflows - OPEB totaled \$800,053.		800,053
Deferred outflows related to pensions are not recognized in the governmental funds. The change in deferred outflows pension 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 - pension totaled \$86,803.		86,803
Deferred outflows related to pension contributions are not recognized in the governmental funds. The change in deferred contributions - pension 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 contributions - pension totaled \$9,462.		9,462
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 \$56,430.		56,430
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 (\$185,658).		<u>(185,658)</u>
Changes in Net Position - Governmental Activities	\$	<u><u>897,250</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, 2018

ASSETS	Water	Sewer	Drainage	Solid Waste	Eliminations	Total
Current Assets:						
Cash and cash equivalents	\$ 8,922,145	\$ 2,180,802	\$ 132,480	\$ 549,380	\$ -	\$ 11,784,807
Accounts receivable	268,555	182,579	939	23,871	-	475,944
Accrued interest receivable	60,289	9,934	664	2,996	(9,653)	64,230
Inventory	32,373	-	-	-	-	32,373
Total Current Assets	<u>9,283,362</u>	<u>2,373,315</u>	<u>134,083</u>	<u>576,247</u>	<u>(9,653)</u>	<u>12,357,354</u>
Noncurrent Assets:						
Capital Assets:						
Land and other non-depreciable capital assets	8,616,980	3,400,606	149,401	-	-	12,166,987
Plant and equipment, net of accumulated depreciation	5,210,102	7,744,320	158,510	-	-	13,112,932
Total Capital Assets	<u>13,827,082</u>	<u>11,144,926</u>	<u>307,911</u>	<u>-</u>	<u>-</u>	<u>25,279,919</u>
Other Noncurrent Assets:						
Interfund loan	1,287,044	-	-	-	(1,287,044)	-
Total Other Noncurrent Assets	<u>1,287,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,287,044)</u>	<u>-</u>
Total Noncurrent Assets	<u>15,114,126</u>	<u>11,144,926</u>	<u>307,911</u>	<u>-</u>	<u>(1,287,044)</u>	<u>25,279,919</u>
TOTAL ASSETS	<u>24,397,488</u>	<u>13,518,241</u>	<u>441,994</u>	<u>576,247</u>	<u>(1,296,697)</u>	<u>37,637,273</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflows related to OPEB contributions	577,949	19,831	1,849	30,858	-	630,487
Deferred outflows related to pension contributions	53,281	29,105	1,418	1,506	-	85,310
Deferred outflows related to pension	125,351	70,995	2,524	726	-	199,596
Total Deferred Outflows	<u>756,581</u>	<u>119,931</u>	<u>5,791</u>	<u>33,090</u>	<u>-</u>	<u>915,393</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	90,437	908,221	15	321	-	998,994
Accrued wages	11,094	5,621	92	284	-	17,091
Customer deposits	36,857	21,632	-	-	-	58,489
Accrued interest payable	48,163	14,166	-	-	(9,653)	52,676
Prepaid capacity fees	7,548,264	2,366,499	-	-	-	9,914,763
Compensated absences	8,525	3,671	-	-	-	12,196
Loans payable	90,000	125,224	-	-	-	215,224
Net OPEB liability	39,566	22,888	1,805	445	-	64,704
Net pension liability	50,229	25,565	1,023	317	-	77,134
Total Current Liabilities	<u>7,923,135</u>	<u>3,493,487</u>	<u>2,935</u>	<u>1,367</u>	<u>(9,653)</u>	<u>11,411,271</u>
Noncurrent Liabilities:						
Compensated absences	12,362	5,298	-	-	-	17,660
Loans payable	3,520,000	395,549	-	-	-	3,915,549
Net OPEB liability	1,128,412	571,138	2,482	63,938	-	1,765,970
Net pension liability	473,777	242,567	3,428	18,595	-	738,367
Interfund loan	-	1,287,044	-	-	(1,287,044)	-
Total Noncurrent Liabilities	<u>5,134,551</u>	<u>2,501,596</u>	<u>5,910</u>	<u>82,533</u>	<u>(1,287,044)</u>	<u>6,437,546</u>
