

**REGULAR BOARD OF DIRECTORS MEETING
SAN SIMEON
COMMUNITY SERVICES DISTRICT**

DATE: Wednesday, Dec. 9, 1998
TIME: 7:00 P.M.

PLACE: CAVALIER
BANQUET ROOM

AGENDA

- 1. CALL TO ORDER**
 - 1.1 PLEDGE OF ALLEGIANCE TO THE FLAG
 - 1.2 ROLL CALL

- 2. PUBLIC COMMENTS:** Note: Any topic NOT on the agenda may be presented. Please observe a 3-minute limit.
 - 2.1 Director's comments and proposed agenda items.

- 3. CONSENT ITEMS**
 1. Minutes of August 27, 1998 and November 18, 1998
 2. Warrants

- 4. ELECTION OF OFFICERS**

- 5. WORKSHOP ON BOARDMEMBERSHIP AND THE BROWN ACT**

- 6. CONSIDERATION OF PURCHASING PROCEDURES, PER DIEM AND AGENDA POLICIES. (SCHULTZ)**

- 7. AUDITORS ANNUAL REPORT TO THE BOARD**

- 8. STAFF REPORT**
 - 7.1 WRITTEN COMMUNICATIONS
 - 7.2 ORAL COMMUNICATIONS
Consideration of Miscellaneous verbal Staff reports and Directors' comments.

- 9. ADJOURNMENT**

San Simeon Community Services District



111 Pico Avenue, San Simeon, California 93452
(805) 927-4778 Fax (805) 927-0399

MEMORANDUM

DATE: NOVEMBER 24, 1998
TO: BOARD OF DIRECTORS
FROM: FORREST G. WARREN
SUBJECT: JANUARY AGENDA ITEMS TO BE APPROVED BY THE BOARD

Item 1: Pers Retirement

Pers Retirement Betterment Committee Inc., has sent a letter to urge us to add 1959 Survivor Benefit Program coverage. As an example, right now after 15 years of retirement payments, Ron's wife would only get \$500 as a Survivor's Benefit. (One time only.)

With possible changes at the Federal level for Social Security new employees will have to take up Social Security Retirement System and Survivor's Benefits will most likely be mandatory and at a higher cost for the District in the future.

For only \$168 per year for all the employees, the District will place itself in a better position as far as not being part of the Federal Survivor's Benefits and letting the employee's survivors enjoy the money that their spouses have put aside over the years.

Recommendation: Board approval of Level 4 1959 Survivor's Benefit Program. Cost \$168 a year to the District. (\$3.50 per person each month)

Item 2: Deferred Taxes:

The District in the past didn't set forth a resolution which would give staff the opportunity to get on the PERS Deferred Tax Plan if they so desire.

Recommendation: Board approval of allowing staff this option (No cost to District). Resolution to follow.

Item 3: C.O.L.A. (Normal Yearly Adjustment)

Cost of Living Adjustments were put on hold during the Budget and never finished.

The cost of living adjustments are based on several points:

1. Salary comparable with other Districts (Like work receives like pay).
2. Benefits comparable with other Districts.
3. Availability of District to afford cost of adjustments. (For example rate increase has increased our income.)
4. Employees place on the Step increase.

Recommendation: Normal COLA (2-3%) now versus a larger one later.

San Simeon Community Services District



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Item 4: Resolution of appreciate for Lois Stevens and Leanne Morgan. This would be a thank you for the time that these two Directors gave to the community and the District.
Recommendation: Approval for time spent with the District is an appropriate thing to do.

Item 5: Adoption of schedule of regular meeting dates. Formalizes the exact dates for the upcoming year. Needed for planning purposes.
Recommendation: Approve dates as they fall on the second Wednesday as is our policy without any conflicts this year.

Item 6: Adoption of annual Investment Policy. (No changes to existing document , yearly requirement to approve Investment policy)
Recommendation: Approval, annual update nothing else.

Item 7: Establishment of Budget Committee. The formation of the budget seems to take less time if it is done through a committee first, then a workshop. After that the presentation to the Board for approval.
Recommendation: Two directors, a community/business member and staff be part of such committee.

Item 8: Adoption of written weed abatement policy. We have an unwritten policy about weed abatement which should be formalized by Board approval.
Recommendation: Use existing policy as a guide line but put it in a written format and approve it by the Board.

Item 9: Adoption of purchasing procedure, per diem and agenda resolutions. After several months of discussions these items are now ready for adoption.
Recommendation: Adopt policies as now finalized.

SAN SIMEON COMMUNITY SERVICES DISTRICT

WARRANT REPORT

November 12 through December 2, 1998

<u>DATE</u>	<u>NUM</u>	<u>NAME</u>	<u>WARRANT #</u>	<u>MEMO</u>	<u>AMOUNT</u>
11/12/98	1886	MID-STATE BANK	9811-014	PAYROLL TAXES FOR OCTOBER	\$2,281.32
11/12/98	1887	EMPLOYMENT DEV. DEPT.	9811-015	PAYROLL TAXES FOR OCTOBER	\$436.75
11/12/98	1888	PG&E	9811-016	ELECTRICITY	\$4,141.75
11/12/98	1889	PUBLIC EMP. RET. SYSTEM	9811-017	RETIREMENT FOR OCTOBER	\$1,950.56
11/16/98	1890	KIMBERLY ALLISON	9811-018	PAYROLL 11/1/98-11/15/98	\$253.30
11/16/98	1891	RONALD HEAD	9811-019	PAYROLL 11/1/98-11/15/98	\$1,579.42
11/16/98	1892	LEROY PRICE	9811-020	PAYROLL 11/1/98-11/15/98	\$1,011.34
11/16/98	1893	FORREST WARREN	9811-021	PAYROLL 11/1/98-11/15/98	\$734.34
11/16/98	1894	PRESSURE VESSEL SERV.	9811-022	SODIUM HYPOCHLORITE	\$1,602.32
11/16/98	1895	JOHN WALLACE & ASSOC.	9811-023	MAJOR PROJECTS	\$2,955.76
11/16/98	1895	JOHN WALLACE & ASSOC.	9811-023	ENGINEER CONSULTANT	\$989.47
11/16/98	1896	C.S.D.A.	9811-024	MEMBERSHIP RENEWAL	\$369.00
11/16/98	1897	GROENIGER & COMPANY	9811-025	6" REPAIR CLAMP	\$65.53
11/16/98	1898	W.W. GRAINGER, INC.	9811-026	PRIMER, PAINT	\$59.80
11/18/98	1899	PACIFIC BELL	9811-027	TELEPHONE	\$156.28
11/18/98	1900	CARL PETERSON	9811-028	REF. SEC. DEP. LESS FINAL BILL #1111	\$50.00
11/18/98	1901	FGL ENVIRONMENTAL	9811-029	INORGANIC ANALYSIS	\$138.60
11/18/98	1902	SLO CO. ENVIRON. HEALTH	9811-030	CROSS CONNECTION FOR 8/98-9/98	\$114.00
11/23/98	1903	RICHARD ANDRESEN	9811-031	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1904	ARDY MAY	9811-032	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1905	LORAIN MIRABAL-BOUBION	9811-033	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1906	LEANNE MORGAN	9811-034	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1907	LOIS STEVENS	9811-035	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/30/98	1908	KIMBERLY ALLISON	9811-036	PAYROLL 11/16/98-11/30/98	385.84
11/30/98	1909	RONALD HEAD	9811-037	PAYROLL 11/16/98-11/30/98	1562.81
11/30/98	1910	LEROY PRICE	9811-038	PAYROLL 11/16/98-11/30/98	1132.21
11/30/98	1911	FORREST WARREN	9811-039	PAYROLL 11/16/98-11/30/98	847.61
11/30/98	1912	MID-STATE BANK	9811-040	GAS & OIL, STARTER REPAIR, POSTAGE	509.23
11/30/98	1913	PUBLIC EMP. RET. SYSTEM	9811-041	HEALTH INSURANCE FOR DECEMBER	1047.02
12/1/98	1914	PUBLIC EMP. RET. SYSTEM	9812-001	RETIREMENT FOR NOVEMBER	2309.86
12/1/98	1915	EMPLOYMENT DEV. DEPT.	9812-002	PAYROLL TAXES FOR NOVEMBER	537.33
12/1/98	1916	MID-STATE BANK	9812-003	PAYROLL TAXES FOR NOVEMBER	3008.96
12/2/98		TOTAL			\$30,605.41

**SPECIAL BOARD OF DIRECTORS MEETING
SAN SIMEON
COMMUNITY SERVICES DISTRICT**

MINUTES

**SPECIAL CLOSED SESSION: August 27, 1998 4:30 P.M.
111 Pico Ave. District Office**

1. CALL TO ORDER-

1.1 ROLL CALL

Present: Richard Andresen
Ardy May
Lorraine Mirabal-Boubion
Leanne Morgan
Absent: Lois Stevens

2. PUBLIC COMMENTS: Limited to those items on the agenda.
No public comments.

**3. PERSONNEL CLOSED SESSION PURSUANT TO GOV.
CODE SECTION 54957. PERFORMANCE REVIEW FOR
GENERAL MANAGER FORREST WARREN AND OFFICE
ADMINISTRATOR KIM ALLISON.**

OPEN SESSION: August 27, 1998 6:00 P.M. Cavalier Banquet Room

1. CALL TO ORDER

1.1 PLEDGE OF ALLEGIANCE TO THE FLAG

1.2 ROLL CALL

Present: Richard Andresen
Ardy May
Lorraine Mirabal-Boubion
Leanne Morgan
Lois Stevens (Arrived 6:20 P.M.)
Absent: None

**2. PUBLIC COMMENTS: Note: Any topic NOT on the agenda
may be presented. Please observe a 3-minute limit.**

2.1 Director's comments and proposed agenda items.

Director Morgan: Is it possible for more than two directors to tour the plant at the same time?

