

**TEMPLETON COMMUNITY
SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2020**



Leaf & Cole, LLP
Certified Public Accountants

**TEMPLETON COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Independent Auditor's Report

To the Board of Directors
Templeton Community Services District

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, 2020, 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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information on pages 49 - 56 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Templeton Community Services District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of Templeton Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Templeton Community Services District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Templeton Community Services District's internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
December 1, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Templeton Community Services District ("District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which begin on page 9.

Financial Statements

This discussion and analysis provides an introduction and brief description of the District's financial statements including the relationship of the statements to each other and the significant difference in the information they provide. The District currently provides water, sewer, drainage, solid waste disposal, fire protection, street lights, park and recreation services and a community center and maintains its accounting records in accordance with generally accepted accounting principles.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- Governmental activities - Several of the District's basic services are reported here, including the general fund, fire protection, parks and recreation, and street lights. Taxes and assessments, program fees, rental, grant and interest income finance most of these activities.
- Business-type activities - The District charges a fee to customers to help cover all or most of the cost of certain services. 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 provided. 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 13.
- 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 \$31,170,942 a year ago to \$35,625,126 at June 30, 2020. 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	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Assets:</u>						
Current and other assets	\$ 6,488,106	\$ 5,303,443	\$ 14,812,119	\$ 11,132,192	\$ 21,300,225	\$ 16,435,635
Capital assets	1,849,238	2,638,792	30,059,154	30,407,824	31,908,392	33,046,616
Total Assets	<u>8,337,344</u>	<u>7,942,235</u>	<u>44,871,273</u>	<u>41,540,016</u>	<u>53,208,617</u>	<u>49,482,251</u>
<u>Deferred Outflows of Resources:</u>						
Actuarial deferred outflows related to contributions	<u>610,314</u>	<u>582,206</u>	<u>387,298</u>	<u>383,143</u>	<u>997,612</u>	<u>965,349</u>
<u>Liabilities:</u>						
Noncurrent liabilities	2,431,373	2,748,268	6,343,212	5,409,132	8,774,585	8,157,400
Other liabilities	200,641	149,828	9,392,816	10,849,704	9,593,457	10,999,532
Total Liabilities	<u>2,632,014</u>	<u>2,898,096</u>	<u>15,736,028</u>	<u>16,258,836</u>	<u>18,368,042</u>	<u>19,156,932</u>
<u>Deferred Inflows of Resources:</u>						
Actuarial deferred inflows related to contributions	<u>115,113</u>	<u>64,275</u>	<u>68,817</u>	<u>55,451</u>	<u>183,930</u>	<u>119,726</u>
<u>Net Position:</u>						
Net investment in capital assets	2,482,667	2,638,792	24,956,716	26,436,662	27,439,383	29,075,454
Restricted	3,415,998	3,146,204	58,869	-	3,474,867	3,146,204
Unrestricted	301,866	(222,926)	4,438,141	(827,790)	4,740,007	(1,050,716)
Total Net Position	<u>\$ 6,200,531</u>	<u>\$ 5,562,070</u>	<u>\$ 29,453,726</u>	<u>\$ 25,608,872</u>	<u>\$ 35,654,257</u>	<u>\$ 31,170,942</u>

Net position of the District's governmental activities increased \$638,461. The net position of our business-type activities increased by \$3,844,854. Business-type revenues exceeded expenses by more than \$4.8 million dollars and transferred in excess of \$990,000 to governmental activities. Total liabilities decreased by nearly \$790,000 as the District continued to pay down long-term debt, and make contributions to fund other postemployment benefits. However, the District did borrow an additional \$1,375,436 from the State Water Resources Control Board to help fund the upper Salinas River Basin Conjunction Use Project. The funding of the other postemployment benefits also resulted in a significant change in the actuarial assumptions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Fees and charges for services	\$ 301,589	\$ 341,705	\$ 5,080,672	\$ 4,272,768	\$ 5,382,261	\$ 4,614,473
Capital grants and contributions	223,548	397,756	2,281,213	4,724,490	2,504,761	5,122,246
General Revenues:						
Taxes and assessments	1,276,733	1,183,413	-	-	1,276,733	1,183,413
Interest income	119,197	125,170	346,041	307,891	465,238	433,061
Other income	67,137	97,553	179,151	191,095	246,288	288,648
Total Revenues	<u>1,988,204</u>	<u>2,145,597</u>	<u>7,887,077</u>	<u>9,496,244</u>	<u>9,875,281</u>	<u>11,641,841</u>
Expenses:						
General fund	968,021	588,377	-	-	968,021	588,377
Fire protection	782,457	555,736	-	-	782,457	555,736
Parks and recreation	562,840	359,573	-	-	562,840	359,573
Street lights	28,997	31,301	-	-	28,997	31,301
Water	-	-	1,411,826	1,302,558	1,411,826	1,302,558
Sewer	-	-	1,397,436	1,433,106	1,397,436	1,433,106
Drainage	-	-	14,244	12,499	14,244	12,499
Solid waste	-	-	23,490	14,044	23,490	14,044
Interest on long-term liabilities	-	-	202,655	170,625	202,655	170,625
Total Expenses	<u>2,342,315</u>	<u>1,534,987</u>	<u>3,049,651</u>	<u>2,932,832</u>	<u>5,391,966</u>	<u>4,467,819</u>
Change in Net Position Before Transfers	(354,111)	610,610	4,837,426	6,563,412	4,483,315	7,174,022
Transfers	<u>992,572</u>	<u>916,804</u>	<u>(992,572)</u>	<u>(916,804)</u>	<u>-</u>	<u>-</u>
Increase in Net Position	<u>\$ 638,461</u>	<u>\$ 1,527,414</u>	<u>\$ 3,844,854</u>	<u>\$ 5,646,608</u>	<u>\$ 4,483,315</u>	<u>\$ 7,174,022</u>

Governmental Activities

Revenues for the District's governmental activities decreased by \$(157,393) while total expenses increased \$807,328 between 2020 and 2019. Changes in actuarial assumptions result in a reduction in the net OPEB liability.

Business-Type Activities

Revenues of the District's business-type activities decreased \$1,609,167 and expenses increased by \$116,819 between 2020 and 2019. The District recognized \$2.5 million in grant funding related to the Upper Salinas River Basin Conjunctive Use Project in 2019 and \$1.4 million in debt forgiveness in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the District had \$52,476,302 invested in a broad range of capital assets, including a water system, sanitation system, buildings, park facilities, and fire equipment. Additions included the Eastside Area Wastewater Force Main and the Meadowbrook Wastewater Treatment Plant headworks.

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 633,429	\$ 633,429	\$ 3,640,457	\$ 3,640,457	\$ 4,273,886	\$ 4,273,886
Water delivery entitlement	-	-	6,734,312	6,734,312	6,734,312	6,734,312
Construction-in-progress	-	-	69,771	7,005,684	69,771	7,005,684
Buildings and improvements	3,366,732	3,358,389	34,043,049	26,954,424	37,409,781	30,312,813
Equipment	1,219,674	1,219,674	1,742,225	1,462,530	2,961,899	2,682,204
Vehicles	636,518	812,441	390,135	344,160	1,026,653	1,156,601
	<u>\$ 5,856,353</u>	<u>\$ 6,023,933</u>	<u>\$ 46,619,949</u>	<u>\$ 46,141,567</u>	<u>\$ 52,476,302</u>	<u>\$ 52,165,500</u>
Totals						

Debt

At June 30, 2020, 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, the District borrowed an additional \$1,375,436 from the Water Resources Control Board to help fund the Upper Salinas River Basin Conjunctive Use Project, and made principal payments of \$277,948 on the loans payable not including the debt forgiveness of \$1,440,134 from the Water Resources Control Board.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Loans Payable	\$ -	\$ -	\$ 5,013,037	\$ 3,915,549	\$ 5,013,037	\$ 3,915,549
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,013,037</u>	<u>\$ 3,915,549</u>	<u>\$ 5,013,037</u>	<u>\$ 3,915,549</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 2020. Amounts budgeted for general fund expenditures in 2021 are \$1,328,382, an increase of \$110,599 from the final 2020 budgeted expenditures of \$1,217,783.

