

**SAN SIMEON COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2020

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**TABLE OF CONTENTS**  
June 30, 2020

---

**INTRODUCTORY SECTION**

Organization..... 1

**FINANCIAL SECTION**

Independent Auditors' Report..... 2

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – Proprietary Fund..... 4  
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund..... 5  
Statement of Cash Flows – Proprietary Fund..... 6  
Notes to Basic Financial Statements ..... 7

**SUPPLEMENTARY INFORMATION**

Schedule of Revenues and Expenses by Function for the Fiscal Year Ended June 30, 2020..... 15  
Schedule of Revenues and Expenses by Function for the Fiscal Year Ended June 30, 2019..... 16

## **INTRODUCTORY SECTION**

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**ORGANIZATION**  
June 30, 2020

---

**Board of Directors**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Gwen Kellas	Chairperson	2022
John Russell	Vice-Chairperson	2022
Daniel de la Rosa	Director	2020
William Carson	Director	2020
Bill Maurer	Director	2020

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2020, 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.

### Auditors' 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 financial position of the San Simeon Community Services District, as of June 30, 2020, and the 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.

### 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 15 and 16 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 January 28, 2021, 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.

**Report on Summarized Comparative Information**

We have previously audited the District's basic financial statements as of and for the fiscal year ended June 30, 2019, and our report dated March 11, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Moss, Kelly & Hultgreen LLP*

Santa Maria, California  
January 28, 2021

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

June 30, 2020

with Comparative Totals for June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Petty cash	\$ 150	\$ 150
Cash and investments	1,248,894	1,001,073
Restricted cash and investments		34
Accounts receivable	128,375	110,145
Prepaid expenses	12,959	10,163
Total current assets	<u>1,390,378</u>	<u>1,121,565</u>
Capital Assets:		
Non-depreciable:		
Construction in progress	223,206	
Depreciable:		
Sewer plant	1,784,769	2,086,929
Water plant	1,627,991	2,322,338
Building	279,580	395,874
Equipment	12,690	329,437
Land improvements	26,791	26,791
Less: Accumulated depreciation	<u>(1,446,427)</u>	<u>(2,444,252)</u>
Net capital assets	<u>2,508,600</u>	<u>2,717,117</u>
Total assets	<u>3,898,978</u>	<u>3,838,682</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	18,306	15,301
Customer deposits	80,140	78,950
Long-Term Liabilities:		
Current portion of loan payable	<u>8,568</u>	<u>8,121</u>
Total current liabilities	<u>107,014</u>	<u>102,372</u>
Long-Term Liabilities		
Loan payable	<u>434,352</u>	<u>450,968</u>
Total long-term liabilities	<u>434,352</u>	<u>450,968</u>
Total Liabilities	<u>541,366</u>	<u>553,340</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,065,680	2,258,028
Restricted for:		
Capital projects		34
Unrestricted:		
Board assigned for water capital improvements	55,655	53,618
Board assigned for wastewater capital improvements	55,341	53,315
Board assigned for general capital improvements	15,637	15,065
Board committed for operating reserves	250,000	250,000
Undesignated	915,299	655,282
Total net position	<u>\$ 3,357,612</u>	<u>\$ 3,285,342</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, 2020  
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	2020	2019
<b>Operating Revenues:</b>		
Services-waste	\$ 444,391	\$ 473,434
Services-water	396,043	400,918
State of CA-Hearst Castle	70,777	86,944
Services-other	88,422	85,122
Late fees and adjustments	2,514	3,133
	<u>1,002,147</u>	<u>1,049,551</u>
Total operating revenues		
<b>Operating Expenses:</b>		
Accounting	9,775	9,445
Bank fees	166	220
Bookkeeping	14,560	14,400
Directors' fees	5,100	5,100
Payroll expenses	397	257
Dues and subscriptions	4,732	5,034
Election expense		549
Road maintenance		3,838
Riprap engineering	21,958	56,736
Insurance-health	4,285	7,738
PERS Retirement	13,199	11,326
Insurance-liability	10,163	9,889
LAFCO budget allocation	3,386	3,168
Legal fees	64,363	34,039
Licenses and permits	16,936	14,991
Miscellaneous	1,524	
Depreciation	97,102	98,167
Office expenses		207
Operations management	653,031	732,148
Professional fees	40,922	18,140
Emergency stand by	10,000	10,000
Repairs	34,280	7,130
Utilities	7,695	960
Website	13,700	
Weed abatement	3,885	
	<u>1,031,159</u>	<u>1,043,482</u>
Total operating expenses		
Net operating income (loss)	<u>(29,012)</u>	<u>6,069</u>
<b>Non-Operating Revenues (Expenses):</b>		
Property taxes	87,860	86,705
Interest expense	(12,354)	(18,347)
Interest income	21,979	14,951
	<u>97,485</u>	<u>83,309</u>
Total non-operating revenues (expenses)		
<b>Capital Contributions</b>		
Grant income	178,482	30,120
	<u>178,482</u>	<u>30,120</u>
Total capital contributions		
Changes in net position	<u>246,955</u>	<u>119,498</u>
Net position - beginning of fiscal year	3,285,342	3,165,844
Prior-period adjustment	(174,685)	
Net position - beginning of fiscal year, restated	<u>3,110,657</u>	<u>3,165,844</u>
Net position - end of fiscal year	<u>\$ 3,357,612</u>	<u>\$ 3,285,342</u>