Forrest Warren: It would be possible if it is posted 24 hours in advance.

Robert Schultz: Prior to tonight's open session, the Board of Directors met in closed session to discuss an item regarding Personnel under Government Code Section 54597. No action was taken that requires reporting under the Brown Act.

3. CONSIDERATION AND APPROVAL OF MINUTES OF THE REGULAR MEETING OF JULY 8, 1998 AND THE SPECIAL MEETING OF JULY 21, 1998. (ACTION)

Director May motioned to approve the minutes for July 8, 1998 and the special meeting of July 21, 1998 seconded by Director Morgan. Motion carried.

4. CONSIDERATION OF 1998-99 BUDGET AFTER WORKSHOP

Forrest Warren: Presentation of Proposed Operational Budget. See attached documents.

John Wallace: Presentation of Proposed Capital Improvement Budget Items. See attached documents.

Director May motioned to approve the 1998-1999 Budget with changes that would be needed through the year seconded by Director Morgan. Motion carried.

5. STAFF REPORT

**5.1 WRITTEN COMMUNICATIONS
CARRIAGE INN RESTAURANT REMODEL**

Forrest Warren: Presented a letter from Don Carrott concerning plans to remodel the Carriage Inn Restaurant. The complete set of plans are at the District Office.

5.2 ORAL COMMUNICATIONS
Consideration of Miscellaneous verbal Staff reports and Directors' comments.

6. ADJOURNMENT

The meeting was adjourned at 7:25 P.M.

**REGULAR BOARD OF DIRECTORS MEETING
SAN SIMEON
COMMUNITY SERVICES DISTRICT**

DATE: Wednesday, Nov. 18, 1998
TIME: 7:00 P.M.

PLACE: CAVALIER
BANQUET ROOM

Minutes

SPECIAL CLOSED SESSION: Wednesday, November 18, 1998 5:00 P.M.
Cavalier Banquet Room

1. CALL TO ORDER

1.1 ROLL CALL:

Directors: Stevens, Morgan, Mirabal-Boubion, May, Andresen.

Note: St, Mo, Mi, Ma, An are abbreviations for Directors Steven, Morgan, Mirabal-Boubion, May, Andresen. For example St/Mo denotes that Director Stevens made the motion, and Director Morgan seconded. The item relates to the agenda item by the same number. Immediately following each item of these minutes is a description, printed in capital letters of the action taken on that item by the Board of Directors.

2. PUBLIC COMMENTS- NO COMMENTS.

3. GOVERNMENT CODE SECTION 54957; PERSONNEL

ISSUES: Discussion regarding personnel issues for finalizing proposed contract with General Manager Forrest Warren.

4. ADJOURNMENT- 6:15 PM

OPEN SESSION:

1. CALL TO ORDER

1.1 PLEDGE OF ALLEGIANCE TO THE FLAG

1.2 ROLL CALL: Present: Director May, Mirabal-Boubion, Andresen
Absent: Director Stevens, Morgan
(Chairman Andresen indicated that Director Stevens became ill and had to be taken to a Doctor by Director Morgan)

1.3 ANNOUNCEMENT OF REPORTABLE ACTION OF SPECIAL MEETING ON OCTOBER 29, 1998-NO REPORTABLE ACTION.

1.4 ANNOUNCEMENT OF REPORTABLE ACTION OF SPECIAL MEETING ON NOVEMBER 18, 1998-NO REPORTABLE ACTION.

SAN SIMEON COMMUNITY SERVICES DISTRICT

SUPERINTENDENT'S REPORT FOR NOVEMBER 1998

FLOW COMPARISON - Water

NOV 1998 2,279,000 gallons	YTD 1998 29,299,000 gallons	MONTHLY USAGE COMPARISON: ANNUAL USAGE COMPARISON:	14% decrease 8% decrease
NOV 1997 2,637,000 gallons	YTD 1997 31,992,000 gallons	GROSS WATER PRODUCTION: NET WATER PRODUCTION: MONTHLY RECOVERY RATE:	2,097,000 gallons 1,815,650 gallons 87%

RAINFALL

NOV 1998 3.28 inches	98-99 YTD 3.81 inches	MONTHLY COMPARISON: ANNUAL COMPARISON:	4.58 inches less 4.31 inches less
NOV 1997 7.86 inches	97-98 YTD 8.12 inches		

WELL DEPTH COMPARISON

NOV 1998 11.69 feet	OCT 1998 11.88 feet	NOV 1997 12.05 feet	MONTHLY COMPARISON: ANNUAL COMPARISON:	0.19 feet higher 0.36 feet higher
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CHLORIDE COMPARISON

NOV 1998 46 mg/l	OCT 1998 48 mg/l	NOV 1997 800 mg/l	MONTHLY COMPARISON: ANNUAL COMPARISON:	LOWER LOWER
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FLOW COMPARISON - District Wastewater Treated

NOV 1998 1,398,920 gallons	YTD 1998 22,012,220 gallons	MONTHLY USAGE COMPARISON: ANNUAL USAGE COMPARISON:	29% decrease 10% decrease
NOV 1997 1,982,370 gallons	YTD 1997 24,430,408 gallons		

FLOW COMPARISON - State Wastewater Treated

NOV 1998 208,375 gallons	YTD 1998 3,761,549 gallons	MONTHLY USAGE COMPARISON: ANNUAL USAGE COMPARISON:	24% decrease 3% decrease
NOV 1997 275,311 gallons	YTD 1997 3,880,591 gallons		

DISCHARGE REQUIREMENTS

EFFLUENT BOD:	3.6 mg/l	EFFLUENT SUSPENDED SOLIDS:	4 mg/l
INFLUENT BOD:	N/A mg/l	INFLUENT SUSPENDED SOLIDS:	N/A mf/l

BIOSOLID DISPOSAL

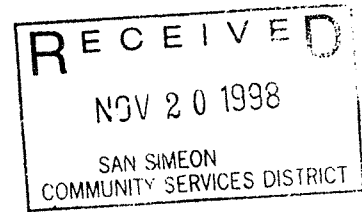
NOVEMBER:	12960 gallons	YTD:	207040 gallons
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OFFICE OF THE TREASURER

SACRAMENTO



Local Agency Investment Fund
 PO Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001



October , 1998 Statement

Account Number : 16-40-003

COMMUNITY SERVICES DISTRICT
 OF SAN SIMEON

Attn: CHAIRMAN

111 PICO AVENUE

SAN SIMEON

CA 93452

Transactions

<u>Effective Date</u>	<u>Transaction Date</u>	<u>Tran Type</u>	<u>Confirm Number</u>	<u>Authorized Caller</u>	<u>Amount</u>
10-15-1998	10-14-1998	QRD		SYSTEM	24,345.87

Account Summary

Total Deposit :	24,345.87	Beginning Balance :	1,715,207.94
Total Withdrawal :	0.00	Ending Balance :	1,739,553.81