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's 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, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 2,383,618	\$ 13,954,678	\$ 16,338,296
Accounts receivable	42,223	663,571	705,794
Accrued interest receivable	12,838	67,067	79,905
Inventory	-	38,803	38,803
Prepaid expenses	-	29,131	29,131
Restricted Assets:			
Restricted cash	3,415,998	58,869	3,474,867
Capital Assets:			
Land and other non-depreciable capital assets	633,429	10,444,540	11,077,969
Plant and equipment, net of accumulated depreciation	1,849,238	19,614,614	21,463,852
TOTAL ASSETS	8,337,344	44,871,273	53,208,617
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred outflows related to OPEB contributions	203,748	144,216	347,964
Deferred outflows related to OPEB	6,256	2,430	8,686
Deferred outflows related to pension contributions	181,793	106,401	288,194
Deferred outflows related to pension	218,517	134,251	352,768
TOTAL DEFERRED OUTFLOWS OF RESOURCES	610,314	387,298	997,612
<u>LIABILITIES:</u>			
Accounts payable	134,704	205,010	339,714
Accrued wages	47,066	24,242	71,308
Customer deposits	18,871	28,828	47,699
Prepaid capacity fees	-	9,134,736	9,134,736
Noncurrent Liabilities:			
Due within one year	28,774	371,161	399,935
Due after one year	2,402,599	5,972,051	8,374,650
TOTAL LIABILITIES	2,632,014	15,736,028	18,368,042
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred inflows related to pensions	115,113	68,817	183,930
<u>COMMITMENTS AND CONTINGENCIES</u>			
<u>NET POSITION:</u>			
Net investment in capital assets	2,482,667	24,956,716	27,439,383
Restricted for capital improvements	3,415,998	-	3,415,998
Restricted for debt service	-	58,869	58,869
Unrestricted	301,866	4,438,141	4,740,007
TOTAL NET POSITION	\$ 6,200,531	\$ 29,453,726	\$ 35,654,257

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

**TEMPLETON COMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Fees and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General fund	\$ 968,021	2,346	-	\$ (965,675)	\$ -	\$ (965,675)
Fire protection	782,457	-	80,634	(701,823)	-	(701,823)
Parks and recreation	562,840	299,243	142,914	(120,683)	-	(120,683)
Street lights	28,997	-	-	(28,997)	-	(28,997)
Total Governmental Activities	2,342,315	301,589	223,548	(1,817,178)	-	(1,817,178)
Business-Type Activities:						
Water	1,411,826	2,682,037	599,043	-	1,869,254	1,869,254
Sewer	1,397,436	2,221,782	1,682,170	-	2,506,516	2,506,516
Drainage	14,244	8,689	-	-	(5,555)	(5,555)
Solid waste	23,490	168,164	-	-	144,674	144,674
Interest on long-term liabilities	202,655	-	-	-	(202,655)	(202,655)
Total Business-Type Activities	3,049,651	5,080,672	2,281,213	-	4,312,234	4,312,234
Total Activities	\$ 5,391,966	\$ 5,382,261	\$ 2,504,761	(1,817,178)	4,312,234	2,495,056
General Revenues:						
Taxes and assessments				1,276,733	-	1,276,733
Interest income				119,197	346,041	465,238
Other income				67,137	179,151	246,288
Total General Revenues				1,463,067	525,192	1,988,259
Transfers				992,572	(992,572)	-
Total General Revenues and Transfers				2,455,639	(467,380)	1,988,259
Change in Net Position				638,461	3,844,854	4,483,315
Net Position at Beginning of Year				5,562,070	25,608,872	31,170,942
NET POSITION AT END OF YEAR				\$ 6,200,531	\$ 29,453,726	\$ 35,654,257

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

**TEMPLETON COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

ASSETS					
	General Fund	Fire Protection	Parks and Recreation	Street Lights	Total Governmental Funds
<u>Assets:</u>					
Cash and cash equivalents	\$ 360,355	\$ 1,326,734	\$ 657,232	\$ 39,297	\$ 2,383,618
Accounts receivable	315	31,791	9,453	664	42,223
Accrued interest receivable	315	8,923	3,508	92	12,838
Cash - restricted	-	2,490,063	925,935	-	3,415,998
Total Assets	\$ 360,985	\$ 3,857,511	\$ 1,596,128	\$ 40,053	\$ 5,854,677
LIABILITIES AND FUND BALANCES					
<u>Liabilities:</u>					
Accounts payable	\$ 9,361	\$ 99,454	\$ 22,694	\$ 3,195	\$ 134,704
Accrued wages	22,191	19,129	5,746	-	47,066
Customer deposits	1,000	15,271	2,600	-	18,871
Total Liabilities	32,552	133,854	31,040	3,195	200,641
<u>Fund Balances:</u>					
Restricted	-	2,490,063	925,935	-	3,415,998
Unassigned	328,433	1,233,594	639,153	36,858	2,238,038
Total Fund Balances	328,433	3,723,657	1,565,088	36,858	5,654,036
TOTAL LIABILITIES AND FUND BALANCES	\$ 360,985	\$ 3,857,511	\$ 1,596,128	\$ 40,053	\$ 5,854,677

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, 2020**

Total fund balances - Governmental funds \$ 5,654,036

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>1,849,238</u>	
Total Capital Assets, Net		2,482,667

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	(53,269)	
Net OPEB Obligation	(991,986)	
Net pension liability	<u>(1,386,118)</u>	
Total Long-Term Liabilities		(2,431,373)

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	6,256	
Deferred contributions - OPEB	203,748	
Deferred outflows - Pension	218,517	
Deferred contributions - Pension	181,793	
Deferred inflows of resources related to pensions	<u>(115,113)</u>	
Total		<u>495,201</u>