TOTAL LIABILITIES	<u>13,057,686</u>	<u>5,995,083</u>	<u>8,845</u>	<u>83,900</u>	<u>(1,296,697)</u>	<u>17,848,817</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows related to pensions	39,185	20,495	496	1,284	-	61,460
NET POSITION:						
Net investment in capital assets	10,168,919	10,609,987	307,911	-	-	21,086,817
Unrestricted	1,888,279	(2,987,393)	130,533	524,153	-	(444,428)
TOTAL NET POSITION	<u>\$ 12,057,198</u>	<u>\$ 7,622,594</u>	<u>\$ 438,444</u>	<u>\$ 524,153</u>	<u>\$ -</u>	<u>\$ 20,642,389</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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Solid Waste</u>	<u>Eliminations</u>	<u>Total</u>
<u>Operating Revenues:</u>						
Charges for services	\$ 2,017,791	\$ 1,587,415	\$ 8,699	\$ -	\$ -	\$ 3,613,905
Franchise fees	-	-	-	139,202	-	139,202
Total Operating Revenues	<u>2,017,791</u>	<u>1,587,415</u>	<u>8,699</u>	<u>139,202</u>	<u>-</u>	<u>3,753,107</u>
<u>Operating Expenses:</u>						
Depreciation	326,691	355,723	10,150	-	-	692,564
Treatment and disposal	-	634,688	-	-	-	634,688
Salaries and wages	300,329	173,737	3,376	13,698	-	491,140
Utilities	163,401	56,330	-	-	-	219,731
Legal fees	142,926	4,138	-	669	-	147,733
Repairs and maintenance	117,579	30,094	-	-	30,094	147,673
Professional fees	116,959	12,519	-	-	-	129,478
Employee benefits	67,422	35,769	1,910	905	-	106,006
Nacimeinto Operations	56,795	-	-	-	-	56,795
Other	29,308	7,482	-	7,573	-	44,363
Dues and fees	32,675	6,760	1,423	-	-	40,858
Payroll taxes	23,697	13,801	267	1,163	-	38,928
Water analysis	9,530	21,104	-	-	-	30,634
Purchased services	15,275	5,793	46	1,631	-	22,745
Vehicle operation	13,321	6,028	-	-	-	19,349
Supplies	11,670	5,652	-	213	-	17,535
Interceptor maintenance	-	14,950	-	-	-	14,950
Worker's compensation	8,080	5,126	114	33	-	13,353
Education	2,624	1,176	-	-	-	3,800
Travel	1,517	645	-	-	-	2,162
Total Operating Expenses	<u>1,439,799</u>	<u>1,391,515</u>	<u>17,286</u>	<u>25,885</u>	<u>-</u>	<u>2,874,485</u>
Operating Income (Loss)	<u>577,992</u>	<u>195,900</u>	<u>(8,587)</u>	<u>113,317</u>	<u>-</u>	<u>878,622</u>
<u>Nonoperating Revenues (Expenses):</u>						
Lease revenue	129,224	-	-	-	-	129,224
Other income	68,071	16,098	-	-	-	84,169
Investment income	97,594	11,781	942	4,351	(9,653)	105,015
Interest expense	(164,479)	(25,309)	-	-	9,653	(180,135)
Total Nonoperating Revenues (Expenses)	<u>130,410</u>	<u>2,570</u>	<u>942</u>	<u>4,351</u>	<u>-</u>	<u>138,273</u>
Income Before Transfers and Capital Contributions	<u>708,402</u>	<u>198,470</u>	<u>(7,645)</u>	<u>117,668</u>	<u>-</u>	<u>1,016,895</u>
<u>Transfers and Capital Contributions:</u>						
Transfers out	(512,819)	(349,650)	(5,828)	(58,275)	-	(926,572)
Capital contributions	358,274	1,139,746	-	-	-	1,498,020
Treated water sales	(90,494)	90,494	-	-	-	-
Total Transfers and Capital Contributions	<u>(245,039)</u>	<u>880,590</u>	<u>(5,828)</u>	<u>(58,275)</u>	<u>-</u>	<u>571,448</u>
Change in Net Position	463,363	1,079,060	(13,473)	59,393	-	1,588,343
Net Position at Beginning of Year (As Restated)	<u>11,593,835</u>	<u>6,543,534</u>	<u>451,917</u>	<u>464,760</u>	<u>-</u>	<u>19,054,046</u>
NET POSITION AT END OF YEAR	<u>\$ 12,057,198</u>	<u>\$ 7,622,594</u>	<u>\$ 438,444</u>	<u>\$ 524,153</u>	<u>\$ -</u>	<u>\$ 20,642,389</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, 2018**

