

SAN SIMEON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

June 30, 2013

SAN SIMEON COMMUNITY SERVICES DISTRICT
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INTRODUCTORY SECTION

Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ralph McAdams	Chairperson	2014
Daniel Williams	Vice-Chairperson	2016
Alan Fields	Director	2016
Leroy Price	Director	2016
Ken Patel	Director	2014

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Simeon Community Services District
San Simeon, CA

We have audited the accompanying basic financial statements of San Simeon Community Services District (District) as of and for the fiscal year ended June 30, 2013, and the related notes to the 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 entity'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 entity'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the San Simeon Community Services District, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Other auditors previously audited the San Simeon Community Service District's 2012 financial statements, and their report dated January 4, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in note 1 to the basic financial statements effective July 1, 2012, the San Simeon Community Services District adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Report Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the schedules of revenues, expenses, and changes in net position by function on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues, expenses, and changes in net position by function is the responsibility of management and were derived from and related 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 basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenses, and changes in net position by function are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, 2013, on our consideration of the San Simeon 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Maria, California
XXXXXXX, 2013

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION-PROPRIETARY FUND

June 30, 2013

with Comparative Totals for June 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Petty cash	\$ 150	\$ 150
Cash and investments	615,545	512,377
Restricted cash and investments	730	54,010
Accounts receivable	85,441	67,054
Prepaid expenses	<u>6,507</u>	<u>6,194</u>
Total current assets	<u>708,373</u>	<u>639,785</u>
Capital Assets:		
Non-depreciable:		
Construction in progress	26,555	676,070
Depreciable:		
Sewer plant	2,030,781	1,488,555
Water plant	695,458	550,391
Building	395,874	395,874
Equipment	316,748	316,748
Less: Accumulated depreciation	<u>(1,869,980)</u>	<u>(1,790,000)</u>
Net capital assets	<u>1,595,436</u>	<u>1,637,638</u>
Total assets	<u>2,303,809</u>	<u>2,277,423</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	3,970	50,084
Customer deposits	53,928	53,878
Contingency	<u>25,000</u>	<u>63,464</u>
Total current liabilities	<u>82,898</u>	<u>167,426</u>
NET POSITION		
Net investment in capital assets	1,595,436	1,637,638
Restricted for capital projects	730	54,010
Unrestricted	<u>624,745</u>	<u>418,349</u>
Total net position	<u>\$ 2,220,911</u>	<u>\$ 2,109,997</u>

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013
With Comparative Totals for the Fiscal Year Ended June 30, 2012

	2013	2012
Operating Revenues:		
Utility sales	\$ 574,519	\$ 534,420
Service charges	57,554	51,100
State of CA-Dept of Parks and Recreation	77,265	56,519
	<u>709,338</u>	<u>642,039</u>
Operating Expenses:		
Contract labor	460,746	493,395
Depreciation	79,980	78,524
Legal and professional	52,117	42,263
Repairs and maintenance	21,100	29,982
Utilities and telephone		21,061
Bookkeeping	15,500	14,700
Licenses and permits	9,334	9,021
Insurance	6,194	5,963
Directors' fees	5,500	5,800
Health insurance	11,962	4,869
Operating supplies		3,828
Website	3,575	3,025
Dues and subscriptions	1,980	1,264
Office expenses	371	548
Election expense	696	
Other expense	10	2
	<u>669,065</u>	<u>714,245</u>
Net operating gain (loss)	<u>40,273</u>	<u>(72,206)</u>
Non-Operating Revenues (Expenses):		
Property taxes	73,755	68,380
Interest income	1,708	2,083
Tax administration fee	(1,618)	(1,587)
LAFCO budget allocation	(3,849)	(1,699)
Miscellaneous income	645	
	<u>70,641</u>	<u>67,177</u>
Changes in net position	110,914	(5,029)
Net position - beginning of fiscal year	<u>2,109,997</u>	<u>2,115,026</u>
Net position - end of fiscal year	<u>\$ 2,220,911</u>	<u>\$ 2,109,997</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013
With Comparative Totals for the Fiscal Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 691,001	\$ 633,386
Payments to suppliers	(656,514)	(544,194)
Payments to employees	(17,462)	(10,669)
Net cash provided (used) by operating activities	<u>17,025</u>	<u>78,523</u>
Cash Flows from Capital and Related Financing Activities:		
Property taxes	73,755	68,380
Miscellaneous revenues	645	
Purchase of capital assets	(37,778)	(224,662)
Tax administration fee	(1,618)	(1,699)
LAFCO budget allocation	(3,849)	(1,587)
Net cash provided (used) by capital and related financing activities	<u>31,155</u>	<u>(159,568)</u>
Cash Flows from Investing Activities:		
Investment income	1,708	2,083
Net cash provided (used) by investing activities	<u>1,708</u>	<u>2,083</u>
 Net increase (decrease) in cash and cash activities	 49,888	 (78,962)
Cash and cash equivalents, beginning of fiscal year	566,537	645,499
Cash and cash equivalents, end of fiscal year	<u>\$ 616,425</u>	<u>\$ 566,537</u>
Reconciliation to Statement of Net Position		
Petty cash	\$ 150	\$ 150
Cash and investments	615,545	512,377
Restricted cash and investments	730	54,010
	<u>\$ 616,425</u>	<u>\$ 566,537</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating loss	\$ 40,273	\$ (72,206)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	79,980	78,524
Change in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	(18,387)	(8,853)
(Increase) decrease in prepaid expenses	(313)	(6,194)
Increase (decrease) in accounts payable	(46,114)	23,588
Increase (decrease) in customer deposits	50	200
Increase (decrease) in contingency	(38,464)	63,464
Net cash provided (used) by operating activities	<u>\$ 17,025</u>	<u>\$ 78,523</u>