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
6010 - SERVICES				
501001 - Services - Waste	82,960.93	70,388.91	12,572.02	117.9%
501501 - Meter Charge - Waste	0.00	10,111.09	-10,111.09	0.0%
502001 - State of CA - Hearst	10,441.26	9,722.25	719.01	107.4%
502101 - Septic Treatment Waste	0.00	0.00	0.00	0.0%
502502 - Services - Water	91,244.16	76,805.58	14,438.58	118.8%
502602 - Meter Charge - Water	13,287.46	1,944.42	11,343.04	683.4%
Total 6010 - SERVICES	197,933.81	168,972.25	28,961.56	117.1%
5040 - PROPERTY TAX				
504003 - Property Tax Current - Secured	3,078.96	16,535.92	-13,456.96	18.6%
504103 - Prop Tax Current Secured Supp	365.47			
505003 - Prop Tax Current Unsecured	1,480.51	557.67	922.84	265.5%
505103 - Prop Tax Current Unsec Suppl	4.83			
506003 - Prop Tax Prior Secured	-15.06			
507003 - Prop Tax Prior Unsecured	22.05			
507103 - Prop Tax Prior Unsec Suppl	6.79			
508003 - Penalties/Interest Prop Tax	11.33	333.25	-207.51	37.7%
509003 - Homeowners Prop Tax Relief	125.74	-460.83	460.83	0.0%
548003 - Prop Tax Adm'n Fee SB2557	0.00			
Total 5040 - PROPERTY TAX	5,070.62	16,966.01	-11,895.39	29.9%
5600 - INTEREST				
560003 - Interest Money Mkt	217.34	194.42	22.92	111.8%
563001 - Interest LAIF - Waste	0.00	21,777.75	-21,777.75	0.0%
563002 - Interest LAIF - Water	0.00	6,222.25	-6,222.25	0.0%
563003 - Interest LAIF - Gen	0.00	3,111.09	-3,111.09	0.0%
565003 - Penalties/Interest/Adjusmnts	1,467.27	291.67	1,175.60	503.1%
Total 5600 - INTEREST	1,684.61	31,597.18	-29,912.57	5.3%
5720-03 - MISCELLANEOUS INCOME				
Total Income	204,756.34	217,574.35	-12,818.01	94.1%
Expense				
6000 - PAYROLL EXPENSE				
6010 - OPERATORS				
6010-01 - Operators - Waste	23,879.60	25,917.87	-2,038.27	92.1%
6011-02 - Operators - Water	5,969.90	6,420.59	-450.69	93.0%
Total 6010 - OPERATORS	29,849.50	32,338.46	-2,488.96	92.3%
6025 - STANDBY				
6025-01 - Standby - Sewer	2,740.80	2,969.87	-229.07	92.3%
6026-02 - Standby - Water	685.20	666.51	28.69	104.4%
Total 6025 - STANDBY	3,426.00	3,626.38	-200.38	94.5%
6035 - OVERTIME & HOLIDAY				
6035-01 - O. T. & Holiday Pay - Sewer	1,302.37	1,351.00	-48.63	96.4%
6036-02 - O. T. & Holiday Pay - Water	331.30	515.76	-184.46	64.2%
6037-03 - O. T. & Holiday Pay - Gen'l	15.18			

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Total 6035 - OVERTIME & HOLIDAY	1,648.85	1,866.76	-217.91	88.3%
6055 - CONTRACT EMPLOYEES				
6055-01 - Contract Employees - Sewer	643.75	0.00	643.75	100.0%
6056-02 - Contract Employees - Water	643.75	0.00	643.75	100.0%
6057-03 - Contract Employees - Genl	1,287.50	0.00	1,287.50	100.0%
Total 6055 - CONTRACT EMPLOYEES	2,575.00	0.00	2,575.00	100.0%
6110 - PAYROLL TAXES				
6110-01 - Payroll Taxes - Sewer	24.64	707.61	-682.97	3.5%
6111-02 - Payroll Taxes - Water	6.16	97.25	-91.09	6.3%
6112-03 - Payroll Taxes - General	0.00	97.25	-97.25	0.0%
Total 6110 - PAYROLL TAXES	30.80	902.11	-871.31	3.4%
6210 - HEALTH INSURANCE				
6210-01 - Health Ins. Exp. - Sewer	2,371.49	3,100.67	-729.18	76.5%
6211-02 - Health Ins. Exp. - Water	1,591.00	2,173.59	-582.59	73.2%
6212-03 - Health Ins. Exp. - General	792.89	553.05	239.84	143.4%
Total 6210 - HEALTH INSURANCE	4,755.38	5,827.31	-1,071.93	81.6%
6235 - PENSION PLAN				
6235-01 - Pension Plan - Sewer	5,975.52	6,898.13	-922.61	86.6%
6236-02 - Pension Plan - Water	3,582.01	1,959.95	1,622.06	182.8%
6237-03 - Pension Plan - Genl	1,791.00	553.05	1,237.95	323.8%
Total 6235 - PENSION PLAN	11,348.53	9,411.13	1,937.40	120.6%
6310 - DIRECTORS FEES				
6310-01 - Director Fee - Sewer	787.50	729.17	58.33	108.0%
6311-02 - Director Fee - Water	618.75	583.33	35.42	106.1%
6312-03 - Director Fee - General	468.75	437.50	31.25	107.1%
Total 6310 - DIRECTORS FEES	1,875.00	1,750.00	125.00	107.1%
6325 - BOOKKEEPER/SECRETARY				
6325-01 - Bookkeeper Sec. - Sewer	0.00	0.00	0.00	0.0%
6326-02 - Bookkeeper Sec. - Water	0.00	0.00	0.00	0.0%
6327-03 - Bookkeeper Sec. - General	0.00	0.00	0.00	0.0%
Total 6325 - BOOKKEEPER/SECRETARY	0.00	0.00	0.00	0.0%
6410 - GENERAL MANAGER/SECRETARY				
6410-01 - General Manager/Sec. - Sewer	3,518.99	3,147.29	371.70	111.8%
6411-02 - General Manager/Sec. - Water	3,518.99	3,147.29	371.70	111.8%
6412-03 - General Manager/Sec. - General	7,037.98	6,294.45	743.53	111.8%
Total 6410 - GENERAL MANAGER/SECRETARY	14,075.96	12,589.03	1,486.93	111.8%
6425 - OFFICE ADMINISTRATOR				
6425-01 - Office Administrator - Sewer	1,006.49	1,057.56	-51.07	95.2%
6426-02 - Office Administrator - Water	1,006.49	1,057.56	-51.07	95.2%
6427-03 - Office Administrator - General	2,012.87	2,115.07	-102.20	95.2%
Total 6425 - OFFICE ADMINISTRATOR	4,025.85	4,230.19	-204.34	95.2%
6000 - PAYROLL EXPENSE - Other	2,308.20			

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San Simeon P&L Budget Comparison Jul 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Total 6000 - PAYROLL EXPENSE				
6999 - UNCATEGORIZED EXPENSES	75,919.07	72,541.37	3,377.70	104.7%
8000 - COMMUNICATIONS	0.00			
8005 - TELEPHONE				
8005-01 - Telephone - Sewer	273.00	330.17	-57.17	82.7%
8006-02 - Telephone - Water	546.77	660.33	-114.56	82.7%
8007-03 - Telephone - General	273.00	330.17	-57.17	82.7%
Total 8005 - TELEPHONE	1,091.77	1,320.67	-228.90	82.7%
8025 - ALARM/OPERATIONS				
8025-01 - Alarm/Operations - Sewer	36.43	45.36	-8.93	80.3%
8026-02 - Alarm/Operations - Water	36.42	45.36	-8.94	80.3%
8027-03 - Alarm/Operations - General	0.00	45.36	-45.36	0.0%
Total 8025 - ALARM/OPERATIONS	72.85	136.08	-63.23	53.5%
8035 - ALARM/OFFICE				
8035-01 - Alarm/Office - Sewer	0.00	42.00	-42.00	0.0%
8036-02 - Alarm/Office - Water	0.00	42.00	-42.00	0.0%
8037-03 - Alarm/Office - General	81.00	42.00	39.00	192.9%
Total 8035 - ALARM/OFFICE	81.00	126.00	-45.00	64.3%
Total 8000 - COMMUNICATIONS	1,245.62	1,582.75	-337.13	78.7%
8050 - INSURANCE, LIABILITY				
8055-01 - Liability Insurance - Sewer	8,520.65	2,903.46	5,617.19	293.5%
8056-02 - Liability Insurance - Water	2,130.16	1,092.00	1,038.16	195.1%
8057-03 - Liability Insurance - General	1,183.43	606.67	576.76	195.1%
Total 8050 - INSURANCE, LIABILITY	11,834.24	4,602.13	7,232.11	257.1%
8090 - INSURANCE, WORKERS COMP				
8095-01 - Work Comp. - Sewer	2,641.96	1,617.75	1,024.21	163.3%
8096-02 - Work Comp. - Water	660.48	521.13	139.35	126.7%
8097-03 - Work Comp. - General	0.00	0.00	0.00	0.0%
Total 8090 - INSURANCE, WORKERS COMP	3,302.44	2,138.88	1,163.56	154.4%
8100 - EQUIPMENT MAINTENANCE				
8135-01 - Regular Equipment Maint - Sewer	10.17	383.65	-373.48	2.7%
8136-02 - Regular Equipment Maint - Water	1,667.13	1,560.81	106.32	106.8%
Total 8100 - EQUIPMENT MAINTENANCE	1,677.30	1,944.46	-267.16	86.3%
8170 - VEHICLE MAINTENANCE				
8175-01 - Vehicle Maintenance - Sewer	23.54	307.21	-283.67	7.7%
8176-02 - Vehicle Maintenance - Water	23.54	287.75	-264.21	8.2%
8177-03 - Vehicle Maintenance - General	11.77	143.91	-132.14	8.2%
Total 8170 - VEHICLE MAINTENANCE	58.85	738.87	-680.02	8.0%
8210 - STRUCTURE MAINTENANCE				
8215-01 - Regular Structure Maint - Sewer	1,147.50	0.00	1,147.50	100.0%
8216-02 - Regular Structure Maint - Water	202.50	0.00	202.50	100.0%
8235-01 - Major Structure Maint - Sewer	1,222.65	4,472.21	-3,249.56	3.0%