	<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	\$ 2,001,318	\$ 1,568,092	\$ 8,696	\$ 129,227	\$ 3,707,333
Cash payments to suppliers for goods and services	(2,027,808)	(524,394)	(11,526)	(100,104)	(2,663,832)
Cash payments to employees for services	(296,670)	(172,167)	(3,284)	(17,537)	(489,658)
Net Cash Provided by (Used in) Operating Activities	<u>(323,160)</u>	<u>871,531</u>	<u>(6,114)</u>	<u>11,586</u>	<u>553,843</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>					
Receipts from other income	197,295	16,098	-	-	213,393
Net Cash Provided by Noncapital and Related Financing Activities	<u>197,295</u>	<u>16,098</u>	<u>-</u>	<u>-</u>	<u>213,393</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(150,699)	(1,226,587)	-	-	(1,377,286)
Principal paid on loans payable	(82,000)	(122,051)	-	-	(204,051)
Interest paid on loans payable	(173,005)	(16,714)	-	-	(189,719)
Receipts from contributed capital	883,542	340,083	-	-	1,223,625
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>477,838</u>	<u>(1,025,269)</u>	<u>-</u>	<u>-</u>	<u>(547,431)</u>
<u>Cash Flows From Investing Activities:</u>					
Interfund loan	(1,287,044)	1,287,044	-	-	-
Investment income	69,744	5,585	711	3,144	79,184
Net Cash Provided by (Used in) Investing Activities	<u>(1,217,300)</u>	<u>1,292,629</u>	<u>711</u>	<u>3,144</u>	<u>79,184</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(865,327)	1,154,989	(5,403)	14,730	298,989
Cash and Cash Equivalents at Beginning of Year	<u>9,787,472</u>	<u>1,025,813</u>	<u>137,883</u>	<u>534,650</u>	<u>11,485,818</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,922,145</u>	<u>\$ 2,180,802</u>	<u>\$ 132,480</u>	<u>\$ 549,380</u>	<u>\$ 11,784,807</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, 2018**

	Water	Sewer	Drainage	Solid Waste	Total
<u>Reconciliation of Operating Income (Loss)</u>					
<u>to Net Cash Provided by</u>					
<u>(Used in) Operating Activities:</u>					
Operating income (loss)	\$ 577,992	\$ 195,900	\$ (8,587)	\$ 113,317	\$ 878,622
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	326,691	355,723	10,150	-	692,564
Transfers	(603,313)	(259,156)	(5,828)	(58,275)	(926,572)
(Increase) Decrease in:					
Accounts receivable	(16,473)	(19,323)	(3)	(9,975)	(45,774)
Inventory	(4,322)	-	-	-	(4,322)
Deferred outflows	(706,352)	(42,032)	(5,474)	(32,067)	(785,925)
Increase (Decrease) in:					
Accounts payable	17,518	642,294	(89)	286	660,009
Accrued wages	253	87	92	(292)	140
Customer deposits	(2,064)	1,388	-	-	(676)
Compensated absences	3,406	1,483	-	-	4,889
Net OPEB liability	(77,773)	(44,991)	(874)	(3,547)	(127,185)
Net pension liability	81,405	46,341	3,186	2,698	133,630
Deferred inflows related to pensions	79,872	(6,183)	1,313	(559)	74,443
Net Cash Provided by (Used in) Operating Activities	\$ (323,160)	\$ 871,531	\$ (6,114)	\$ 11,586	\$ 553,843
 <u>Noncash Investing, Capital and Financing Activities:</u>					
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 basis of accounting and the economic resource measurement focus, 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, 2018

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, 2018

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

Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Method of Accounting

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

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

Accrual

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

Modified Accrual

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

Estimates

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Significant Accounting Policies (Continued)

Revenue Recognition

The District recognizes revenue from user fees, service charges, program fees and rental fees as they are earned. The District has recorded unearned revenue for soccer registrations totaling \$49,348 at June 30, 2018.

Investments

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

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivables. Management believes that all accounts receivable were fully collectible, therefore, no allowance for doubtful accounts receivable was recorded at June 30, 2018.

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, 2018, 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, 2018

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 years are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

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

Depreciation aggregated \$882,297 for the year ended June 30, 2018.

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, 2018.