See accompanying notes to basic financial statements.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2020  
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 985,107	\$ 1,070,348
Payments to suppliers	(924,066)	(937,039)
Payments to employees	(9,782)	(24,421)
Net cash provided by operating activities	<u>51,259</u>	<u>108,888</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of capital assets	(71,103)	(141,690)
Grants	178,482	30,120
Interest payments	(12,354)	(18,347)
Principal loan payments	(8,336)	(2,343)
Net cash provided (used) by capital and related financing activities	<u>86,689</u>	<u>(132,260)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Property taxes	87,860	86,705
Net cash provided by noncapital and related financing activities	<u>87,860</u>	<u>86,705</u>
<b>Cash Flows from Investing Activities:</b>		
Investment income	21,979	14,951
Net cash provided by investing activities	<u>21,979</u>	<u>14,951</u>
Net increase in cash and cash equivalents	247,787	78,284
Cash and cash equivalents, beginning of fiscal year	1,001,257	922,973
Cash and cash equivalents, end of fiscal year	<u>\$ 1,249,044</u>	<u>\$ 1,001,257</u>
<b>Reconciliation to Statement of Net Position</b>		
Petty cash	\$ 150	\$ 150
Cash and investments	1,248,894	1,001,073
Restricted cash and investments	34	34
	<u>\$ 1,249,044</u>	<u>\$ 1,001,257</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating income (loss)	\$ (29,012)	\$ 6,069
Adjustments to reconcile operating income (loss) to net cash provided (used)		
by operating activities:		
Depreciation	97,102	98,167
Change in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	(18,230)	(2,903)
(Increase) decrease in prepaid expenses	(2,796)	(437)
Increase (decrease) in accounts payable	3,005	(15,708)
Increase (decrease) in customer deposits	1,190	23,700
Net cash provided by operating activities	<u>\$ 51,259</u>	<u>\$ 108,888</u>

See accompanying notes to basic financial statements.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2020

---

**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, weed abatement, 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, No. 61, and No. 80.

**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, 2020**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- J. Net Position (Continued) - Net investment in capital assets consists 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. 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.

M. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 90	"Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provisions of this statement are effective for fiscal years beginning December 15, 2019.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2020

---

**NOTE 3 - CASH AND INVESTMENTS**

Investments are carried at fair value. On June 30, 2020, the District had the following cash and temporary investments on hand:

Deposits:		
Cash on hand		\$ 150
Cash in banks		81,850
		<u>82,000</u>
Investments:		
Money market		1,166,488
State of California Local Agency Investment Fund (LAIF)		556
		<u>1,167,044</u>
Total Cash and Investments		<u>\$1,249,044</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Petty cash	\$ 150
Cash and investments	<u>1,248,894</u>
Total cash and investments	<u>\$1,249,044</u>

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Local Agency Investment Fund (LAIF) is measured under Level 2. The money market account is not measured under Levels 1, 2, or 3.