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
8236-02 · Major Structure Maint - Water	0.00	4,472.21	-4,472.21	0.0%
Total 8210 · STRUCTURE MAINTENANCE	2,572.65	8,944.42	-6,371.77	28.8%
8277 · ROAD MAINTENANCE				
8277-03 · Regular Road Maint - General	0.00	272.21	-272.21	0.0%
Total 8277 · ROAD MAINTENANCE	0.00	272.21	-272.21	0.0%
8365 · SLUDGE DISPOSAL - SEWER				
8400 · LAB EXPENSE/SUPPLIES	3,926.98	1,477.79	2,449.09	265.7%
8405-01 · Lab Exp/ Supplies - Sewer	0.00	233.33	-233.33	0.0%
8406-02 · Lab Exp/Supplies - Water	64.62	77.79	-13.17	83.1%
Total 8400 · LAB EXPENSE/SUPPLIES	64.62	311.12	-246.50	20.8%
8430 · MEMBERSHIP/SEMINARS				
8435-01 · Membership/Seminars - Sewer	276.48	729.13	-452.65	37.9%
8436-02 · Membership/Seminars - Water	276.48	729.17	-452.69	37.9%
8437-03 · Membership/Seminars - General	184.29	486.13	-301.84	37.9%
Total 8430 · MEMBERSHIP/SEMINARS	737.25	1,944.43	-1,207.18	37.9%
8500 · PROFESSIONAL FEES				
8545 · LEGAL FEES				
8545-01 · Attorney Fees - Sewer	1,429.88	1,166.67	263.21	122.6%
8546-02 · Attorney Fees - Water	1,429.88	1,166.67	263.21	122.6%
8547-03 · Attorney Fees - General	2,859.72	2,333.33	526.39	122.6%
Total 8545 · LEGAL FEES	5,719.48	4,666.67	1,052.81	122.6%
8550 · ACCOUNTANT/AUDITOR				
8555-01 · Accountant/Audit - Sewer	0.00	324.10	-324.10	0.0%
8556-02 · Accountant/Audit - Water	0.00	324.06	-324.06	0.0%
8557-03 · Accountant/Audit - General	0.00	324.05	-324.05	0.0%
Total 8550 · ACCOUNTANT/AUDITOR	0.00	972.21	-972.21	0.0%
8560 · ENGINEER CONSULTANT				
8565-01 · Engineer Consultant - Sewer	1,488.13	690.54	807.59	218.7%
8566-02 · Engineer Consultant - Water	1,288.13	690.54	607.59	189.3%
8567-03 · Engineer Consultant - General	2,976.21	1,361.13	1,615.08	218.7%
Total 8560 · ENGINEER CONSULTANT	5,752.47	2,722.21	3,030.26	211.3%
8570 · GENERAL MGR/ENGINEER				
8571-01 · General Manager/Eng. - Sewer	0.00	0.00	0.00	0.0%
8572-02 · General Manager/Eng. - Water	0.00	0.00	0.00	0.0%
8573-03 · General Manager/Eng. - General	0.00	0.00	0.00	0.0%
Total 8570 · GENERAL MGR/ENGINEER	0.00	0.00	0.00	0.0%
8590 · OFFICE ADMINISTRATION ASSISTANT				
8591-01 · Office Admin. Assist. - Sewer	0.00	0.00	0.00	0.0%
8592-02 · Office Admin. Assist. - Water	0.00	0.00	0.00	0.0%
8593-03 · Office Admin. Assist. - General	0.00	0.00	0.00	0.0%
Total 8590 · OFFICE ADMINISTRATION ASSISTANT	0.00	0.00	0.00	0.0%

notes

no

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Total 8500 · PROFESSIONAL FEES	11,471.95	8,361.09	3,110.86	137.2%
8506 · OFFICE EXPENSE				
8506-01 · Office Expense - Sewer	431.09	248.31	182.78	173.6%
8506-02 · Office Expense - Water	431.09	248.31	182.78	173.6%
8507-03 · Office Expense - General	862.01	492.29	369.72	175.1%
Total 8506 · OFFICE EXPENSE	1,724.19	988.91	735.28	174.4%
8610 · POSTAGE				
8615-01 · Postage - Sewer	64.58	112.89	-48.31	57.2%
8616-02 · Postage - Water	64.58	112.89	-48.31	57.2%
8617-03 · Postage - General	129.14	225.73	-96.59	57.2%
Total 8610 · POSTAGE	258.30	451.51	-193.21	57.2%
8595 · SAMPLE TESTING				
8595-01 · Sample Testing - Sewer	4,163.95	2,306.49	1,857.46	180.5%
8596-02 · Sample Testing - Water	595.00	932.59	-337.59	63.8%
Total 8595 · SAMPLE TESTING	4,758.95	3,239.08	1,519.87	146.9%
8600 · EQUIPMENT RENTAL				
8605-01 · Equipment Rental - Sewer	0.00	97.25	-97.25	0.0%
8606-02 · Equipment Rental - Water	0.00	97.25	-97.25	0.0%
8607-03 · Equipment Rental - General	0.00	97.25	-97.25	0.0%
Total 8600 · EQUIPMENT RENTAL	0.00	291.75	-291.75	0.0%
8635 · AUTOMOBILE EXPENSE-GAS & OIL				
8635-01 · Gas & Oil - Sewer	123.66	202.72	-79.06	61.0%
8636-02 · Gas & Oil - Water	123.66	202.77	-79.11	61.0%
8637-03 · Gas & Oil - General	82.44	138.97	-56.53	59.3%
Total 8635 · AUTOMOBILE EXPENSE-GAS & OIL	329.76	544.46	-214.70	60.6%
8660 · LICENSE/PERMITS				
8665-01 · License/Permits - Sewer	2,000.00	777.79	1,222.21	257.1%
8666-02 · License/Permits - Water	0.00	236.79	-236.79	0.0%
8667-03 · License/Permits - General	0.00	0.00	0.00	0.0%
Total 8660 · LICENSE/PERMITS	2,000.00	1,014.58	985.42	197.1%
8730 · UTILITIES				
8735-01 · Electrical/Power - Sewer	18,931.19	14,339.92	4,591.27	132.0%
8736-02 · Electrical/Power - Water	1,923.79	1,755.18	168.61	109.6%
8737-03 · Electrical/Power - General	113.78	107.94	5.84	105.4%
8738-02 · Elec/Power/Hearst Well/Standby	0.00	4.20	-4.20	0.0%
8745-01 · Rubbish - Sewer	378.55	235.62	142.93	160.7%
8746-02 · Rubbish - Water	309.70	192.78	116.92	160.6%
8747-03 · Rubbish - General	0.00	0.00	0.00	0.0%
8757-03 · Street Lights - General	3,625.65	3,371.53	254.12	107.5%
Total 8730 · UTILITIES	25,282.66	20,007.17	5,275.49	126.4%
8760-02 · DESAL STANDBY COSTS	0.00	0.00	0.00	0.0%
8800 · OPERATING EXPENSES				
8805-01 · Small Tools - Sewer	0.00	35.09	-35.09	%

**San Simeon
P&L Budget Comparison
July 1 through November 20, 1998**

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
8806-02 · Small Tools - Water	17.46	41.58	-24.12	42.0%
8807-03 · Small Tools - General	0.00	0.00	0.00	0.0%
8825-01 · Disinfecting Chem - Sewer	8,595.21	5,345.25	3,249.96	160.8%
8826-02 · Disinfecting Chem - Water	1,222.06	3,669.35	-3,547.29	3.3%
8835-01 · Operating Supplies - Sewer	1,131.43	1,084.02	47.41	104.4%
8835-02 · Operating Supplies - Water	463.43	948.87	-485.44	48.8%
Total 8800 · OPERATING EXPENSES	10,329.59	11,124.16	-794.57	92.9%
Total Expense	157,494.32	142,521.14	14,973.18	110.5%
Net Ordinary Income	47,262.02	75,053.21	-27,791.19	63.0%
Other Income/Expense				
8010 · OTHER EXPENSES	10.00			
8010-01 · BANK SERVICE CHARGES	10.00			
Total 8010 · OTHER EXPENSES	10.00			
Total Other Expense	10.00			
Net Other Income	-10.00			
Net Income	47,252.02	75,053.21	-27,801.19	63.0%

P E R S RETIREMENT BETTERMENT COMMITTEE INC.

141 NORTH GLENDALE AVENUE • GLENDALE, CALIFORNIA 91206

EXECUTIVE BOARD

GEORGE F. BUCK
Pasadena
President
(818) 405-4561

TED MORRISON
Glendale Fire (retired)
Vice President
(818) 957-1137

CARLOS SOEGAARD
Glendale (retired)
Treasurer
(818) 352-3725

JAMES D. GRAY
M.W.D. of Southern Calif.
Secretary
(909) 392-2585

JAKE PETROSINO
Anaheim
Research Director
(714) 254-4439

LOIS WELLINGTON
Burbank (retired)
Director
(818) 848-3905

JAMES SPAULDING
Long Beach
Director
(310) 437-7411

LARRY RUTHERFORD
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(818) 405-4467

LEO TAMISIEA
San Francisco BART
Police (retired)
Director
(310) 393-1486

ROY M. LOPEZ
Glendale
Director
(818) 548-3945

November 12, 1998

General Manager
San Simeon Community Services District
111 Pico Avenue
Route 1 - Box S-17
San Simeon, California 93452

Dear Sir/Madam:

This is to inform you of the availability of your agency to contract for available monthly, pre-retirement death benefits to surviving family members known as the PERS 1959 Survivor Benefit Program.