Compensated Absences

Accumulated unpaid vacation totaling \$81,388 at June 30, 2018, 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.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

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

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Fire and park facility fees are collected for new development. Restricted fire protection and park and recreation fund balances related to facility fees totaled \$2,081,812 and \$619,034 at June 30, 2018, 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, 2018, 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, 2018**

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 \$1,000 deductible per occurrence.

Workers' Compensation Coverage and Employer's Liability - Includes statutory limits per occurrence for workers' compensation and \$5.0 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Templeton Community Services District Other Postemployment Benefits Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District has assets designated for OPEB that are invested in California Employers' Retiree Benefit Trust (CERBT) Strategy 2 which are reported at fair value as reported to the District by CERBT. However, the District's first contribution was not made until after the current measurement date of June 30, 2017.

Generally accepted accounting principles require that the reported results must pertain to the liability and fiduciary net position information within certain defined time frames. For this report, the following time frames are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Significant Accounting Policies (Continued)

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.

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, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

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, 2018**

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

Significant Accounting Policies (Continued)

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, consisted of general fund transfers from the following:

Water	\$ 512,819
Sewer	349,650
Parks and recreation	122,377
Fire protection	116,549
Solid waste	58,275
Drainage	5,828
Total	<u>\$ 1,165,498</u>

Economic Dependency

The District extracts approximately 47% of its water supply from the underflow of the Salinas River, 8% from reclaimed water from the Selby Ponds, 37% from groundwater wells located in the Atascadero sub basin, and 8% from Nacimiento recharge. Interruption of these sources would impact the District negatively.

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 16, 2018, the date the financial statements were available to be issued.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018**

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, 2018:

	Maturity in Years		
	Less Than 1 Year	1 - 5 Years	Total
California Local Agency Investment Fund (LAIF)	\$ 9,490,593	\$ -	\$ 9,490,593
Negotiable certificates of deposit	248,938	4,862,978	5,111,916
Deposits with financial institutions	1,766,632	-	1,766,632
Total Cash and Investments	\$ 11,506,163	\$ 4,862,978	\$ 16,369,141
Financial Statement Classification:			
Cash and Cash Equivalents			\$ 16,369,141

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity at June 30, 2018.

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, 2018

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, 2018, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2018, 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, 2018

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

Governmental Activities:				
	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
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	1,193,711	27,930	(13,733)	1,207,908
Vehicles	812,441	-	-	812,441
Total	<u>5,352,522</u>	<u>27,930</u>	<u>(13,733)</u>	<u>5,366,719</u>
Less: Accumulated depreciation	<u>(3,035,797)</u>	<u>(189,733)</u>	<u>13,733</u>	<u>(3,211,797)</u>
Total Capital Assets Being Depreciated	<u>\$ 2,316,725</u>	<u>\$ (161,803)</u>	<u>\$ -</u>	<u>\$ 2,154,922</u>
Business-Type Activities:				
	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 3,602,720	\$ -	\$ -	\$ 3,602,720
Water delivery entitlement	6,764,312	-	(30,000)	6,734,312
Construction in progress	582,923	1,247,032	-	1,829,955
Total Capital Assets Not Being Depreciated	<u>\$ 10,949,955</u>	<u>\$ 1,247,032</u>	<u>\$ (30,000)</u>	<u>\$ 12,166,987</u>
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 26,326,138	\$ 25,943	\$ -	\$ 26,352,081
Equipment	1,390,607	94,765	-	1,485,372
Vehicles	334,614	9,546	-	344,160
Total	<u>28,051,359</u>	<u>130,254</u>	<u>-</u>	<u>28,181,613</u>
Less: Accumulated depreciation	<u>(14,376,117)</u>	<u>(692,564)</u>	<u>-</u>	<u>(15,068,681)</u>
Total Capital Assets Being Depreciated	<u>\$ 13,675,242</u>	<u>\$ (562,310)</u>	<u>\$ -</u>	<u>\$ 13,112,932</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 4 -Noncurrent Liabilities:

Noncurrent liabilities consists of the following at June 30:

	Balance at June 30, 2017 <u>(As Restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance at June 30, 2018	Payable Within One Year	Payable After One Year
Governmental Activities:						
Compensated absences (Note 1)	\$ 41,359	\$ 51,532	\$ (41,359)	\$ 51,532	\$ 27,647	\$ 23,885
Net OPEB liability (Note 6)	3,312,850	229,524	(454,082)	3,088,292	114,239	2,974,053
Net pension liability (Note 7)	<u>1,070,317</u>	<u>356,966</u>	<u>(171,308)</u>	<u>1,255,975</u>	<u>132,205</u>	<u>1,123,770</u>
Total	<u>\$ 4,424,526</u>	<u>\$ 638,022</u>	<u>\$ (666,749)</u>	<u>\$ 4,395,799</u>	<u>\$ 274,091</u>	<u>\$ 4,121,708</u>
Business-Type Activities:						
Accrued interest payable	\$ 62,260	\$ 180,135	\$ (189,719)	\$ 52,676	\$ 52,676	\$ -
Compensated absences (Note 1)	24,967	29,856	(24,967)	29,856	12,196	17,660
Loans payable	4,364,824	-	(234,051)	4,130,773	215,224	3,915,549
Net OPEB liability (Note 6)	1,957,860	130,000	(257,186)	1,830,674	64,704	1,765,970
Net pension liability (Note 7)	<u>681,871</u>	<u>246,825</u>	<u>(113,195)</u>	<u>815,501</u>	<u>77,134</u>	<u>738,367</u>
Total	<u>\$ 7,091,782</u>	<u>\$ 586,816</u>	<u>\$ (819,118)</u>	<u>\$ 6,859,480</u>	<u>\$ 421,934</u>	<u>\$ 6,437,546</u>

Loans payable consist of the following at June 30, 2018:

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 \$4,513 at June 30, 2018.

\$ 520,773

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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. The San Luis Obispo County Flood Control and Water Conservation District has refinanced its debt related to the project and revised its cost allocation on more than one occasion resulting in a \$469,475 reduction in the District's share of the project's cost and a revised debt service schedule. Under the most recently revised debt service schedule the loan accrues interest between 3% and 5% with semiannual payments of interest and principal through 2041 as set forth in the contract. Accrued interest totaled \$48,163 at June 30, 2018.

Total Loans Payable.

	\$ 3,610,000
	\$ 4,130,773

Debt service requirements on loans payable at June 30, 2018 are as follows:

Business-Type Activities

Year Ended June 30	Loans Payable	
	Principal	Interest
2019	\$ 215,224	\$ 183,080
2020	223,480	182,266
2021	231,821	174,014
2022	240,248	165,498
2023	110,000	156,606
2024 - 2028	630,000	694,981
2029 - 2033	790,000	537,884
2034 - 2038	990,000	339,581
2039 - 2043	700,000	74,700
	\$ 4,130,773	\$ 2,508,610

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

Balance at Beginning of Year, as Restated (Note 10)	\$ 10,189,158
Add: Capacity fees received	1,223,625
Less: Water and sewer connections	(1,498,020)
Balance at End of Year	\$ 9,914,763

Note 6 - Other Postemployment Benefits:

General Information About the OPEB Plan

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

Benefits Provided - The OPEB plan 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).

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	\$ 10
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	16
Total	\$ 26

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 Board of Directors had previously established a policy of funding the Annual Required Contribution (ARC) on a pay as you go basis, under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. However, the District made a contribution to CERBT in the current year, but after the current measurement date of June 30, 2017.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6 - Other Postemployment Benefits: (Continued)

General Information About the OPEB Plan (Continued)

Net OPEB Liability - The District has elected to use the “Lookback” method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. The measurement date (when assets and liabilities are measured) is June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.7 percent
Salary Increases	Based on assumptions for Public Agency Miscellaneous and Fire Members used in the June 2016 CalPERS Actuarial Valuation.
Investment Rate of Return	N/A
Healthcare Cost Trend Rates	6.80 percent for 2018, gradually decreasing over several decades to an ultimate rate of 4.40% in fiscal year 2075 and later years. In addition, the medical trend rates above were increased to reflect the projected effect of the Affordable Care Act’s Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.36% beginning calendar year 2029 for plans other than Medicare plans.

Mortality rates were based on the RP-2014 headcount - weighted table as appropriate adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

The assumptions used in this report are based on the Alternative Measure Method assumptions outlined in Paragraph 33 of GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”.