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 following table 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, 2020

**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>
Money market funds	\$ 1,166,488	\$ 1,116,488	\$ -	\$ -	\$ -
LAIF	<u>556</u>	<u>556</u>			
Total	<u>\$ 1,167,044</u>	<u>\$ 1,167,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 below, 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>
Money market funds	\$1,166,488	N/A	\$ -	\$ -	\$ -	\$1,166,488
LAIF	<u>556</u>	N/A				<u>556</u>
Total	<u>\$1,167,044</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,167,044</u>

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.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2020

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk (continued)

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

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, 2020, and June 30, 2019, are shown below and on the following page:

	Balance July 1, 2019	Additions	Deletions	Prior-period Adjustment	Balance June 30, 2020
<b>Non-depreciable capital assets:</b>					
Construction in progress	\$ -	\$ 62,538	\$ -	\$ 160,668	\$ 223,206
Total non-depreciable capital assets	<u>\$ -</u>	<u>\$ 62,538</u>	<u>\$ -</u>	<u>\$ 160,668</u>	<u>\$ 223,206</u>
<b>Depreciable capital assets:</b>					
Sewer plant	\$ 2,086,929	\$ 8,565	\$ (280,413)	\$ (30,312)	\$ 1,784,769
Water plant	2,322,338		(387,047)	(307,300)	1,627,991
Building	395,874		(116,294)		279,580
Land improvements	26,791				26,791
Equipment	329,437		(316,747)		12,690
	<u>5,161,369</u>	<u>8,565</u>	<u>(1,100,501)</u>	<u>(337,612)</u>	<u>3,731,821</u>
Accumulated depreciation	2,444,252	97,102	(1,100,501)	5,574	1,446,427
Total depreciable capital assets	<u>\$ 2,717,117</u>	<u>\$ (88,537)</u>	<u>\$ -</u>	<u>\$ (343,186)</u>	<u>\$ 2,285,394</u>
Net capital assets	<u>\$ 2,717,117</u>	<u>\$ (25,999)</u>	<u>\$ -</u>	<u>\$ (182,518)</u>	<u>\$ 2,508,600</u>

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2020

**NOTE 4 - SCHEDULE OF CAPITAL ASSETS (Continued)**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Non-depreciable capital assets:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total non-depreciable capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Depreciable capital assets:				
Sewer plant	\$ 2,086,929	\$ -	\$ -	\$ 2,086,929
Water plant	2,198,617	123,721		2,322,338
Building	395,874			395,874
Land improvements	21,511	5,280		26,791
Equipment	316,748	12,689		329,437
	<u>5,019,679</u>	<u>141,690</u>		<u>5,161,369</u>
Accumulated depreciation	2,346,085	98,167		2,444,252
Total depreciable capital assets	<u>\$ 2,673,594</u>	<u>\$ 43,523</u>	<u>\$ -</u>	<u>\$ 2,717,117</u>
Net capital assets	<u>\$ 2,673,594</u>	<u>\$ 43,523</u>	<u>\$ -</u>	<u>\$ 2,717,117</u>

Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was \$97,102 and \$98,167, respectively.