Total Net Position - Governmental Activities \$ 6,200,531

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, 2020

	General Fund	Fire Protection	Parks and Recreation	Street Lights	Total Governmental Funds
Revenues:					
Taxes and assessments	\$ -	\$ 916,476	\$ 329,792	\$ 30,465	\$ 1,276,733
Contributions	-	80,634	142,914	-	223,548
Other income	1,042	52,753	13,342	-	67,137
Program fees	-	-	270,309	-	270,309
Rental income	2,346	-	28,934	-	31,280
Interest income	2,946	82,810	32,591	850	119,197
Total Revenues	<u>6,334</u>	<u>1,132,673</u>	<u>817,882</u>	<u>31,315</u>	<u>1,988,204</u>
Expenditures:					
Current:					
Salaries and wages	493,542	316,416	203,320	-	1,013,278
Employee benefits	263,020	164,378	100,567	-	527,965
Professional fees	129,467	1,854	-	-	131,321
Program expense	-	-	107,315	-	107,315
Payroll taxes	40,117	26,651	18,070	-	84,838
Utilities	11,215	14,560	53,027	28,997	107,799
Other	28,089	50,559	5,121	-	83,769
Supplies	14,004	69,891	15,047	-	98,942
Insurance	67,441	-	-	-	67,441
Dues and fees	38,420	3,451	1,112	-	42,983
Worker's compensation	4,121	13,138	4,989	-	22,248
Purchased services	18,939	34,546	3,494	-	56,979
Directors	24,000	-	-	-	24,000
Vehicle operation	348	19,448	5,374	-	25,170
Education	9,112	3,324	1,026	-	13,462
Legal fees	18,327	4,207	4,432	-	26,966
Repairs and maintenance	4,469	3,386	20,760	-	28,615
Travel	2,264	2,447	2,324	-	7,035
Postage	1,884	-	2	-	1,886
Capital outlay	-	-	8,343	-	8,343
Total Expenditures	<u>1,168,779</u>	<u>728,256</u>	<u>554,323</u>	<u>28,997</u>	<u>2,480,355</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,162,445)</u>	<u>404,417</u>	<u>263,559</u>	<u>2,318</u>	<u>(492,151)</u>
Other Financing Sources					
(Uses):					
Transfers in	1,210,782	-	-	-	1,210,782
Transfers out	-	(121,078)	(97,132)	-	(218,210)
Total Other Financing Sources (Uses)	<u>1,210,782</u>	<u>(121,078)</u>	<u>(97,132)</u>	<u>-</u>	<u>992,572</u>
Net Change in Fund Balances	48,337	283,339	166,427	2,318	500,421
Fund Balances at Beginning of Year	<u>280,096</u>	<u>3,440,318</u>	<u>1,398,661</u>	<u>34,540</u>	<u>5,153,615</u>
FUND BALANCES AT END OF YEAR	<u>\$ 328,433</u>	<u>\$ 3,723,657</u>	<u>\$ 1,565,088</u>	<u>\$ 36,858</u>	<u>\$ 5,654,036</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, 2020**

Total net change in fund balances - Governmental funds	\$ 500,421
Amounts reported for governmental activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to depreciation expense is more than capital outlay.	(156,126)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned was more than the amounts used by \$4,430.	(4,430)
In the statement of activities, net OPEB obligation is measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the net OPEB obligation earned was less than the amount used by \$466,333.	466,333
Deferred outflows related to pensions and OPEB are not recognized in the governmental funds. The change in deferred outflows is reflected in pension and OPEB expense in the statement of activities, but not the statement of revenues, expenses and changes in fund balances. The change in deferred outflows totaled \$28,109.	28,109
Deferred inflows related to pensions and OPEB are not recognized in the governmental funds. The change in deferred inflows is reflected in pension and OPEB expense in the statement of activities, but not the statement of revenues, expenses, and changes in fund balances. The change in deferred inflows totaled (\$50,838).	(50,838)
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 (\$145,008).	<u>(145,008)</u>
Changes in Net Position - Governmental Activities	<u>\$ 638,461</u>

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

TEMPLETON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

ASSETS	Water	Sewer	Drainage	Solid Waste	Total
Current Assets:					
Cash and cash equivalents	\$ 10,372,950	\$ 2,751,977	\$ 127,502	\$ 702,249	\$ 13,954,678
Accounts receivable	384,580	257,924	887	20,180	663,571
Accrued interest receivable	58,315	6,877	233	1,642	67,067
Inventory	38,803	-	-	-	38,803
Prepaid expenses	-	29,131	-	-	29,131
Total Current Assets	10,854,648	3,045,909	128,622	724,071	14,753,250
Noncurrent Assets:					
Restricted Assets:					
Cash and cash equivalents	-	58,869	-	-	58,869
Total Restricted Assets	-	58,869	-	-	58,869
Capital Assets:					
Land and other non-depreciable capital assets	8,623,933	1,671,206	149,401	-	10,444,540
Plant and equipment, net of accumulated depreciation	5,121,968	14,349,970	142,676	-	19,614,614
Total Capital Assets	13,745,901	16,021,176	292,077	-	30,059,154
Other Noncurrent Assets:					
Interfund loan	1,150,110	(1,150,110)	-	-	-
Total Other Noncurrent Assets	1,150,110	(1,150,110)	-	-	-
Total Noncurrent Assets	14,896,011	14,929,935	292,077	-	30,118,023
TOTAL ASSETS	25,750,659	17,975,844	420,699	724,071	44,871,273
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflows related to OPEB contributions	86,870	54,671	661	2,014	144,216
Deferred outflows related to OPEB	2,451	(43)	2	20	2,430
Deferred outflows related to pension contributions	59,949	43,034	1,009	2,409	106,401
Deferred outflows related to pension	85,254	44,014	2,720	2,263	134,251
Total Deferred Outflows	234,524	141,676	4,392	6,706	387,298
LIABILITIES					
Current Liabilities:					
Accounts payable	66,280	138,591	139	-	205,010
Accrued wages	14,107	9,787	-	348	24,242
Customer deposits	27,174	1,654	-	-	28,828
Accrued interest payable	50,602	38,799	-	-	89,401
Prepaid capacity fees	6,238,487	2,896,249	-	-	9,134,736
Compensated absences	19,171	12,819	-	-	31,990
Total Current Liabilities	6,415,821	3,097,899	139	348	9,514,207
Noncurrent Liabilities:					
Loans payable	3,425,000	1,588,037	-	-	5,013,037
Net OPEB obligation	79,638	243,925	(3,201)	15,828	336,190
Net pension liability	549,341	298,334	4,381	20,538	872,594
Total Noncurrent Liabilities	4,053,979	2,130,296	1,180	36,366	6,221,821
TOTAL LIABILITIES	10,469,800	5,228,195	1,319	36,714	15,736,028
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows related to pensions	42,339	20,517	1,378	4,583	68,817
NET POSITION:					
Net investment in capital assets	10,270,299	14,394,340	292,077	-	24,956,716
Restricted for debt service	-	58,869	-	-	58,869
Unrestricted	5,202,745	(1,584,401)	130,317	689,480	4,438,141
TOTAL NET POSITION	\$ 15,473,044	\$ 12,868,808	\$ 422,394	\$ 689,480	\$ 29,453,726