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – NATURE OF DISTRICT

San Simeon Community Services District (the “District”) is a political subdivision of the State of California and operates under a council form of government. The District administers the following community services as provided by its charter: Water, sanitation, streets, lighting and general and administrative services.

The District is a Community Services District as defined under State Code Section: 61000. A Community Services District is a public agency (State Code Section: 12463.1) which is a State instrumentality (State Code Section: 23706). State instrumentalities are exempt from federal and state income taxes.

There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies - The accounting policies of the District conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).
- B. Basis of Accounting - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.
- C. Budget - Although a budget is adopted annually, it is used primarily as a guideline for the Board in regulating expenditures. There is no legal requirement to stay within the adopted budget in the payment or classification of expenditures.
- D. Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand and in banks and short-term, highly liquid investments with a maturity of three months or less, which include money market funds, cash management pools in County Treasury and the state Local Agency Investment Fund (LAIF). Cash held in the county and state pooled funds is carried at cost, which approximates fair value. Interest earned is deposited quarterly into the participant’s fund. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.
- E. Property, Plant and Equipment – Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation – Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-50 years) under the straight-line method of depreciation.
- G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable is shown at full value.
- H. Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.
- I. Customer Deposits - Customer deposits are recorded as a liability of the District. The District requires an advance deposit of \$50 for new customers.
- J. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position (Continued)

Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

K. Estimates

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

L. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 61 "The Financial Reporting Entity: Omnibus." This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989* FASB and AICPA Pronouncements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. New Accounting Pronouncements (Continued)

of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the District's financial statements are explained in Note 2 – J Net Position.

M. Comparative Data/Total Only

Comparative total data for the prior fiscal year has been presented in certain accompanying financial statements in order to provide an understanding of the changes in the District's financial position, operations, and cash flows. Also, certain prior fiscal amounts have been reclassified to conform to the current fiscal year financial statements presentation.

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value. On June 30, 2013, the District had the following cash and temporary investments on hand:

Petty cash	\$ 150
Cash in bank	615,758
Investments	<u>517</u>
Total cash and investments	<u>\$ 616,425</u>

Restricted cash

Restricted cash consists of funds that are set aside for well refurbishment as well as appurtenant equipment and structure.

Investments Authorized by 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, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Banker's Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	20%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
State Registered Warrants, Notes or Bonds	N/A	None	None
Notes and Bonds for other Local California Agencies	5 years	None	None

SAN SIMEON COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
LAIF	\$ 517	\$ 517	\$ -	\$ -	\$ -
Total	\$ 517	\$ 517	\$ -	\$ -	\$ -

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 rating by a nationally recognized statistical rating organization. Presented on the next page, is the minimum rating required by (where applicable) the California Government Code and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
LAIF	\$ 517		\$ -	\$ -	\$ -	\$ 517
Total	\$ 517		\$ -	\$ -	\$ -	\$ 517

Concentration of Credit Risk

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. There are no investments in any one issuer that represent 5% or more of total District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside 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, 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 fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the 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 basic financial statements at the 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.