**NOTE 5 – CUSTOMER DEPOSITS**

The liability for customer deposits consists of the following as of June 30, 2020 and 2019:

	2020	2019
Hook-up deposits	\$ 70,890	\$ 69,750
Customer meter deposits	9,250	9,200
	<u>\$ 80,140</u>	<u>\$ 78,950</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 – LOAN PAYABLE**

On July 11, 2011, the District applied for a \$500,000 loan from the United States Department of Agriculture. The loan was approved, and the District began to draw on the loan during the 13/14 fiscal year. The District is required to make semi-yearly payments of \$10,345. The agreement is secured by a first lien and a pledge of revenues from the water system. In the event of a default by the District, the remaining amount of the note shall become due. Future minimum payments are as follows on the next page:



**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2020

**NOTE 6 – LOAN PAYABLE (Continued)**

Fiscal year Ended June 30,	Principal	Interest	Total
2021	\$ 8,568	\$ 12,122	\$ 20,690
2022	8,805	11,885	20,690
2023	9,049	11,641	20,690
2024	9,300	11,390	20,690
2025	9,557	11,133	20,690
2026-2030	51,906	51,544	103,450
2031-2035	59,501	43,949	103,450
2036-2040	68,208	35,242	103,450
2041-2045	78,188	25,262	103,450
2046-2050	89,629	13,821	103,450
2051-2053	50,209	2,114	52,323
Total	<u>\$ 442,920</u>	<u>\$ 230,103</u>	<u>\$ 673,023</u>

**NOTE 7 – LONG TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the fiscal years ended June 30, 2020 and June 30, 2019, are shown below:

	Balance July 1, 2019	Additions	Deletions	Prior-period Adjustment	Balance June 30, 2020	Due within one year
Loan payable (Direct Borrowing)	\$ 459,089	\$ -	\$ 8,336	\$ (7,833)	\$ 442,920	\$ 8,568
Totals	<u>\$ 459,089</u>	<u>\$ -</u>	<u>\$ 8,336</u>	<u>\$ (7,833)</u>	<u>\$ 442,920</u>	<u>\$ 8,568</u>

  

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
Loan payable (Direct Borrowing)	\$ 461,432	\$ -	\$ 2,343	\$ 459,089	\$ 8,121
Totals	<u>\$ 461,432</u>	<u>\$ -</u>	<u>\$ 2,343</u>	<u>\$ 459,089</u>	<u>\$ 8,121</u>

**NOTE 8 – 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 programs listed below for the program period July 1, 2017 through June 30, 2018.

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.

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.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2020

---

**NOTE 8 – JOINT POWERS AUTHORITY (Continued)**

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 9 – RELATED PARTY TRANSACTION**

The District has an agreement with Grace Environmental Services to oversee the daily operations of the District with the President of Grace Environmental Services, Charles Grace, serving as the District's General Manager. San Simeon Community Services District paid \$643,134 for their services including \$601,941 for operations including staffing and \$41,193 for additional consulting, maintenance, and repairs during the 19/20 fiscal year.

**NOTE 10 – CONTINGENCIES**

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

**NOTE 11 – SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.

**NOTE 12 – PRIOR-PERIOD ADJUSTMENTS**

Prior-period adjustments were made to the Statement of Revenues, Expenses, and Changes in Net Position of \$7,833 of loan payments made in a prior fiscal year and for (\$182,518) to match the capital accounts with the District's depreciation schedule and asset records for a net adjustment of (\$174,685).

**SUPPLEMENTARY INFORMATION**

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION**  
For the Fiscal Year Ended June 30, 2020