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, 2020

	Water	Sewer	Drainage	Solid Waste	Total
<u>Operating Revenues:</u>					
Charges for services	\$ 2,682,037	\$ 2,221,782	\$ 8,689	\$ -	\$ 4,912,508
Franchise fees	-	-	-	168,164	168,164
Total Operating Revenues	<u>2,682,037</u>	<u>2,221,782</u>	<u>8,689</u>	<u>168,164</u>	<u>5,080,672</u>
<u>Operating Expenses:</u>					
Depreciation	354,089	522,956	6,800	-	883,845
Treatment and disposal	-	244,067	-	-	244,067
Salaries and wages	322,394	251,406	4,233	12,891	590,924
Employee benefits	130,586	(8,898)	1,404	3,181	126,273
Utilities	222,091	144,909	-	-	367,000
Repairs and maintenance	144,144	55,902	-	-	200,046
Legal fees	37,208	11,054	-	691	48,953
Other	37,523	10,255	-	5,414	53,192
Professional fees	8,467	16,593	-	-	25,060
Payroll taxes	26,532	20,001	336	714	47,583
Water analysis	12,718	42,969	-	-	55,687
Dues and fees	25,686	11,390	1,423	-	38,499
Supplies	47,195	41,356	-	409	88,960
Worker's compensation	12,137	11,781	48	190	24,156
Vehicle operation	19,444	13,265	-	-	32,709
Purchased services	9,309	6,017	-	-	15,326
Education	1,414	1,825	-	-	3,239
Travel	889	588	-	-	1,477
Total Operating Expenses	<u>1,411,826</u>	<u>1,397,436</u>	<u>14,244</u>	<u>23,490</u>	<u>2,846,996</u>
Operating Income (Loss)	<u>1,270,211</u>	<u>824,346</u>	<u>(5,555)</u>	<u>144,674</u>	<u>2,233,676</u>
<u>Nonoperating Revenues (Expenses):</u>					
Other income	85,811	12,272	-	-	98,083
Grants	-	1,440,134	-	-	1,440,134
Lease revenue	81,068	-	-	-	81,068
Interest income	266,227	62,427	2,134	15,253	346,041
Interest expense	(152,598)	(50,057)	-	-	(202,655)
Total Nonoperating Revenues (Expenses)	<u>280,508</u>	<u>1,464,776</u>	<u>2,134</u>	<u>15,253</u>	<u>1,762,671</u>
Income (Loss) Before Transfers and Capital Contributions	<u>1,550,719</u>	<u>2,289,122</u>	<u>(3,421)</u>	<u>159,927</u>	<u>3,996,347</u>
<u>Transfers and Capital Contributions:</u>					
Transfers out	(532,744)	(363,235)	(6,054)	(90,539)	(992,572)
Capital contributions	599,043	242,036	-	-	841,079
Treated wastewater sales	(211,260)	211,260	-	-	-
Total Transfers and Capital Contributions	<u>(144,961)</u>	<u>90,061</u>	<u>(6,054)</u>	<u>(90,539)</u>	<u>(151,493)</u>
Change in Net Position	1,405,758	2,379,183	(9,475)	69,388	3,844,854
Net Position at Beginning of Year	<u>14,067,286</u>	<u>10,489,625</u>	<u>431,869</u>	<u>620,092</u>	<u>25,608,872</u>
NET POSITION AT END OF YEAR	<u>\$ 15,473,044</u>	<u>\$ 12,868,808</u>	<u>\$ 422,394</u>	<u>\$ 689,480</u>	<u>\$ 29,453,726</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, 2020**

	Water	Sewer	Drainage	Solid Waste	Total
<u>Cash Flows From Operating Activities:</u>					
Cash received from customers	\$ 1,835,860	\$ 2,029,752	\$ 2,682	\$ 83,320	\$ 3,951,614
Cash payments to suppliers for goods and services	(560,160)	(1,355,967)	(330)	(6,710)	(1,923,167)
Cash payments to employees for services	(589,088)	(386,747)	(8,468)	(20,909)	(1,005,212)
Net Cash Provided by (Used in)					
Operating Activities	<u>686,612</u>	<u>287,038</u>	<u>(6,116)</u>	<u>55,701</u>	<u>1,023,235</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>					
Receipts from other income	166,879	12,272	-	-	179,151
Net Cash Provided by Noncapital and Related Financing Activities	<u>166,879</u>	<u>12,272</u>	<u>-</u>	<u>-</u>	<u>179,151</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(43,090)	(404,766)	-	-	(447,856)
Proceeds from grants	-	4,396,930	-	-	4,396,930
Proceeds from loans payable	-	2,815,570	-	-	2,815,570
Principal paid on loans payable	(95,000)	(1,623,082)	-	-	(1,718,082)
Interest paid on loans payable	(154,181)	(62,950)	-	-	(217,131)
Receipts from contributed capital	33,480	11,976	-	-	45,456
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(258,791)</u>	<u>5,133,678</u>	<u>-</u>	<u>-</u>	<u>4,874,887</u>
<u>Cash Flows From Investing Activities:</u>					
Receipts from interfund loan	136,934	(136,934)	-	-	-
Investment income	308,344	65,301	2,551	16,997	393,193
Net Cash Provided by (Used in) Investing Activities	<u>445,278</u>	<u>(71,633)</u>	<u>2,551</u>	<u>16,997</u>	<u>393,193</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,039,978	5,361,355	(3,565)	72,698	6,470,466
Cash and Cash Equivalents at Beginning of Year	<u>9,332,972</u>	<u>(2,550,509)</u>	<u>131,067</u>	<u>629,551</u>	<u>7,543,081</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,372,950</u>	<u>\$ 2,810,846</u>	<u>\$ 127,502</u>	<u>\$ 702,249</u>	<u>\$ 14,013,547</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, 2020**

	Water	Sewer	Drainage	Solid Waste	Total
<u>Reconciliation of Operating Income (Loss)</u>					
to Net Cash Provided by					
<u>(Used in) Operating Activities:</u>					
Operating income (loss)	\$ 1,270,211	\$ 824,346	\$ (5,555)	\$ 144,674	\$ 2,233,676
Adjustments to reconcile operating					
income (loss) to net cash provided by					
(used in) operating activities:					
Depreciation	354,089	522,956	6,801	-	883,846
Transfers	(744,004)	(151,975)	(6,054)	(90,539)	(992,572)
(Increase) Decrease in:					
Accounts receivable	(102,173)	(40,055)	47	5,695	(136,486)
Inventory	472	-	-	-	472
Prepaid expenses	-	(29,131)	-	-	(29,131)
Deferred outflows	24,163	(29,163)	(915)	(1,881)	(7,796)
Increase (Decrease) in:					
Accounts payable	14,705	(711,644)	15	(6)	(696,930)
Accrued wages	1,235	3,127	-	(71)	4,291
Customer deposits	2,888	(3,221)	-	-	(333)
Compensated absences	(5,828)	2,053	-	-	(3,775)
Net OPEB obligation	(183,790)	(143,322)	(2,414)	(7,349)	(336,875)
Net pension liability	45,229	40,020	834	1,758	87,841
Deferred inflows	9,415	3,047	1,125	3,420	17,007
Net Cash Provided by (Used in)					
Operating Activities	\$ 686,612	\$ 287,038	\$ (6,116)	\$ 55,701	\$ 1,023,235
 <u>Noncash Investing, Capital and</u>					
<u>Financing Activities:</u>					
Contributions of capital assets	\$ 87,320	\$ -	\$ -	\$ -	\$ 87,320

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020**

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, 2020

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, 2020**

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 no unearned revenue for soccer registrations at June 30, 2020 as the result of the temporary interruption of programming due to the state’s response to the Coronavirus pandemic. (See Note 8).

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, 2020.

Taxes and Assessments

Property taxes and assessments are billed by the County of San Luis Obispo (the “County”) to property owners. The District’s property tax calendar for the fiscal year ended June 30, 2020, 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, 2020**

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 \$1,048,315 for the year ended June 30, 2020.

Compensated Absences

Accumulated unpaid vacation totaling \$85,258 at June 30, 2020, 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.

Fund Balances - Governmental Funds

The fund balances of the governmental funds are classified as follows at June 30, 2020:

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.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds (Continued)

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 \$2,375,881 and \$770,323 at June 30, 2020, respectively. A reserve fund totaling \$58,869 at June 30, 2020 was established as required by the State of California Water Resources Control Board Installment Sale Agreement.

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, 2020, 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 million with a combined single limit at \$10 million per occurrence, subject to the following deductibles:

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

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Significant Accounting Policies (Continued)

Risk Management (Continued)

Employee Dishonesty Coverage - Total of \$1 million 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 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.

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, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

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, 2020

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

Significant Accounting Policies (Continued)

Interfund Transfers

Interfund transfers for the year ended June 30, 2020, consisted of general fund transfers from the following:

Water	\$ (532,744)
Sewer	(363,235)
Parks and recreation	(97,132)
Fire protection	(121,078)
Solid waste	(90,539)
Drainage	(6,054)
Total	<u>\$ (1,210,782)</u>

Economic Dependency

The District extracts approximately 56% of its water supply from the underflow of the Salinas River, 7% from reclaimed water from the Selby Ponds, 27% from groundwater wells located in the Atascadero sub basin, and 10% from Nacimiento recharge. Interruption of these sources would impact the District negatively.