This benefit is available by contract amendment for PERS members who are not covered by Social Security with their public agency employer.

As Social Security benefit levels have increased over the years with automatic increases in the Consumer Price Index (CPI), additional levels have been added to the PERS 1959 Survivor Benefit Program because monthly benefits are fixed. According to PERS records your agency is among a small group of cities/counties/special districts which is without Social Security coverage and does not provide this benefit coverage for your membership.

Both our Committee and the PERS Board of Administration has continued to URGE local public agencies whose members do not have Social Security coverage to give favorable consideration to adding or improving their 1959 Survivor Benefit Program coverage. Because Level 1 and Level 2 benefits are no longer adequate, those levels of coverage are no longer available to contracting public agencies.

Benefit Level	Year	One Survivor	Two Survivor	Three + Survivors	Agency Cost	Member Cost
3	1984	\$ 350	\$ 700	\$ 840	\$ 0.00	\$ 2.00
4	1993	950	1,900	2,280	3.50	2.00

The monthly amounts provided are fixed. There is no cost-of-living applied to these monthly payments.

Legislation creating these Levels established a "risk pool" consisting of all local public agency employers at Level 3 and another at Level 4. The agency rate is based on the group's experience at each level in order to minimize the unpredictable risk for a small cohort. Even one or two unexpected deaths in a small group such as yours can result in significant funding requirements. (The PERS Actuarial Office reports 5.2 deaths for each 10,000 covered local public agency members in 1995.) Pooling the risk, as is done with both Level 3 and Level 4, eliminates this financial problem.

RECEIVED
NOV 16 1998
SAN SIMON COMMUNITY SERVICES DISTRICT

\$ 168⁰⁰ Per year
District cost

47. Section 21548 Pre-Retirement Optional Settlement 2 Death Benefit

The spouse of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit in lieu of the lump sum Basic Death Benefit. The benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2, the highest monthly allowance a member can leave a spouse.

This benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

Employer Cost:	Valuation required.
Rough Estimate:	0.1% to 0.3% of payroll.
Member Cost:	None.

48. Section 21551 Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor

If the surviving spouse remarries, death benefits being paid to the spouse of a member who died prior to retirement will not cease.

Surviving spouses who elected to receive a reduced allowance which would not end upon remarriage shall have their allowance restored to the lifetime allowance to which he or she was originally entitled for all benefits payable on or after the date this section becomes operative for the agency.

If the spouse is entitled to continued health benefits coverage and remarries, he or she may not add the new spouse or stepchildren as family members under the continued health benefits coverage.

Employer Cost:	No valuation required. Actual costs will emerge in future valuations.
Member Cost:	None.

An operative date for this benefit is established at the time of amendment.

*** 49. Section 21573 Third Level of 1959 Survivor Benefits**

Concurrent coverage under this section and Social Security is prohibited, but an agency may provide the benefit for the full formula members of a divided miscellaneous member group. Members in employment prior to the effective date of the amendment may elect not to be covered, however, participation is required for all future hires who are not covered under Social Security (Section 21577).

This benefit provides a monthly allowance to survivors of a member who dies prior to retirement. The benefit is paid in addition to the Basic Death Benefit, the 1957 Survivor Benefit, or, if applicable, the Pre-Retirement Optional Settlement 2 Death Benefit but would be reduced by the amount of the Special Death Benefit, if payable.

The monthly allowance payable to eligible survivors is as follows:

Spouse with two or more children; or three or more dependent children, alone	\$840
Spouse with one dependent child; or two dependent children alone	\$700
One dependent child; or surviving spouse at age 62*, or older until remarriage**; or dependent parents	\$350

* The benefit would be payable to a surviving spouse at age 60 if the agency's contract includes Section 21580 (1959 Survivor Benefits to Surviving Spouse at Age 60).

** The benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

The surviving spouse may elect (within 24 months of the date of the member's death) a 25% reduction to the monthly allowance in lieu of cessation of the allowance in the event of remarriage. If the agency later amends its contract to include Section 21551, surviving spouses who elected to receive the reduced allowance would have their allowance restored to the lifetime allowance to which he or she was originally entitled.

Effective January 1, 1994, this benefit is mandatory for public agencies first contracting or any contracting agency amending its contract to remove exclusions of member classifications for employees who become CalPERS members and who are not covered under Social Security. The agency may elect to provide Section 21574 (Fourth Level of 1959 Survivor Benefits).

Employer Cost:	\$0 per month per covered member effective July 1, 1997. Valuation required if the contract currently provides a lower level of 1959 Survivor Benefits to determine the funding status of the agency's 1959 Survivor Benefit Account. (There is no fee for this valuation.)
Member Cost:	\$2.00 monthly (non-refundable).

The employer cost is based on a term insurance valuation method of a large experience pool rather than the experience of your agency, the rate is less likely to have large fluctuations, though it may vary from year to year depending on mortality experience of the pool. The actual employer costs for agencies currently providing 1959 Survivor Benefits who amend to provide the Third Level will vary depending upon each agency's 1959 Survivor funding level.

If there is a deficit in the agency's 1959 Survivor funding (an unfunded accrued liability) based on the Third Level benefit, this unfunded liability shall be either, 1) paid for completely by the agency at or prior to the effective date of the amendment or, 2) amortized and paid for over a period of five years, the first payment to be made at or prior to the effective date of the amendment and subsequent payments on the anniversary of the effective date of the amendment. In addition, an employer per member, per month cost (if any) will be imposed.

If there is a surplus in the agency's 1959 Survivor funding, this surplus shall be used to offset any employer required first-year contributions.

An operative date for this benefit is established at the time of amendment.



50. Section 21574 Fourth Level of 1959 Survivor Benefits

This benefit provides a higher level of 1959 Survivor Benefits to survivors of a member who dies prior to retirement. The benefit is paid in addition to the Basic Death Benefit, the 1957 Survivor Benefit, or, if applicable, the Pre-Retirement Optional Settlement 2 Death Benefit but would be reduced by the amount of the Special Death Benefit, if payable.

The monthly allowance payable to eligible survivors under this section is as follows:

Spouse with two or more children; or three or more dependent children, alone	\$2,280
Spouse with one dependent child; or two dependent children alone	\$1,900
One dependent child; or surviving spouse at age 60, or older until remarriage*; or dependent parents	\$950

* The benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

The surviving spouse may elect (within 24 months of the date of the member's death) a 25% reduction to the monthly allowance in lieu of cessation of the allowance in the event of remarriage. If the agency later amends its contract to include Section 21551, surviving spouses who elected to receive the reduced allowance would have their allowance restored to the lifetime allowance to which he or she was originally entitled.

- Employer Cost: \$3.50 per month per covered member effective July 1, 1997. Valuation required if the contract currently provides a lower level of 1959 Survivor Benefits to determine the funding status of the agency's 1959 Survivor Benefit Account. (There is no fee for this valuation.)
- Member Cost: \$2.00 monthly (non-refundable).

As with Section 21573, public agencies contracting or amending to provide the Fourth Level will receive a single employer rate based on term insurance rates. This rate will be calculated on the pool experience rather than individual employer experience. The actual employer cost for agencies currently providing 1959 Survivor Benefits who amend to provide the Fourth Level will vary depending upon each agency's 1959 Survivor funding level.

If there is a deficit in the agency's 1959 Survivor funding (an unfunded accrued liability) based on the Fourth Level benefit, this unfunded liability shall be either, 1) paid for completely by the agency at or prior to the effective date of the amendment or, 2) amortized and paid for over a period of five years, the first payment to be made at or prior to the effective date of the amendment and subsequent payments on the anniversary of the effective date of the amendment. In addition, an employer per member, per month cost (if any) will be imposed.

If there is a surplus in the agency's 1959 Survivor funding, this surplus shall be used to offset any employer required first-year contributions.

operative date for this benefit is established at the time of amendment.

SAN SIMEON COMMUNITY SERVICES DISTRICT POLICY STATEMENT RE PROPOSED AGENDA ITEMS

BACKGROUND

Appearing on the Board of Director Agenda is a section entitled "2.1 Director's comments and proposed agenda items." This item presents the opportunity for individual Directors to raise subjects of District business or concerns that they would like discussed for potential action. However, this section can also create a problem pursuant to the Brown Act when the Board discusses a subject matter that is not on the agenda.

This Policy Statement establishes the expectations of and guidelines to the Board of Directors and District staff for the disposition of subject matters raised under this agenda heading and to make sure that problems do not develop pursuant to the Brown Act.

POLICY

Pursuant to the Government Code 54950 et sec., when a Director declares a subject for a future Board of Director's meeting, the only discussion regarding the subject shall be whether the Administration will agendize the item for a future meeting.