	Sanitation Fund	Water Fund	General	Total
<b>Operating Revenues:</b>				
Utility sales	\$ 444,391	\$ 396,043	\$ 2,514	\$ 842,948
Service charges			88,422	88,422
State of CA-Dept. of Parks and Recreation	70,777			70,777
<b>Total operating revenues</b>	<b>515,168</b>	<b>396,043</b>	<b>90,936</b>	<b>1,002,147</b>
<b>Operating Expenses:</b>				
Accounting	3,258	3,258	3,259	9,775
Bank fees			166	166
Bookkeeping	4,853	4,854	4,853	14,560
Directors' fees	1,734	1,733	1,633	5,100
Payroll expenses	132	133	132	397
Dues and subscriptions	891	891	2,950	4,732
Riprap engineering	21,958			21,958
Insurance-health			4,285	4,285
PERS Retirement			13,199	13,199
Insurance-liability	6,098	3,049	1,016	10,163
LAFCO budget allocation	847	846	1,693	3,386
Legal fees	21,204	21,204	21,955	64,363
Licenses and permits	14,589	2,347		16,936
Miscellaneous	281	439	804	1,524
Depreciation	38,198	43,408	15,496	97,102
Operations management	417,262	200,446	35,323	653,031
Professional fees	25,215	11,582	4,125	40,922
Emergency stand by		10,000		10,000
Repairs	18,641	15,639		34,280
Utilities	2,565	2,565	2,565	7,695
Website	4,567	4,567	4,566	13,700
Weed abatement			3,885	3,885
<b>Total operating expenses</b>	<b>582,293</b>	<b>326,961</b>	<b>121,905</b>	<b>1,031,159</b>
<b>Net operating income (loss)</b>	<b>(67,125)</b>	<b>69,082</b>	<b>(30,969)</b>	<b>(29,012)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Property taxes			87,860	87,860
Interest expense		(12,354)		(12,354)
Interest income		15	21,964	21,979
<b>Total non-operating revenues (expenses)</b>		<b>(12,339)</b>	<b>109,824</b>	<b>97,485</b>
<b>Capital Contributions</b>				
Grant income			178,482	178,482
<b>Total capital contributions</b>			<b>178,482</b>	<b>178,482</b>
<b>Change in net position</b>	<b>\$ (67,125)</b>	<b>\$ 56,743</b>	<b>\$ 257,337</b>	<b>\$ 246,955</b>

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION**  
For the Fiscal Year Ended June 30, 2019

	Sanitation Fund	Water Fund	General	Total
<b>Operating Revenues:</b>				
Utility sales	\$ 473,434	\$ 400,918	\$ 3,133	\$ 877,485
Service charges			85,122	85,122
State of CA-Dept of Parks and Recreation	86,944			86,944
<b>Total operating revenues</b>	<b>560,378</b>	<b>400,918</b>	<b>88,255</b>	<b>1,049,551</b>
<b>Operating Expenses:</b>				
Accounting	3,148	3,148	3,149	9,445
Bank fees		50	170	220
Bookkeeping	4,800	4,800	4,800	14,400
Directors' fees	1,800	1,800	1,500	5,100
Payroll expenses	133	132	(8)	257
Dues and subscriptions	705	1,127	3,202	5,034
Election expense			549	549
Road maintenance			3,838	3,838
Riprap engineering	56,736			56,736
Insurance-Health			7,738	7,738
PERS Retirement			11,326	11,326
Insurance-Liability	5,933	2,967	989	9,889
LAFCO budget allocation	792	792	1,584	3,168
Legal fees	14,006	10,017	10,016	34,039
Licenses and permits	13,062	1,929		14,991
Depreciation	43,200	43,200	11,767	98,167
Office expenses			207	207
Operations management	443,051	249,446	39,651	732,148
Professional fees	3,666	8,303	6,171	18,140
Emergency water stand-by		10,000		10,000
Repairs	2,377	2,377	2,376	7,130
Utilities	320	320	320	960
<b>Total operating expenses</b>	<b>593,729</b>	<b>340,408</b>	<b>109,345</b>	<b>1,043,482</b>
<b>Net operating income (loss)</b>	<b>(33,351)</b>	<b>60,510</b>	<b>(21,090)</b>	<b>6,069</b>
<b>Non-Operating Revenues (Expenses):</b>				
Property taxes			86,705	86,705
Interest expense			(18,347)	(18,347)
Interest income			14,951	14,951
<b>Total non-operating revenues (expenses)</b>			<b>83,309</b>	<b>83,309</b>
<b>Capital Contributions</b>				
Grant income			30,120	30,120
<b>Total capital contributions</b>			<b>30,120</b>	<b>30,120</b>
<b>Change in net position</b>	<b>\$ (33,351)</b>	<b>\$ 60,510</b>	<b>\$ 92,339</b>	<b>\$ 119,498</b>