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 1, 2020, the date the financial statements were available to be issued.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

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, 2020:

	Maturity in Years		
	Less Than 1 Year	1 - 5 Years	Total
California Local Agency Investment Fund (LAIF)	\$ 5,808,824	\$ -	\$ 5,808,824
Negotiable certificates of deposit	997,849	4,547,510	5,545,359
Money market funds	8,258,096	-	8,258,096
Deposits with financial institutions	200,884	-	200,884
Total Cash and Investments	\$ 15,265,653	\$ 4,547,510	\$ 19,813,163
Financial Statement Classification:			
Cash and cash equivalents			\$ 16,338,296
Restricted cash			3,474,867
			\$ 19,813,163

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, 2020.

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
Money Market Funds	Not Rated

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 mutual funds and 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, 2020, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2020, 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, 2020

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

Governmental Activities:				
	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
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	\$ 3,358,389	\$ 8,343	\$ -	\$ 3,366,732
Equipment	1,219,674	-	-	1,219,674
Vehicles	812,441	-	(175,923)	636,518
Total	<u>5,390,504</u>	<u>8,343</u>	<u>(175,923)</u>	<u>5,222,924</u>
Less: Accumulated depreciation	<u>(3,385,141)</u>	<u>(164,468)</u>	<u>175,923</u>	<u>(3,373,686)</u>
Total Capital Assets Being Depreciated	<u>\$ 2,005,363</u>	<u>\$ (156,125)</u>	<u>\$ -</u>	<u>\$ 1,849,238</u>
Business-Type Activities:				
	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 3,640,457	\$ -	\$ -	\$ 3,640,457
Water delivery entitlement	6,734,312	-	-	6,734,312
Construction in progress	<u>7,005,684</u>	<u>276,687</u>	<u>(7,212,600)</u>	<u>69,771</u>
Total Capital Assets Not Being Depreciated	<u>\$ 17,380,453</u>	<u>\$ 276,687</u>	<u>\$ (7,212,600)</u>	<u>\$ 10,444,540</u>
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 26,954,424	\$ 7,119,577	\$ (30,952)	\$ 34,043,049
Equipment	1,462,530	279,695	-	1,742,225
Vehicles	344,160	71,817	(25,841)	390,136
Total	<u>28,761,114</u>	<u>7,471,089</u>	<u>(56,793)</u>	<u>36,175,410</u>
Less: Accumulated depreciation	<u>(15,733,743)</u>	<u>(883,846)</u>	<u>56,793</u>	<u>(16,560,796)</u>
Total Capital Assets Being Depreciated	<u>\$ 13,027,371</u>	<u>\$ 6,587,243</u>	<u>\$ -</u>	<u>\$ 19,614,614</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 4 -Noncurrent Liabilities:

Noncurrent liabilities consists of the following at June 30:

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020	Payable Within One Year	Payable After One Year
Governmental Activities:						
Compensated absences (Note 1)	\$ 48,839	\$ 53,269	\$ (48,839)	\$ 53,269	\$ 28,771	\$ 24,498
Net OPEB liability (Note 7)	1,458,319	(262,586)	(203,747)	991,986	-	991,986
Net pension liability (Note 6)	1,241,110	309,502	(164,494)	1,386,118	-	1,386,118
Total	<u>\$ 2,748,268</u>	<u>\$ 100,185</u>	<u>\$ (417,080)</u>	<u>\$ 2,431,373</u>	<u>\$ 28,771</u>	<u>\$ 2,402,602</u>
Business-Type Activities:						
Accrued interest payable	\$ 55,613	\$ 202,655	\$ (168,866)	\$ 89,402	\$ 89,402	\$ -
Compensated absences (Note 1)	35,765	31,989	(35,765)	31,989	14,847	17,142
Loans payable	3,915,549	2,815,570	(1,718,082)	5,013,037	266,912	4,746,125
Net OPEB liability (Note 7)	673,065	(192,658)	(144,217)	336,190	-	336,190
Net pension liability (Note 6)	784,753	176,228	(88,387)	872,594	-	872,594
Total	<u>\$ 5,464,745</u>	<u>\$ 3,033,784</u>	<u>\$ (2,155,317)</u>	<u>\$ 6,343,212</u>	<u>\$ 371,161</u>	<u>\$ 5,972,051</u>

Loans payable consist of the following at June 30, 2020:

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 \$2,315 at June 30, 2020.

\$ 267,068

State of California, Water Resources Control Board (State Water Board) - The District entered into a Construction Installment Sale Agreement (Agreement) with the State of California, Water Resources Control Board in the amount of \$2,815,570 of which the State Water Board agreed to forgive up to \$1,440,134 to help finance the Upper Salinas River Basin Conjunctive Use Project. The Agreement accrues interest at 1.8% with annual payments of principal and interest in the amount of \$58,869. The Agreement matures June 1, 2049. The District has covenanted to fix, prescribe and collect rates, fees, and charges in amounts necessary to cover operations and maintenance cost and shall ensure that net revenues are equal to at least 110% of the maximum annual debt service. Accrued interest totaled 1,981 at June 30, 2020.

1,320,969

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 \$50,608 at June 30, 2020.

Total Loans Payable

\$	3,425,000
\$	5,013,037

Debt service requirements on loans payable at June 30, 2020 are as follows:

Business-Type Activities

Year Ended June 30	Loans Payable	
	Principal	Interest
2021	\$ 266,912	\$ 197,791
2022	275,971	188,644
2023	146,366	179,109
2024	147,021	172,954
2025	157,681	166,538
2026 - 2030	888,857	729,539
2031 - 2035	1,082,411	541,914
2036 - 2040	1,322,693	299,899
2041 - 2045	499,876	42,872
2046 - 2049	225,249	10,227
Total	\$ 5,013,037	\$ 2,529,487

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020:

Balance at Beginning of Year	\$ 9,843,039
Add: Capacity fees received	45,456
Less: Water and sewer connections	(753,759)
Balance at End of Year	\$ 9,134,736

Note 6 - 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. The Plans consist of both the Miscellaneous Plan and the PEPRA Plan.

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. Miscellaneous plan members with five years of service are eligible to retire at age 50 with statutory reduced benefits. PEPRA miscellaneous members with five years of service are eligible to retire at age 52 with statutorily reduced benefits, Safety plan members with five years of service are eligible to retire at age 50 with statutorily reduced benefits and Safety PEPRA plan members are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability retirement benefits after five years of service. The death benefit is the basic death benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law, per contract. The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Prior to January 1, 2013	Miscellaneous 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	14.398%	10.823%	6.985%

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plans (Continued)

Benefits Provided (Continued)

	Prior to January 1, 2013	Safety On or After January 1, 2013	
		With Prior Service	Without Prior Service
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50+	50+	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	9.0%	11.5%
Required employer contribution rates	21.927%	18.928%	13.034%

In addition to the contribution rates above, the District was also required to make payments of \$112,301 for the miscellaneous Tier 1 plan, \$907 for the Miscellaneous PEPPRA Plan, \$17,647 for the Safety Tier 1 Plan, \$519 for the Safety Tier 2 Plan and \$36 for the Safety PEPPRA Plan toward its unfunded actuarial liability during the year end June 30, 2020.

The miscellaneous and the miscellaneous safety plans are closed to new members that are not already CalPERS eligible participants.

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.