By an affirmative vote of 3/5 of the elected Board the Administration will agendize the item for a future meeting and, staff work or time shall be incurred researching or preparing information or reports for the discussion of the agenda item.

If the item does not receive an affirmative vote of 3/5 of the elected Board, the item will still be agendized for a future meeting. However, no staff work or time shall be incurred researching or preparing information or reports for the discussion, except to copy existing District materials or ordinances relating to the subject. The Director who proposed the item is encouraged to prepare their own memorandum briefly outlining the subject matter and action being sought for inclusion in the Agenda Packet for the Board meeting at which the item will be discussed.

When requesting an item for future Board of Director discussion, the Directors are encouraged to provide a timeframe to Administration regarding their desires as to which Board of Director's meeting the subject should be agendized.



SAN SIMEON COMMUNITY SERVICES DISTRICT
PURCHASING PROCEDURE

This procedure will explain the steps necessary to complete Purchase Orders and steps required to complete Purchase Contracts. Purchase Contracts are for all services that have a formal written contract. Purchase Orders are for all other purchases or services as specified below.

PURCHASE OF SUPPLIES AND EQUIPMENT

Purchase Order Needed?

Amount of order equals or exceeds \$200.

Amount of Order is \$199 or less

PO required

PO not required

APPROVAL/SIGNATURES REQUIRED?

Amount of order equals or exceeds \$3,000

Amount of order is \$1,000 to \$2,999

Amount of Order is \$999 or less

Board of Directors approval required

One Board of Director and General Manager

General Manager

FORMAL OR OPEN MARKET PROCEDURE?

Amount of order equals or exceeds \$3,500

Amount of order is \$500 to \$3,499

Amount of order is \$499 or less

Only one vendor carries the commodity

Three written proposals are required

Three price quotes are required

Competitive quotes not required

Competitive quotes not required

The above formal guidelines do not apply to public works/construction projects which are governed by State law. These guidelines do not apply to professional services.

PURCHASE ORDERS

I. A purchase order (PO) is required when a purchase is greater than \$200.00. A PO is not required for vehicle repairs since the estimates and actual repairs vary substantially. Also there will be PO issued after the fact (i.e., work completed and invoice received prior to requesting PO.)

II. The PO starts with a Request for Purchase Order form completed by the requesting individual.

Things to remember when completing the request are:

- Proper General Ledger accounting to charge the expense to
- Vendor information. It is especially important when dealing with a new vendor that you provide the remittance address, phone number and/or contact names, and the vendor Tax Identification Number
- Any specifications or quotes that need to be particularly referenced in the body of the PO
- Appropriate approval signatures. Please check the Signature Authority Tables if you are unsure who is authorized to approve these requests. If the request does not have the correct signatures, a PO cannot be issued.

- III. When work is completed, a copy of the PO or the PO # identified on the invoice shall state "okay to pay." "Okay to pay" needs a legible signature. It means the goods and services have been received/provided and meet specifications in the order. No additional approval is needed since we have the original request on file with the necessary signatures. There is one exception. If the invoice amount is greater than the PO, the invoice must be re-approved.

PURCHASE CONTRACTS

- I. As mentioned above, Purchase Contracts will be created for all services that have a formal contract. Once the contract is awarded to the contractor and signed by the contractor and the City Attorney, it should be sent to the General Manager for his signature. It must contain an attachment indicated in the following:
- Staff person responsible for contract administration
 - General Ledger Accounting
 - Contract Start and End Date
 - Retainage Requirements
- II. After the Contract is signed by the General Manager, a contract is set up in the system and is pulled into a Purchase Order so that the funds will be encumbered.
- III. The Purchase Order and a copy of the contract are sent to the contractor. The contractor is directed to reference the Purchase Order on all billings.

Emergency clause:

SAN SIMEON COMMUNITY SERVICES DISTRICT

Route 1, Box S-17

San Simeon, California 93452

(805) 927-4778

DRAFT MEMORANDUM

(PLEASE OBTAIN FINAL FROM JOHN W. BY DEC. 2, 1998)

DATE: December 2, 1998

TO: Board of Directors

VIA: *Forrest G. Warren, General Manager*

FROM: John L. Wallace, District Engineer

SUBJECT: Brief Status Report on Active San Simeon CSD Projects

*order control & chemical costs
number by*

EQUALIZATION BASIN COVER AND ODOR CONTROL:

At the Board's meeting on October 14th, staff was instructed to proceed with obtaining informal bids for permanently covering the 32-foot by 42-foot equalization tank at the wastewater treatment plant and providing an air scrubber unit to control odor.

Preliminary costs of around \$70,000 were presented to the Board on the November 18th meeting. Staff was given the direction to hold off on this type of improvement until a decision could be made and funds made available to expand the treatment plant.

✓ HEARST DRIVE AND SAN SIMEON AVENUE WATERLINE REPLACEMENT:

Construction is underway. The start date for the Contractor (The Sanchez Company) began November 19, 1998. Mobilization, utility exploration and pavement grinding should begin Monday November 30th, after the Thanksgiving holidays.

Utility companies have been notified and have located their respective utility. A survey work is complete and the County of SLO has been notified. Compaction testing will be performed by Mid Coast Geotechnical of Paso Robles.

✓ OCEAN OUTFALL EMERGENCIES REPAIRS:

The District is currently under Contract with Underwater Resources, Inc of San Francisco, CA. Flanges, diffusers and anode equipment have been ordered. District staff and Contractor will be scheduling work when the ordered equipment becomes available.

✓ PIPELINE BRIDGE AND CHANNELIZATION PROJECT:

Civil plans and specifications are complete. Structural engineering plans have been approved for the new structural channel box and retaining walls. Structural Drawings are ready to incorporate into the Civil Drawings. Recommend to solicit for bids per attached tentative construction schedule.

AVONNE AVENUE CASTILLO WATER LINE LOOP:

A water line easement has been prepared and is being processed for approval.

084-02projectstatus.wpd

SAN SIMEON COMMUNITY SERVICES DISTRICT
Revised Tentative Construction Schedule
for the
PIPELINE BRIDGE AND CHANNELIZATION PROJECT

Survey, Structural and Civil Design Completion	November 25, 1998
Contract Documents, Drawings and Specification Complete	November 30, 1998
1st Notice to Bidders	December 7, 1998
2nd Notice to Bidders (min. 5 days between publications)	December 14, 1998
Pre-Bid Conference (Friday, 2:00 pm)	December 18, 1998
Receive Bids (Wednesday, 2:00 pm)	January 6, 1999
Award of Bid	January 13, 1999
Notice of Award*	January 14, 1999
Notice to Proceed* (15 days from Award)	January 28, 1999
Start Work (10 days from Notice to Proceed)	February 8, 1999
Completion - (120 Calendar Days)	June 8, 1999

* send Certified Mail
a:\brdgscch.wpd.ert

NOT A PART OF THE CONTRACT

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

**INDEPENDENT AUDITORS' REPORT
AND
MANAGEMENT ADVISORY COMMENTS**

For the Year Ended
June 30, 1998

DRAFT



CROSBY & CINDRICH-CERTIFIED PUBLIC ACCOUNTANTS

1035 PEACH STREET, SUITE 201 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-5800 FAX: (805)543-2575

Independent Auditors' Report

Board of Directors
San Simeon Community Services District
San Simeon, California

In planning and performing our audit of the financial statements of the San Simeon Community Services District, for the year ended June 30, 1998, we considered its internal control structure in order to determine our auditing procedures. This was done for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control structure. However, a matter involving the internal control structure and its operations was noted that we consider to be a reportable condition, under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

In the attachment, we have listed the reportable condition, and other audit comments and recommendations for improvement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the management of San Simeon Community Services District.

We appreciate the complete cooperation and assistance we received from the staff during our audit work.

DRAFT

CROSBY & CINDRICH
Certified Public Accountants

October 26, 1998

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**
Attachment
October 26, 1998

REPORTABLE CONDITION

1. Segregation of Accounting Duties

During our audit internal control questionnaire, we noted that the division of some accounting duties, normally segregated to different individuals in the accounting office, were not segregated because of the limited number of office personnel at the District. In any bookkeeping system, it is essential that the various accounting duties are segregated to insure that the internal accounting controls of the system are not being breached. Whenever these accounting function duties are doubled-up, or handled by one person, a "key person" situation exists which could enable that person to manipulate the accounting records for his or her own benefit. In itself, this situation constitutes a reportable condition. In many instances, like with the District, further segregation of accounting functions in a small office are not possible or cost effective.

It is our office policy to periodically notify the Board if such a condition exists in their accounting system, and to make the Board aware of the potential dangers involved.

It is not our objective to insinuate that a problem exists within the current accounting system, especially since all evidence would indicate that the system is performing adequately, nor is it our objective to provide negative assurance that there is nothing wrong with the accounting system.

Through professional literature and seminars in which we have attended, it has become apparent that the problems resulting from this reportable condition have become epidemic.

If a situation arises in the future that would question the integrity of a "key person" within the accounting system, the Board may want to implement additional procedures. These procedures could include internal auditing techniques, spot checks, and observation of "key person" procedures.