The expected rate of return on plan assets was not applicable. The District has assets designated for OPEB that are invested in California Employers’ Benefit Trust Strategy 2, however their first contribution was not made until after the current measurement date.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The District has historically funded its retiree health insurance on the “pay as you go” method. Per the Templeton Community Services District strategic financial policies, beginning in fiscal year 2016-17 the budget calls for each fund to contribute 1% of its respective net OPEB liability to CERBT while continuing to fund current retiree benefits. The contribution rate will be increased 1% each year up to a maximum of 10% until such time as the net OPEB liability is 100% funded.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6 - Other Postemployment Benefits: (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 5,270,710	\$ -	\$ 5,270,710
Changes for the Year:			
Service cost	202,325	-	202,325
Interest	157,200	-	157,200
Change in assumptions	(532,326)	-	(532,326)
Contributions - employer	-	178,943	(178,943)
Benefit payments	(178,943)	(178,943)	-
Net Changes	(351,744)	-	(351,744)
Balance at June 30, 2018	<u>\$ 4,918,966</u>	<u>\$ -</u>	<u>\$ 4,918,966</u>

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	<u>\$ 5,791,193</u>	<u>\$ 4,918,966</u>	<u>\$ 4,237,547</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.5 percent decreasing to 4.5 percent) or 1-percentage-point-high (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1% Decrease (7.8% Decreasing to 3.40%)	Healthcare Cost Trend Rates (6.80% Decreasing to 4.40%)	1% Increase (7.80% Decreasing to 5.40)
Net OPEB liability	<u>\$ 4,255,731</u>	<u>\$ 4,918,966</u>	<u>\$ 5,798,533</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6 - Other Postemployment Benefits: (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report of the California Public Employees’ Retirement System’s California Employers’ Retirement Benefit Trust Agent Multiple-Employer of the Postemployment Benefits Plan.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense/(benefit) of \$(172,801). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ N/A	\$ N/A
Changes of assumptions	N/A	N/A
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions between measurement date and reporting date	1,430,540	-
Total	\$ 1,430,540	\$ -

The Alternative Measurement Method only allows amortization of investment gains and losses. All other gains and losses due to experience and assumption changes are recognized immediately in the annual OPEB expenses.

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

Years Ended June 30		
2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		-
Total	\$	-

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$-0- for the outstanding amount of contributions to the OPEB Plan required for the year ended June 30, 2018.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, 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	12.698%	9.539%	6.533%

	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	19.723%	16.842%	11.990%

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 7 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plans (Continued)

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, 2017 (measurement date), the active employee contribution rate in the miscellaneous plan for employees hired prior to January 1, 2013 is 8.0% of annual payroll, and the employer's contribution rate is 12.698% 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 6.533% of annual payroll. The active employee contribution rate in the safety plan for employees hired prior to January 1, 2013 is 9% of annual payroll and the employer's contribution rate 19.723% 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 11.990% 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, 2018 were as follows:

	<u>Miscellaneous</u>
Contributions - Employer	\$ 179,408
Contributions - Employee (Paid by Employer)	\$ -
	<u>Safety</u>
Contributions - Employer	\$ 47,569
Contributions - Employee (Paid by Employer)	\$ -

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 7 - Defined Benefit Pension Plan: (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial valuation. The June 30, 2017 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	7.15%
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, 2016 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 7.65 as of the June 30, 2016 measurement date to 7.15 percent as of the June 30, 2017 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% 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, 2018**

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>Net Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11+</u>
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Inflation Assets	6.00%	0.60%	1.39%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
	<u>100.00%</u>		

Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2016	\$ 8,915,362	\$ 7,163,174	\$ 1,752,188
Balance at June 20, 2017	9,690,787	7,619,311	2,071,476
Net Changes During 2016 - 2017	<u>\$ 775,425</u>	<u>\$ 456,137</u>	<u>\$ 319,288</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2017 and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2016	0.043534%	0.004632%
Proportion - June 30, 2017	0.045310%	0.004775%
Change - Increase (Decrease)	0.001776%	0.000143%

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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Current Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	\$ 3,407,786	\$ 2,071,476	\$ 966,863

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, 2018**

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 (EARS� 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 EARS� of members provided with pensions through the Plan. The EARS� for the Plan for the June 30, 2015 measurement date is 3.7 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2018, the District recognized a pension expense of \$(393,190) for the Plan. As of June 30, 2018, 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	\$ 226,977	\$ -
Differences between actual contributions made and proportionate share of contributions	-	93,348
Differences between expected and actual experience	-	33,983
Changes of assumptions	374,334	-
Net difference between projected and actual earnings on pension plan investments	91,166	-
Adjustment due to difference in proportions	23,702	-
Total	<u>\$ 716,179</u>	<u>\$ 127,331</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 7 - Defined Benefit Pension Plan: (Continued)

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

The \$226,977 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, 2018. 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
2019	\$ 55,976
2020	221,996
2021	137,908
2022	(54,009)
Total	\$ 361,871

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, 2018, the total unpaid amount on these contracts is approximately \$4,625,972.