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

The District reported the following net pension liability for its proportionate share of net pension liability of the risk pool at June 30, 2020:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Risk Pool	\$ 1,933,659
Safety Risk Pool	325,053
	<u>\$ 2,258,712</u>

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6 - Defined Benefit Pension Plan: (Continued)

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

The District's net pension liability for the risk pool is measured as the proportionate share of the risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2018, the valuation date, was calculated as follows:

- In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous or safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined as of the valuation date, June 30, 2018.
- Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2019, the measurement date, was calculated as follows:

- Each risk pool's total pension liability was computed at the measurement date, June 30, 2019, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net pension from its total pension liability.
- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2019, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2018, to obtain the total pension liability and fiduciary net position as of June 30, 2019. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - Defined Benefit Pension Plan: (Continued)

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

The District's proportionate share percentage of the net pension liability as of June 30, 2018 and June 30, 2019, was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2018	0.046041%	0.004955%
Proportion - June 30, 2019	0.048287%	0.005207%
Change - Increase (Decrease)	<u>0.002246%</u>	<u>0.000252%</u>

For the year ended June 30, 2020, the District recognized a pension expense of \$557,599. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2020:

	<u>Miscellaneous Risk Pool</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 245,438	\$ -
Differences between actual contributions made and proportionate share of contributions	-	136,948
Differences between expected and actual experience	123,894	-
Changes of assumptions	59,520	-
Net difference between projected and actual earnings on pension plan investments	-	33,805
Adjustment due to difference in proportions	107,729	-
Total	<u>\$ 536,581</u>	<u>\$ 170,753</u>

	<u>Safety Risk Pool</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 42,756	\$ -
Differences between actual contributions made and proportionate share of contributions	-	8,705
Differences between expected and actual experience	21,223	-
Changes of assumptions	10,723	-
Net difference between projected and actual earnings on pension plan investments	-	4,472
Adjustment due to difference in proportions	29,679	-
Total	<u>\$ 104,381</u>	<u>\$ 13,177</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - Defined Benefit Pension Plan: (Continued)

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

The \$245,438 (Miscellaneous Risk Pool) and the \$42,756 (Safety Risk Pool) 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, 2020. 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	
	Miscellaneous	Safety
2021	\$ 126,568	\$ 35,943
2022	(22,382)	7,328
2023	9,370	4,306
2024	6,834	871
Total	<u>\$ 120,390</u>	<u>\$ 48,448</u>

Actuarial Assumptions

Total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
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

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 none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report "GASB Statements 67 and 68 Crossover Testing Report" for measurement date June 30, 2019 based on June 30, 2018 valuations that can be obtained from the CalPERS' website.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - 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 11 years) and the long-term (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 plan. 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 then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. Those geometric rates of return are not of administrative expenses.

<u>Asset Class</u>	<u>New Strategy Allocation</u>	<u>Real Return Years 1 - 10^(a)</u>	<u>Real Return Years 11 +^(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.00	(0.92)
	<u>100.0%</u>		

^(a)An expected inflation of 2.0% used for this period

^(b)An expected inflation of 2.92% used for this period

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - Defined Benefit Pension Plan: (Continued)

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

The following presents the District’s proportionate share of the net pension liability of the risk pool as of the Measurement Date, calculated using the discount rate, as well as what the District’s proportionate share of net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Miscellaneous Risk Pool	\$ 3,215,692	\$ 1,933,660	\$ 875,433
Safety Risk Pool	541,904	325,053	147,269
	\$ 3,757,596	\$ 2,258,713	\$ 1,022,702

Note 7 - 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 - At June 30, 2020, 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 electing coverage	16
Active employees waiving coverage	1
Total	27

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 7 - Other Postemployment Benefits: (Continued)

General Information About the OPEB Plan (Continued)

Contributions - The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's Board of Directors had previously established a policy of funding the Annual Required Contribution (ARC) on a pay as you go basis, under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. However, the District made a contribution of \$1,316,296 during fiscal year 2018 to CERBT in addition to continuing to fund benefit payments from the District's general assets.

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, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	6.0 percent
Expected Return on Plan Assets	6.0 percent
Inflation	2.50 percent
Payroll Growth Rate	2.75 percent
Healthcare Cost Trend Rates	6.40 percent for fiscal year 2020, gradually decreasing over several decades to an ultimate rate of 4.00% in fiscal year 2076 and later years.

Mortality rates were based on the assumptions for Public Agency Miscellaneous and Fire members published in December 2017 CalPERS experience study. These tables include 15 years of static mortality improvement using 90% of Scale MO-2016.

Since the last valuation, the following assumptions changes have been made:

- The discount rate was changes from 6.50% to 6.00% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The long-term expected rate of return on OPEB plan investments was changed from 6.50% to 6.00% based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 7 - Other Postemployment Benefits: (Continued)

Actuarial Assumptions (Continued)

- The CPI Medical Care component was changed from 4.00% to 3.75% based on the decreased inflation assumption and recent survey information.
- Medical per capita claims costs were updated to reflect recent experience.
- The percent of future retirees assumed to elect coverage at retirement was updated from 100% for all employees to 90% for Miscellaneous members and 80% for Fire members based on plan experience.
- The assumed retirement ages for future retirees were updated from age 58 to age 57 for Miscellaneous members and from age 50 to age 55 for Fire members based on plan experience.
- Withdrawal and salary scale rates were updated from the rates used in the June 30, 2016 CalPERS actuarial valuation to the rates based on Public Agency Miscellaneous members of the 2017 CalPERS experience study.
- Mortality rates were updated from the RP-2014 headcount-weighted White Collar adjustment table to the rates based on Public Agency Miscellaneous members of the 2017 CalPERS experience study.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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 assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The weighted asset class estimates are combined with the inflation and investment expense assumptions to produce the portfolio long-term expected rate of return. The assumed asset weighting is based on target allocations published by CERBT.

<u>Asset Class (CERBT Strategy 2)</u>	<u>Target Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Equity	40.00%	4.76%	7.26%
Fixed Income	43.00%	2.01%	4.51%
TIPS	5.00%	1.20%	3.70%
Commodities	4.00%	2.39%	4.89%
REITs	<u>8.00%</u>	4.53%	7.03%
Total	<u>100.00%</u>		6.20%
Reduction for assumed investment expense			<u>(0.10%)</u>
Net Long-Term Expected Investment Return (Rounded to ¼%)			<u>6.00%</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 7 - Other Postemployment Benefits: (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%. 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, 2016-17 the budget calls for the sewer and general funds 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.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the OPEB plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	\$ 3,456,964	\$ 1,325,580	\$ 2,131,384
Changes Recognized for the Measurement Period:			
Service cost	106,907	-	106,907
Interest	226,827	-	226,827
Differences between expected actual experience	(712,253)	-	(712,253)
Change in assumptions	34,702	-	34,702
Contributions - employer	-	341,077	(341,077)
Net investment income	-	118,587	(118,587)
Benefit payments	(148,438)	(148,438)	-
Administrative expense	-	(308)	308
Other deductions	-	35	(35)
Net Changes	<u>(492,255)</u>	<u>310,953</u>	<u>(803,208)</u>
Balance at June 30, 2020	<u>\$ 2,964,709</u>	<u>\$ 1,636,533</u>	<u>\$ 1,328,176</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 one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1.0% Decrease (5.0%)	Discount Rate (6.0%)	1.0% Increase (7.0%)
Net OPEB liability	<u>\$ 1,733,363</u>	<u>\$ 1,328,176</u>	<u>\$ 997,371</u>

**TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 7 - Other Postemployment Benefits: (Continued)

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:

	1.0% Decrease (5.0% Decreasing to 3.0%)	Healthcare Cost Trend Rates (6.0% Decreasing to 4.0%)	1.0% Increase (7.0% Decreasing to 5.0%)
Net OPEB liability	\$ 990,356	\$ 1,328,176	\$ 1,729,183

OPEB Plan Fiduciary Net Position

The California Public Employees' Retirement System's California Retirement Benefit Trust (CERBT) issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from the California Public Employees' Retirement System, CERBT, Post Office Box 942703, Sacramento, California 94429-2703.