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SAN SIMEON
COMMUNITY SERVICES DISTRICT
Attachment
October 26, 1998

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AUDIT COMMENTS, AND SUGGESTIONS

1. Year 2000 (Y2K)

On January 1, 2000, information technology experts believe that many application systems will fail as a result of erroneous calculations and data integrity problems. The situation, commonly known as the "Year 2000 (Y2K) Issue" will occur because many computers cannot process date information beyond December 31, 1999. This situation has arisen because many application software products were originally designed to accommodate only a two digit date position to represent the year.

The District must devote the necessary resources to evaluate its systems and make itself Y2K compliant. This will ensure that the systems will be able to process date information on and after January 1, 2000.

We recommend that the District allow for complete testing of all computer applications prior to January 1, 2000. If required, the District should make the necessary system modifications to avoid significant program failures.

The District should also consider implementing additional verification procedures to insure that information received from its investment activities, San Luis Obispo County, and other third-party organizations will not experience problems relating to the Y2K issue that could affect the District's revenues and cash investments.

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2. Year-end Adjusting Journal Entries

Throughout the audit, numerous year-end audit adjustments were required to properly report the District's general ledger account totals. The rationale for each adjustment was thoroughly explained to the District's staff. We have found that this additional educational process will not only acquaint and familiarize the District staff to the audit process, it will enable the staff to expedite the process for future audits. We have also found that it will enable the staff to prepare more concise interim financial statements for the Board of Directors.

It is our goal to significantly reduce the number of year-end audit adjustments to five or less.

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

Attachment
October 26, 1998

AUDIT COMMENTS, AND SUGGESTIONS

3. Accounting Procedures Manual

The accounting and procedures manual should be updated periodically to insure that detailed written instructions and procedures are included for every possible transaction, assignment and duty. If a procedure is established for every type of transaction, it will insure that similar transactions will be handled consistently and the accounting procedures used are appropriate. A detailed manual can help to avoid misunderstandings, prevent errors, increase efficiency, and reduce duplicated or wasted effort. We understand that updating a procedures manual can be costly and time consuming, however, it is our experience that major benefits will be derived from these manuals, such as; time saved in training and supervising new personnel because of an untimely change in accounting personnel. We have also found that in updating the manual, management can develop new procedures that can improve or make the system more efficient. ✓

4. Contributed Capital

From its inception as a special district, the San Simeon Community Services District has had significant capital amounts contributed to its retained earnings. To properly report these contributed capital amounts, the District should allocate and report a portion of its retained earnings as "contributed capital" on its financial statements. It is not critical that this allocation must be made. For many special districts it is extremely difficult, if not impossible, to tabulate the correct contributed capital amount. However, to make the District's financial statements more compliant with Governmental Accounting Standards Board guidelines, we recommend that the amount be tabulated and reported in the financial statements. ✓

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5. Coding of Receipts and Disbursements/Balance Sheet Reconciliation

During our tests of transactions, we noted that several transactions were not consistently coded to the same account during the year, resulting in several year-end adjustments. We understand that a new software system was implemented during the year, which probably contributed to this problem. Since the nature of the organization's monthly expenses do not fluctuate from month to month and now that the software system appears to be adequately running, we recommend that all monthly disbursements be systematized in such a way that the entries can be made consistently without question (see Note 3).

We also recommend that all balance sheet accounts be reconciled at least monthly to insure that the interim financial statements are accurately stated.

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**
Attachment
October 26, 1998

AUDIT COMMENTS, AND SUGGESTIONS

6. Payroll Reconciliation

Our audit procedures included a reconciliation between all payroll tax returns and the general ledger. During this reconciliation, we noted differences between the amounts reported on the payroll tax returns and what was reported on the general ledger. Subsequently, the differences were located, and the appropriate corrections were made. To avoid any future penalties and problems, we recommend that every payroll be reconciled to the general ledger accounts after each payroll is processed, in a manner similar to the reconciliation we performed during our audit. This procedure will insure that all expense and liability accounts accurately agree with the related payroll tax returns, prior to their submission, and any problems that may exist can be easily detected in a timely manner.

It is our understanding that new procedures have subsequently been implemented to reconcile the payroll tax returns with the general ledger accounts every quarter.

7. Audit Adjustments

During our reconciliation of the fund balances, we noted that several of the prior year audit adjusting entries were not recorded in the District's general ledger. The omitted journal entries resulted in differences in the fund balance. Also, because of these differences, each interim financial statement was misstated. To preclude this from happening in future years, we suggest that the audit adjusting journal entries be entered immediately after the audit is completed. After the journal entries are posted, a reconciliation should be performed to insure that the fund balances/retained earnings amounts recorded on the general ledger agree with the audited financial statements.

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8. Accounts Payable

During our search for unrecorded liabilities we noted that the amount recorded on the general ledger was different than the actual liability. Now that an accurate amount has been determined at year-end we recommend that a monthly reconciliation be performed to insure that all liabilities are accurately recorded in the general ledger. Any differences that occur during the reconciliation can be easily detected and corrected in a timely manner.

Bob Croft
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SAN SIMEON
COMMUNITY SERVICES DISTRICT
Attachment
October 26, 1998

AUDIT COMMENTS, AND SUGGESTIONS

9. Accounts Receivable

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During our examination of the accounts receivable and the accounts receivable miscellaneous accounts for the District, we noted that some minor adjustments were required to reconcile the subsidiary ledgers with the general ledger. To insure that all receivables are adequately recorded and collected, we recommend that an accounts receivable aging list be maintained and reconciled monthly for accuracy, for both accounts.

It appears as though a considerable amount of time is utilized to input utility billing information into the current accounts receivable/general ledger computer program. To simplify the monthly utility billing process, we recommend that a separate accounts receivable program be purchased and utilized, rather than using the general ledger accounting program to track the utility billing accounts receivable.

It is our understanding that new procedures have subsequently been implemented to reconcile the accounts receivable aging listing with the general ledger every month.



**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

**Independent Auditors' Report
and
Financial Statements**

**For the Years Ended
June 30, 1998 and 1997**

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SAN SIMEON COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Years Ended June 30, 1998 and 1997

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SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF DIRECTORS
June 30, 1998

BOARD OF DIRECTORS

NAME

TERM EXPIRES

Richard Andresen, Chairman

November, 2000

Ardy May, Vice-Chairman

November, 2000

Lorraine Mirabal-Boubion, Director

November, 2000

Leanne Morgan, Director

November, 1998

Lois Stevens, Director

November, 1998

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CROSBY & CINDRICH-CERTIFIED PUBLIC ACCOUNTANTS

1035 PEACH STREET, SUITE 201 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-5800 FAX: (805)543-2575

Independent Auditors' Report

Board of Directors
San Simeon Community Services District
San Simeon, California

We have audited the accompanying balance sheet of the San Simeon Community Services District as of June 30, 1998, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the San Simeon Community Services District as of June 30, 1997, were audited by other auditors whose report dated October 9, 1997, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Simeon Community Services District as of June 30, 1998, and the results of its operations and its changes in cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DRAFT

CROSBY & CINDRICH
Certified Public Accountants

October 26, 1998

SAN SIMEON COMMUNITY SERVICES DISTRICT

BALANCE SHEETS

As of June 30,

ASSETS

Current assets

Cash and cash equivalents (Notes 2 and 3)
 Accounts receivable (Note 2)
 Interest receivable
 Prepaid insurance (Note 2)

Total current assets

Restricted cash (Notes 2, 3 and 7)

Property, plant & equipment, net (Notes 2 and 4)

Other assets

Construction in progress (Note 5)
 Deposits

Total assets

LIABILITIES AND FUND EQUITY

Current liabilities

Accounts payable
 Accrued liabilities (Note 6)
 Deposits – payable from restricted assets (Note 7)

Total liabilities

Fund equity

Retained earnings (Note 9)
 Reserved for contingent liability
 Reserved for capital projects
 Unreserved

Total fund equity

Total liabilities and fund equity

	<u>1998</u>	<u>1997</u>
	\$1,685,340	\$1,523,911
	37,426	62,925
	23,827	20,631
		13,494
	1,746,593	1,620,961
	52,270	76,160
	751,107	786,943
	186,573	140,835
	3,755	3,991
	\$2,740,298	\$2,628,890
	\$20,352	\$21,040
	11,998	9,184
	52,270	76,160
	84,620	106,384
	250,000	250,000
	814,108	478,417
	1,591,570	1,794,089
	2,655,678	2,522,506
	\$2,740,298	\$2,628,890

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SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Years Ended June 30,