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.

Installment Sale Agreement

In December 2017, the District entered into the Construction Installment Sale Agreement Upper Salinas River Basin Conjunctive Use Project with the California State Water Resources Control Board. The East Side Force Main and lift stations along with the West Side Lift Station Upgrade will redirect 220,000 gallons of wastewater to the Meadowbrook Wastewater Treatment Plant for treatment. The estimated cost of the project including planning and design is \$8,793,860. Subject to the terms of the Installment Sale Agreement, the State Water Board has agreed to provide Project Funds up to \$3,646,504, with a portion of this amount (\$1,440,134) anticipated to be forgiven, contingent on the District's performance of its obligation under this agreement. Interest will accrue beginning with each disbursement at 1.8%. Beginning one year after completion of construction, repayment of principle and all accrued interest shall be repaid annually and shall be fully amortized by December 31, 2048. No funds had been disbursed under the Installment Sale Agreement at June 30, 2018.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9 - New Governmental Accounting Standards:

GASB No. 75

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

GASB No. 81

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

GASB No. 82

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

GASB No. 83

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

GASB No. 84

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 85

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 “Omnibus 2017”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 86

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

GASB No. 87

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

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. 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.

Note 10 - Net Position:

Change in Accounting Principle

Effective July 1, 2017, the District changed its method of accounting for other postemployment benefits other than pensions and the related OPEB expense as well any deferred inflows and deferred outflows of resources in order to conform with Governmental Accounting Standards Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”.

This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 10 - Net Position: (Continued)

Prior Period Adjustment

Certain adjustments resulting in an increase in net position were made during the current year. The following is a detail of the items directly affecting net position at June 30, 2017:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Change in accounting principle	\$ (1,667,461)	\$ (985,451)	\$ (2,652,912)
Decrease in prepaid capacity fees	-	680,125	680,125
Net position at beginning of year as originally stated	<u>4,804,867</u>	<u>19,359,372</u>	<u>24,164,239</u>
Net Position at Beginning of Year as Restated	<u>\$ 3,137,406</u>	<u>\$ 19,054,046</u>	<u>\$ 22,191,452</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<u>Revenues:</u>				
Income	\$ 8,300	\$ 8,300	\$ 7,528	\$ (772)
Total Revenues	8,300	8,300	7,528	(772)
<u>Expenditures:</u>				
Salaries and wages	460,051	460,051	468,469	8,418
Employee benefits	192,902	192,902	210,855	17,953
Insurance	48,000	48,000	52,390	4,390
Payroll taxes	36,664	36,664	36,396	(268)
Worker's compensation	2,987	2,987	3,062	75
Supplies	10,000	10,000	13,238	3,238
Purchased services	17,938	17,938	26,257	8,319
Professional fees	89,515	89,515	96,415	6,900
Utilities	9,804	9,804	10,175	371
Directors	21,000	21,000	21,450	450
Dues and fees	50,004	50,004	28,007	(21,997)
Postage	1,000	1,000	1,485	485
Legal fees	10,000	10,000	12,033	2,033
Other	34,870	34,870	22,699	(12,171)
Travel	2,700	2,700	1,300	(1,400)
Repairs and maintenance	2,000	2,000	5,220	3,220
Education	6,300	6,300	5,165	(1,135)
Vehicle operation	1,000	1,000	3,494	2,494
Total Expenditures	996,735	996,735	1,018,110	21,375
Excess (Deficiency) of Revenues				
Over Expenditures	(988,435)	(988,435)	(1,010,582)	(22,147)
<u>Other Financing Sources:</u>				
Transfers in	1,165,498	1,165,498	1,165,498	-
Total Other Financing Sources	1,165,498	1,165,498	1,165,498	-
Net Change in Fund Balance	\$ 177,063	\$ 177,063	154,916	\$ (22,147)
Fund Balance at Beginning of Year			64,573	
FUND BALANCE AT END OF YEAR			\$ 219,489	