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal years ended June 30, 2013, and June 30, 2012, are shown below:

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Non-depreciable capital assets:					
Construction in progress	\$ 676,070	\$ 37,778	\$ -	\$ (687,293)	\$ 26,555
Total non-depreciable capital assets	<u>\$ 676,070</u>	<u>\$ 37,778</u>	<u>\$ -</u>	<u>\$ (687,293)</u>	<u>\$ 26,555</u>
Depreciable capital assets:					
Sewer plant	\$ 1,488,555	\$ -	\$ -	\$ 542,226	\$ 2,030,781
Water plant	550,391			145,067	695,458
Building	395,874				395,874
Equipment	316,748				316,748
	<u>2,751,568</u>			<u>687,293</u>	<u>3,438,861</u>
Accumulated depreciation	1,790,000	79,980			1,869,980
Total depreciable capital assets	<u>\$ 961,568</u>	<u>\$ (79,980)</u>	<u>\$ -</u>	<u>\$ 687,293</u>	<u>\$ 1,568,881</u>
Net capital assets	<u>\$ 1,637,638</u>	<u>\$ (42,202)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,595,436</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 4 - SCHEDULE OF CAPITAL ASSETS (Continued)

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Non-depreciable capital assets:					
Construction in progress	\$ 451,408	\$ 224,662	\$ -	\$ -	\$ 676,070
Total non-depreciable capital assets	<u>\$ 451,408</u>	<u>\$ 224,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,070</u>
Depreciable capital assets:					
Sewer plant	\$ 1,488,555	\$ -	\$ -	\$ -	\$ 1,488,555
Water plant	550,391				550,391
Building	395,874				395,874
Equipment	316,748				316,748
	<u>2,751,568</u>				<u>2,751,568</u>
Accumulated depreciation	1,711,476	78,524			1,790,000
Total depreciable capital assets	<u>\$ 1,040,092</u>	<u>\$ (78,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,568</u>
Net capital assets	<u>\$ 1,491,500</u>	<u>\$ 146,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,637,638</u>

Depreciation expense for the fiscal years ended June 30, 2013 and 2012 was \$79,980 and \$78,524, respectively. Additions to construction in progress for the year ended June 30, 2013 consisted mainly of expenses related to the construction of a small scale recycled water plant (Tertiary Treatment Facility).

NOTE 5 – CUSTOMER DEPOSITS

The liability for customer deposits consists of the following as of June 30, 2013 and 2012:

	2013	2012
Hook-Up deposits	\$ 43,470	\$ 43,470
Customer meter deposits	10,458	10,408
	<u>\$ 53,928</u>	<u>\$ 53,878</u>

The hook-up deposits are from customers on a waiting list to connect into the system. Each deposit represents total hook-up fees owed by the customer based on the fee schedule in place at the time of the payment. Additional fees may be required from the customer, based on the current fee schedule, when the utility connection is completed.

Customer meter deposits consist of a \$50 refundable deposit required, for each metered customer before any service can be provided by the District.

NOTE 6 – JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. Seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program period July 1, 2012 through June 30, 2013.

General and Auto Liability, Public Officials' and Employees' Errors, and Employment Practices Liability and Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201112. This covers \$2,500,000 per occurrence, subject to policy deductibles.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 201112. This policy includes a \$400,000 Public Employee Dishonesty Blanket Coverage.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – JOINT POWERS AUTHORITY (Continued)

Property Loss: Special District Risk Management Authority, coverage number PPC SDRMA 201112. This policy covers the replacement cost for property on file, \$1,000,000,000 per occurrence, subject to policy deductibles.

Boiler and Machinery: Special District Risk Management Authority, coverage number BMC SDRMA 201112. This covers \$100,000,000 per occurrence, subject to policy deductibles.

The District also participated in the elective comprehension/collision coverage on selected vehicles, subject to policy deductibles.

Personal Liability Coverage for Board Members: This policy covers \$500,000 per occurrence, coverage number LCA SDRMA 201112, annual segregate per each selected/appointed official, subject to policy deductibles.

Members are subject to dividends and/or assessments, in accordance with Second Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied.