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

For the year ended June 30, 2020, the District recognized OPEB expense/(benefit) of \$(431,666). The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 347,964	\$ -
Net difference between projected and actual earnings on OPEB plan investments	8,686	-
Total	\$ 356,650	\$ -

The \$347,964 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30	
2021	\$ 4,618
2022	4,618
2023	4,620
2024	(5,170)
Total	\$ 8,686

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, the total unpaid amount on these contracts is approximately \$28,233.

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.

Grant Funding

The District has received grant funding for various purposes that may be subjected to review and audit by the funding agencies. Such potential audits could result in a request for reimbursement for expense disallowed under the terms and conditions of the funding source. Management is of the opinion that no material liabilities will result from such potential audits.

Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. Although the District is considered an essential business, for the health and safety of its customers and staff, in-person assistance ceased. Services continued to be provided remotely. The potential impacts to the District include disruptions or restrictions on employees' ability to work, limitations on in-person services. In addition, there has been significant volatility in the financial markets, which may have an impact on the District's ability to borrow funds. Changes to the operating environment may also be impacted, and may have an impact on operating costs. The future effects of these issues are unknown.

Note 9 - New Governmental Accounting Standards:

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. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9 - New Governmental Accounting Standards: (Continued)

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 effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. 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 effective date of this pronouncement has been postponed by 18 months by GASB Statement No. 95. 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. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. The requirements of this Statement are effective for reporting periods beginning after December 14, 2019. Earlier application is encouraged. The District has elected to implement pronouncement and has not capitalized any interest cost for the year ended June 30, 2020.

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 “Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 “Conduit Debt Obligations”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 92

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 “Omnibus 2020”. The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 93

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Replacement of Interbank Offered Rates”. The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 94

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Public - Private and Public - Public Partnerships and Availability Payment Arrangements”. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncements these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial assets for a period of time in an exchange or exchange-like transaction. The District has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

TEMPLETON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 95

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

GASB No. 96

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITA’s). This Statement (1) defines SBITA’s (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. 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
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<u>Revenues:</u>				
Income	\$ 7,000	\$ 7,000	\$ 6,334	\$ (666)
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>6,334</u>	<u>(666)</u>
<u>Expenditures:</u>				
Current:				
Salaries and wages	496,994	482,300	493,542	(11,242)
Employee benefits	228,993	226,100	263,020	(36,920)
Insurance	66,500	66,500	67,441	(941)
Payroll taxes	39,490	38,370	40,117	(1,747)
Worker's compensation	4,385	4,385	4,121	264
Supplies	30,000	30,000	14,004	15,996
Purchased services	12,595	14,095	18,939	(4,844)
Professional fees	124,750	124,750	129,467	(4,717)
Utilities	11,070	11,070	11,215	(145)
Directors	23,000	23,000	24,000	(1,000)
Dues and fees	57,670	50,170	38,420	11,750
Postage	2,000	2,000	1,884	116
Legal fees	14,000	14,000	18,327	(4,327)
Other	7,005	8,505	28,089	(19,584)
Travel	2,010	2,010	2,264	(254)
Repairs and maintenance	1,500	1,500	4,469	(2,969)
Education	15,475	15,475	9,112	6,363
Vehicle operation	1,000	1,000	348	652
Total Expenditures	<u>1,138,437</u>	<u>1,115,230</u>	<u>1,168,779</u>	<u>(53,549)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,131,437)</u>	<u>(1,108,230)</u>	<u>(1,162,445)</u>	<u>(54,215)</u>
<u>Other Financing Sources:</u>				
Transfers in	<u>1,210,783</u>	<u>1,210,783</u>	<u>1,210,782</u>	<u>(1)</u>
Total Other Financing Sources	<u>1,210,783</u>	<u>1,210,783</u>	<u>1,210,782</u>	<u>(1)</u>
Net Change in Fund Balance	<u>\$ 79,346</u>	<u>\$ 102,553</u>	48,337	<u>\$ (54,216)</u>
Fund Balance at Beginning of Year			<u>280,096</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 328,433</u>	

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

**SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MISCELLANEOUS RISK POOL
LAST TEN FISCAL YEARS**

	<u>Measurement Date June 30, 2019</u>	<u>Measurement Date June 30, 2018</u>	<u>Measurement Date June 30, 2017</u>	<u>Measurement Date June 30, 2016</u>	<u>Measurement Date June 30, 2015</u>
Proportion of the Collective Net Pension Liability	0.048287%	0.046041%	0.045310%	0.043534%	0.039221%
Proportionate Share of the Collective Net Pension Liability	1,933,660	1,735,155	1,786,151	1,512,312	1,076,027
Covered-Employee Payroll	1,081,735	1,036,636	987,238	1,019,823	1,039,124
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	178.76%	167.38%	180.92%	148.29%	103.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.71%	80.26%	78.40%	80.11%	84.63%
					<u>Measurement Date June 30, 2014</u>
Proportion of the Collective Net Pension Liability					0.043518%
Proportionate Share of the Collective Net Pension Liability					1,075,549
Covered-Employee Payroll					1,032,147
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll					104.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					82.9%

Notes to Schedules:

Changes in Benefit Terms - 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.

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.

Omitted Years - GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

**SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SAFETY RISK POOL
LAST TEN FISCAL YEARS**

	<u>Measurement Date June 30, 2019</u>	<u>Measurement Date June 30, 2018</u>	<u>Measurement Date June 30, 2017</u>	<u>Measurement Date June 30, 2016</u>	<u>Measurement Date June 30, 2015</u>
Proportion of the Collective Net Pension Liability	0.005207%	0.004955%	0.004775%	0.004632%	0.003984%
Proportionate Share of the Collective Net Pension Liability	325,053	290,708	285,325	239,876	164,151
Covered-Employee Payroll	160,142	206,410	166,898	158,932	159,479
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	202.98%	140.84%	170.96%	150.93%	102.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.46%	80.38%	79.95%	81.72%	86.94%
					<u>Measurement Date June 30, 2014</u>
Proportion of the Collective Net Pension Liability					0.005834%
Proportionate Share of the Collective Net Pension Liability					218,847
Covered-Employee Payroll					162,431
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll					134.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					81.79%

Notes to Schedules:

Changes in Benefit Terms - 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.

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.

Omitted Years - GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

**SCHEDULES OF CONTRIBUTIONS TO THE PENSION PLAN
MISCELLANEOUS RISK POOL
LAST TEN FISCAL YEARS**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Actuarial Determined Contribution	\$ 245,737	\$ 208,019	\$ 179,408	\$ 169,404	\$ 160,545
Contributions in Relation to the Actuarially Determined Contribution	<u>245,438</u>	<u>208,019</u>	<u>179,408</u>	<u>169,404</u>	<u>160,545</u>
Contribution Deficiency (Excess)	<u>\$ 299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 1,188,815</u>	<u>\$ 1,081,735</u>	<u>\$ 1,036,636</u>	<u>\$ 987,238</u>	<u>\$ 1,019,823</u>
Contributions as a Percentage of Covered-Employee Payroll	20.65%	19.23%	17.31%	17.16%	15.74%
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

	<u>June 30, 2015</u>
Actuarial Determined Contribution	\$ 160,666
Contributions in Relation to the Actuarially Determined Contribution	<u>160,666</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Payroll	<u>\$ 1,039,124</u>
Contributions as a Percentage of Covered-Employee Payroll	15.46%
Valuation Date	June 30, 2013

Notes to Schedules:

Methods and assumptions used to determine contribution rates:

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

Omitted Years - GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

**SCHEDULES OF CONTRIBUTIONS TO THE PENSION PLAN
SAFETY RISK POOL
LAST TEN FISCAL YEARS**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Actuarial Determined Contribution	\$ 42,802	\$ 44,862	\$ 47,569	\$ 39,936	\$ 36,027
Contributions in Relation to the Actuarially Determined Contribution	<u>42,756</u>	<u>44,862</u>	<u>47,569</u>	<u>39,936</u>	<u>36,027</u>
Contribution Deficiency (Excess)	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 <u>\$ 130,207</u>	 <u>\$ 160,142</u>	 <u>\$ 206,410</u>	 <u>\$ 166,898</u>	 <u>\$ 158,932</u>
 Contributions as a Percentage of Covered- Employee Payroll	 32.84%	 28.01%	 23.05%	 23.93%	 22.67%
 Valuation Date	 June 30, 2018	 June 30, 2017	 June 30, 2016	 June 30, 2015	 June 30, 2014
				<u>June 30, 2015</u>	
 Actuarial Determined Contribution					\$ 47,969
Contributions in Relation to the Actuarially Determined Contribution					<u>47,969</u>
Contribution Deficiency (Excess)					<u>\$ -</u>
 Covered Payroll					 <u>\$ 159,479</u>
 Contributions as a Percentage of Covered- Employee Payroll					 30.08%
 Valuation Date					 June 30, 2013

Notes to Schedules:

Methods and assumptions used to determine contribution rates:

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

Omitted Years - GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**TEMPLETON COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 106,907	\$ 185,063	\$ 202,325
Interest	226,827	179,118	157,200
Change of benefit terms	-	-	-
Differences between expected and actual experience	(712,253)	-	-
Changes of assumptions	34,702	(1,680,933)	(532,326)
Benefit payments	(148,438)	(145,250)	(178,943)
Net Change in Total OPEB Liability	<u>(492,255)</u>	<u>(1,462,002)</u>	<u>(351,744)</u>
Total OPEB Liability - Beginning	<u>3,456,964</u>	<u>4,918,966</u>	<u>5,270,710</u>
Total OPEB Liability - Ending (a)	<u>\$ 2,964,709</u>	<u>\$ 3,456,964</u>	<u>\$ 4,918,966</u>
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 341,077	\$ 1,467,547	\$ 178,943
Net investment income	118,587	9,665	-
Benefit payments	(148,438)	(151,251)	(178,943)
Administrative expense	(273)	(381)	-
Net Change in Plan Fiduciary Net Position	<u>310,953</u>	<u>1,325,580</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>1,325,580</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,636,533</u>	<u>\$ 1,325,580</u>	<u>\$ -</u>
 District's Net OPEB Liability - Ending (a) - (b)	<u>\$ 1,328,176</u>	<u>\$ 2,131,384</u>	<u>\$ 4,918,966</u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	55.2%	38.35%	0.0%
 Covered-Employee Payroll	\$ 1,195,308	\$ 1,277,171	\$ 1,233,245
 District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	111.1%	166.88%	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.

Although the OPEB Plan is administered through a trust, the fiscal year 2019 OPEB payments were paid from the District's general assets rather than from the trust assets.

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.

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, 2020**

**SCHEDULES OF OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarial Determined Contribution	\$ N/A	\$ N/A	\$ N/A
Contributions in Relation to the Actuarially Determined Contribution	N/A	N/A	N/A
Contribution Deficiency (Excess)	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered-Employee Payroll	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A

Notes to Schedules:

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, 2020**

**SCHEDULES OF OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Notes to Schedules: (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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grants/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Passed Through to Subrecipient	Federal Expenditures	Total
Environmental Protection Agency:					
Pass-Through From:					
State of California:					
CWSRF Cluster					
Capitalization Grant for Clean Water State Revolving Funds	66.458		\$ -	\$ 1,440,134	\$ 1,440,134
Total Pass-Through from State of California			-	1,440,134	1,440,134
Total Environmental Protection Agency			-	1,440,134	1,440,134
Total Expenditures of Federal Awards			\$ -	\$ 1,440,134	\$ 1,440,134

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Templeton Community Services District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Templeton Community Services District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Templeton Community Services District.

Note 2 - Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments of the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Templeton Community Services District has elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.



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

**Independent Auditor's Report on Internal Control and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Templeton Community Services District

We have audited, in accordance with the Auditing Standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, governmental activities and the business-type activities of Templeton Community Services District, as of and for the year ended June 30 2020, and the related notes to the financial statements, which collectively comprise Templeton Community Services District's basic financial statements and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

Leaf & Cole LLP

San Diego, California
December 1, 2020



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

**Independent Auditor's Report on Compliance for
the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Templeton Community Services District

Report on Compliance for the Major Federal Program

We have audited Templeton Community Services District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Templeton Community Services District's major federal program for the year ended June 30, 2020. Templeton Community Services District major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Templeton Community Services District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Templeton Community Services District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Templeton Community Services District's compliance.

Opinion on the Major Federal Program

In our opinion, Templeton Community Services District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Templeton Community Services District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Templeton Community Services District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Templeton Community Services District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be significant deficiencies.

Templeton Community Services District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Templeton Community Services District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Board of Directors
Templeton Community Services District

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leafcote LLP

San Diego, California
December 1, 2020

**TEMPLETON COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Summary of Auditor's Results:

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. A single deficiency was disclosed during the audit of the financial statements and reported in the Independent Auditor's Report on Internal Control and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Templeton Community Services District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The program tested as major program was 66.458 Capitalization Grants for Clean Water State Revolving Funds.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Templeton Community Services District was not determined to be a low-risk auditee.

Findings - Financial Statement Audit:

Significant Deficiencies

2020-001 Separation of Duties

Condition

The District does not have adequate separation of duties as multiple individuals have access to both cash receipts and the accounting records that document such receipts.

Criteria

Internal controls should be in place that provide adequate separation such that no one individual has access to both the physical asset as well as the records that control the asset.

**TEMPLETON COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Findings - Financial Statement Audit: (Continued)

Significant Deficiencies (Continued)

2020-001 Separation of Duties (Continued)

Cause

There are no procedures in place to require individuals who receive cash receipts to not also have access to the accounts receivable records.

Effect

Because of the missing separation of duties control, cash receipts could be diverted and adjusted in the accounting records.

Recommendation

Procedures should be implemented requiring the separation of physical assets from those responsible for accounting for those assets.

Views of Responsible Officials and Planned Corrective Actions

Templeton Community Services District agrees with the finding and will require supervisor's approval for any adjustments to customer accounts in order to mitigate this risk.

Findings and Questions Costs - Major Federal Award Programs Audit:

Department of Energy

2020-001 Separation of Duties

Condition

The District does not have adequate separation of duties as multiple individuals have access to both cash receipts and the accounting records that document such receipts.

Criteria

Internal controls should be in place that provide adequate separation such that no one individual has access to both the physical asset as well as the records that control the asset.

**TEMPLETON COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Findings and Questions Costs - Major Federal Award Programs Audit:

Department of Energy

2020-001 Separation of Duties

Cause

There are no procedures in place to require individuals who receive cash receipts to not also have access to the accounts receivable records.

Effect

Because of the missing separation of duties control, cash receipts could be diverted and adjusted in the accounting records.

Recommendation

Procedures should be implemented requiring the separation of physical assets from those responsible for accounting for those assets.

Views of Responsible Officials and Planned Corrective Actions

Templeton Community Services District agrees with the finding and will require supervisor's approval for any adjustments to customer accounts in order to mitigate this risk.