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS ***

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 202,325
Interest	157,200
Change of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(532,326)
Benefit payments	(178,943)
Net Change in Total OPEB Liability	<u>(351,744)</u>
Total OPEB Liability - Beginning	<u>5,270,710</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 4,918,966</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 178,943
Net investment income	-
Benefit payments	(178,943)
Administrative expense	-
Net Change in Plan Fiduciary Net Position	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ -</u></u>
District's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 4,918,966</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%
Covered-Employee Payroll	\$ 1,233,245
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	398.9%

Notes to Schedules:

In place of an actuarial valuation the total OPEB liability has been measured using the Alternative Measurement Method as described in GASB Statement 75 for plans with fewer than 100 employees (active and inactive) being provided benefits through the OPEB plan as of the beginning of the measurement period.

The District has elected to use the GASB 75 "Lookback" method where assets and liabilities are measured as of the prior fiscal year end, but applied to the current fiscal year.

The GASB 75 Alternative Measurement Method rules require that net OPEB liability changes resulting from demographic experience and assumption changes be recognized immediately in OPEB expense. There are no amortizations of deferred inflows/outflows for these two items. Only investment gains and losses are amortized in OPEB expense.

* Fiscal year 2018 was the first year of implementation. The District must eventually disclose a 10-year history of the schedule of changes in net OPEB liability and related ratios.

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN YEARS***

	<u>2018</u>
Actuarial Determined Contribution	\$ N/A
Contributions in Relation to the Actuarially Determined Contribution	N/A
Contribution Deficiency (Excess)	\$ <u>N/A</u>
Covered-Employee Payroll	\$ <u>N/A</u>
Contributions as a Percentage of Covered-Employee Payroll	N/A

Notes to Schedules:

Valuation Date:

The District does not have a formal funding policy and does not calculate an actuarial determined contribution.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.75 percent
Healthcare Cost Trend Rates	6.80 percent initial, decreasing an ultimate rate of 4.40 percent
Salary Increases	N/A
Investment Rate of Return	The District does not have a formal funding policy and does not calculate an actuarial determined contribution. The District uses the pay-as-you-go method under which contributions to the Plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF OPEB'S CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS ***

Notes to Schedules: (Continued)

Valuation Date: (Continued)

Retirement Age	Age 50 with 5 years of service for miscellaneous members entering before January 1, 2013 and all safety members. Age 52 with five years of service for miscellaneous members entering on or after January 1, 2013.
Mortality	The base RP-2014 headcount - weighted white collar table adjusted to 2006 for healthy mortality and the base RP-2014 headcount-weighted disabled mortality table adjusted to 2006 for disabled mortality. Generational projection using scale MP-2017 was applied to these base rates after 2006.

* Fiscal year 2018 was the first year of implementation. The District must eventually disclose a 10-year history of the contributing investment return, and payroll schedules.

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
Proportion of the Collective Net Pension Liability	0.025043%	0.0298650%	0.0291275%	0.024676%
Proportionate Share of the Collective Net Pension Liability	2,071,476	1,752,188	1,240,177	1,294,395
Covered-Employee Payroll	1,154,136	1,178,755	1,198,603	1,194,578
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	179.48%	149.61%	103.24%	119.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.17%	80.91%	85.78%	82.34%

Notes to Schedule:

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

Changes in Assumptions - The discount rate was changed from 7.65 percent as of the June 30, 2016 measurement date to 7.15 percent as of the June 30, 2017 measurement date.

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 20, 2018**

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

	Fiscal Year <u>2017 - 2018</u>	Fiscal Year <u>2016 - 2017</u>	Fiscal Year <u>2015 - 2016</u>	Fiscal Year <u>2014 - 2015</u>
Actuarial Determined Contribution	\$ 226,977	\$ 209,340	\$ 196,572	\$ 208,635
Contributions in Relation to the Actuarially Determined Contribution	<u>226,977</u>	<u>209,340</u>	<u>196,572</u>	<u>208,635</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 <u>\$ 1,243,046</u>	 <u>\$ 1,154,136</u>	 <u>\$ 1,178,755</u>	 <u>\$ 1,198,603</u>
 Contributions as a Percentage of Covered- Employee Payroll	 18.26%	 18.14%	 16.67%	 17.40%

Notes to Schedule:

Fiscal Year End	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

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

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