NOTE 7 - CONTINGENCIES

The District was party to litigation with its former management company regarding termination of its services contract. The outcome of the lawsuit was determined in July 2012. The District was required to pay \$63,464 to its former management company which amounted to two months management fee payments. As of June 30, 2013, the unpaid liability was \$25,000.

NOTE 8 – RELATED PARTY TRANSACTION

The District has an agreement with APTwater to oversee the daily operations of the District. San Simeon Community Services District paid \$460,325 during the 12/13 fiscal year to APTwater for these services.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available for issuance which is XXXX.

SUPPLEMENTARY INFORMATION

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2013

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>General</u>	<u>Total</u>
Operating Revenues:				
Utility sales	\$ 299,808	\$ 274,711	\$ -	\$ 574,519
Service charges		57,554		57,554
State of CA-Dept of Parks and Recreation	<u>77,265</u>			<u>77,265</u>
Total operating revenues	<u>377,073</u>	<u>332,265</u>		<u>709,338</u>
Operating Expenses:				
Contract labor	276,385	161,303	23,058	460,746
Repairs and maintenance		10,000	11,100	21,100
Depreciation	38,390	24,794	16,796	79,980
Legal and professional	24,476	12,530	15,111	52,117
Utilities and telephone				
Bookkeeping	5,712	4,545	5,243	15,500
Operating supplies				
Office expenses			371	371
Health insurance			11,962	11,962
Licenses and permits	7,055	2,253	26	9,334
Directors' fees	2,475	2,475	550	5,500
Insurance	3,716	620	1,858	6,194
Website			3,575	3,575
Other expense			706	706
Dues and subscriptions	<u>333</u>	<u>301</u>	<u>1,346</u>	<u>1,980</u>
Total operating expenses	<u>358,542</u>	<u>218,821</u>	<u>91,702</u>	<u>669,065</u>
Net operating gain (loss)	<u>18,531</u>	<u>113,444</u>	<u>(91,702)</u>	<u>40,273</u>
Non-Operating Revenues (Expenses):				
Property taxes			73,755	73,755
Interest income			1,708	1,708
Tax administration fee			(1,618)	(1,618)
LAFCO budget allocation			(3,849)	(3,849)
Miscellaneous income			<u>645</u>	<u>645</u>
Total non-operating revenues (expenses)			<u>70,641</u>	<u>70,641</u>
Change in net position	<u>\$ 18,531</u>	<u>\$ 113,444</u>	<u>\$ (21,061)</u>	<u>\$ 110,914</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2012

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>General</u>	<u>Total</u>
Operating Revenues:				
Utility sales	\$ 271,586	\$ 260,791	\$ 2,043	\$ 534,420
Service charges		51,100		51,100
State of CA-Dept of Parks and Recreation	56,519			56,519
	<u>328,105</u>	<u>311,891</u>	<u>2,043</u>	<u>642,039</u>
Operating Expenses:				
Contract labor	295,944	172,750	24,701	493,395
Repairs and maintenance	10,000	17,152	2,830	29,982
Depreciation	37,865	24,234	16,425	78,524
Legal and professional	10,550	15,269	16,444	42,263
Utilities and telephone	14,042	652	6,367	21,061
Bookkeeping	5,700	4,485	4,515	14,700
Operating supplies	3,571		257	3,828
Office expenses	63	63	422	548
Health insurance			4,869	4,869
Licenses and permits	6,660	1,763	598	9,021
Directors' fees	2,610	2,610	580	5,800
Insurance	3,752	625	1,586	5,963
Website			3,025	3,025
Other expense			2	2
Dues and subscriptions			1,264	1,264
	<u>390,757</u>	<u>239,603</u>	<u>83,885</u>	<u>714,245</u>
Total operating expenses	<u>390,757</u>	<u>239,603</u>	<u>83,885</u>	<u>714,245</u>
Net operating gain (loss)	<u>(62,652)</u>	<u>72,288</u>	<u>(81,842)</u>	<u>(72,206)</u>
Non-Operating Revenues (Expenses):				
Property taxes			68,380	68,380
Interest income			2,083	2,083
Tax administration fee			(1,587)	(1,587)
LAFCO budget allocation			(1,699)	(1,699)
			<u>67,177</u>	<u>67,177</u>
Total non-operating revenues (expenses)			<u>67,177</u>	<u>67,177</u>
Change in net position	<u>\$ (62,652)</u>	<u>\$ 72,288</u>	<u>\$ (14,665)</u>	<u>\$ (5,029)</u>