	1998	1997
Operating revenues		
Utility sales	\$211,393	\$195,056
Service charges	166,033	213,811
State of California – Department of Parks and Beaches	22,406	38,298
Total operating revenues	399,832	447,165
Operating expenses		
Salaries and wages	144,533	105,674
Payroll taxes	2,612	1,527
Employee benefits (Note 8)	24,429	16,161
Vehicle expenses	1,232	1,650
Supplies and small tools	27,380	27,246
Repairs and maintenance	33,999	9,223
Utilities and telephone	56,076	58,840
Insurance	17,275	22,557
Office expense	4,015	3,445
Legal and professional	22,743	15,557
Licenses and permits	2,609	4,744
Director's fees	4,425	4,200
Hauling	3,798	3,904
Depreciation expense	46,676	46,069
Lab expense	9,413	4,923
Other expense		4,389
Memberships and seminars	975	2,737
Contract labor	2,559	33,886
Total operating expenses	404,749	366,731
Operating income (loss)	(4,917)	80,434
Non-operating revenues and (expenses)		
Grant income		3,918
Interest income	95,114	82,747
Tax revenue	44,154	44,197
Other revenues	50	46
Tax administration fee	(1,229)	(1,188)
Total non-operating revenues and (expenses)	138,089	129,720
Net income	133,172	210,154
Retained earnings – beginning of year	2,522,506	2,312,352
Retained earnings – end of year	\$2,655,678	\$2,522,506

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The accompanying notes are an integral part of these financial statements

SAN SIMEON COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	<u>1998</u>	<u>1997</u>
<i>Cash flows from operating activities</i>		
Operating income (loss)	(\$4,917)	\$80,434
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:		
Depreciation	46,676	46,069
Change in assets and liabilities		
(Increase) decrease in accounts receivable	25,499	(13,569)
Increase in interest receivable	(3,196)	(1,672)
(Increase) decrease in prepaid insurance	13,494	(12,142)
(Increase) decrease in deposits	236	150
Decrease in accounts payable	(688)	(49)
Increase in accrued liabilities	2,814	339
Increase (decrease) in deposits	(23,890)	
Net cash flows provided by operating activities	56,028	99,560
<i>Cash flows from non-capital financing activities</i>		
Grant income		3,918
Property tax revenues received	44,154	44,197
Property tax administration fees paid	(1,229)	(1,188)
Other revenues received	50	46
Net cash flows provided by non-capital financing activities	42,975	46,973
<i>Cash flows from capital and related financing activities</i>		
Purchase of fixed assets	(10,840)	(5,839)
Additional construction in progress	(45,738)	(28,936)
Net cash flows used by capital and related financing activities	(56,578)	(34,775)
<i>Cash flows from investing activities</i>		
Interest income	95,114	82,747
Net cash flows provided by investing activities	95,114	82,747
<i>Net increase in cash and cash equivalents</i>	137,539	194,505
<i>Cash and cash equivalents at beginning of year</i>	1,600,071	1,405,566
<i>Cash and cash equivalents at end of year</i>	\$1,737,610	\$1,600,071

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The accompanying notes are an integral part of these financial statements

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 1: ORGANIZATION

The San Simeon Community Services 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 and general administrative services.

Reporting Entity

The San Simeon Community Services District (District) complies with Generally Accepted Accounting Principals and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Fund Type (Enterprise Funds)

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The San Simeon Community Services District accounts for its operation as an Enterprise Fund. Enterprise Funds are used to account for water and sanitary utility operations which are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The enterprise funds of the District are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors at the start of each year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid expenses.

Restricted Assets

These assets consist of cash restricted for Water Fund customer deposits and will serve deposits.

Accounts Receivable

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Water and sewer charges are billed monthly. Customer accounts receivable are written off in full when the receivable is deemed totally uncollectible. An allowance for uncollectibles is not considered necessary since it would not be material.

Property, Plant and Equipment

All fixed assets are valued at historical cost or estimated historical cost if actual costs are not available. Depreciation has been provided over the estimated useful life of the asset using the straight-line method. The estimated useful lives are as follows:

Treatment Plant and Collection System	50 years
Supply/Distribution System	30 years
Buildings/Blowers	20 years
General Plant Machinery and Equipment	5-10 years

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 1998 and 1997

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. Tax revenues are recognized by the District in the year levied.

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 1998 and 1997 are summarized as follows:

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
Petty cash	\$ 100	\$ 100
Demand deposits	44,705	124,850
Cash and investments with:		
County treasurer	1,425	2,060
Local Agency Investment Fund (LAIF)	<u>1,639,110</u>	<u>1,396,901</u>
Subtotal	1,685,340	1,523,911
Local Agency Investment Fund - restricted (see note 7)	<u>52,270</u>	<u>76,160</u>
Total	<u>\$ 1,737,610</u>	<u>\$ 1,600,071</u>

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SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 1998 and 1997

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

- Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 - uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

At June 30, 1998, the carrying amount of the District's cash deposits was \$44,705. The bank's balance was \$56,847. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 1998, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank Accounts	\$ 56,847	\$ -0-	\$ -0-	\$ 56,847	\$ 44,705

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SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

A summary of fixed assets by major classifications is as follows:

	<u>June 30, 1997</u>	<u>Additions</u>	<u>June 30, 1998</u>
Sewer plant	\$ 929,924		\$ 929,924
Water plant	243,356		243,356
Building	116,294		116,294
Equipment	<u>193,768</u>	\$ 10,840	<u>204,608</u>
	1,483,342		1,494,182
Less accumulated depreciation	<u>(696,399)</u>		<u>(743,075)</u>
Total	<u>\$ 786,943</u>		<u>\$ 751,107</u>

Depreciation expense for the periods ended June 30, 1998 and 1997, were \$46,676 and \$46,069, respectively.

NOTE 5: CONSTRUCTION IN PROGRESS

Several projects have been started by the San Simeon Community Services District but have not been completed at year end. All costs associated with these projects/studies have been capitalized to construction in progress, as follows:

	<u>June 30, 1997</u>	<u>Additions</u>	<u>June 30, 1998</u>
Major water project	\$ 136,769	\$45,738	\$ 182,507
Waste water treatment plant	<u>4,066</u>		<u>4,066</u>
Total	<u>\$ 140,835</u>		<u>\$ 186,573</u>

NOTE 6: COMPENSATED ABSENCES

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San Simeon Community Services District has accrued a liability for vacation leave earned, but not taken, by staff employees for the periods ended June 30, 1998 and 1997, in the amount of \$11,998 and \$9,184, respectively. These accruals were calculated based on actual vacation days earned and applied to the individual employees' hourly rates.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 1998 and 1997

NOTE 7: DEPOSITS

Hook-up and customer meter deposits totaled \$52,270 and \$76,160 for the years ended June 30, 1998 and 1997, respectively. These deposits represent a non-interest bearing restricted current liability. All deposits are currently invested with the Local Agency Investment Fund (see note 3).

The hook-up deposits are from customers on a waiting list to connect into the system. These deposits totaled \$43,470 and \$67,410 for the years ended June 30, 1998 and 1997, respectively. 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.

The customer meter deposits totaled \$8,800 and \$8,750 for the years ended June 30, 1998 and 1997, respectively. For each metered customer, a \$50 refundable deposit is required, before any service can be provided by the District.

NOTE 8: PENSION PLAN

The San Simeon Community Services District is a member of the Public Employees' Retirement System (PERS) which covers both full-time employees. The total PERS pension expense to the District amounted to \$18,192 and \$11,876 for the years ended June 30, 1998 and 1997, respectively. The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1996, which indicates a total underfunded pension benefit obligation of \$68,462 applicable to District employees, as follows:

Pension benefit obligation:		
Expected accrued liability		\$ 154,824
Current employees:		
Accumulated employee contributions including allocated investment earnings		86,362
Actual unfunded liability	DRAFT	\$ 68,462

NOTE 9: RESERVED RETAINED EARNINGS

The District has set up "reserves" in retained earnings to set aside retained earnings balances for a specific future use. Reserves have been established by Board resolution for contingent liabilities and future capital projects.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 10: 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, 1997 through June 30, 1998.

General and Auto Liability and Public Officials' and Employees' Errors and Omissions: Total risk financing limits of \$2.5 million. This total consists of \$500,000 SIR and an excess policy with the Insurance Company of the State of Pennsylvania p.l.c., No. 4797-2053 combined single limit at \$2.0 million per occurrence, with a \$500-\$1,000 deductible per occurrence and 10% co-insurance after initial \$10,000 cost expended by SDRMA, up to \$500,000, per occurrence, for errors and omission claims. The District also purchased a \$3 million excess coverage layer. Coverage also includes a \$100,000 blanket fidelity bond.

Property Loss: The Travelers Insurance Company No. KTJ-CMB-230T795-8-97. This covers the 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 \$50 million per occurrence, subject to a \$2,000 deductible per occurrence.

Boiler and Machinery: Kemper National Insurance Company No. 3XN-026650-01. This covers the replacement cost in excess of listed deductibles.

Comprehensive and Collision: Fully self-funded by S.D.R.M.A., Policy No. 9698CC. This covers selected vehicles with deductibles of \$250/\$500 or \$500/\$1,000, as elected.

The annual member contribution was \$13,193 for the Package Program and \$301 for the Comprehensive/ Collision Program. 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.

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NOTE 11: CONTINGENCIES

According to the District's staff and attorney, there are no other contingent liabilities that are outstanding and no lawsuits are pending that would result in a financial consequence to the District.

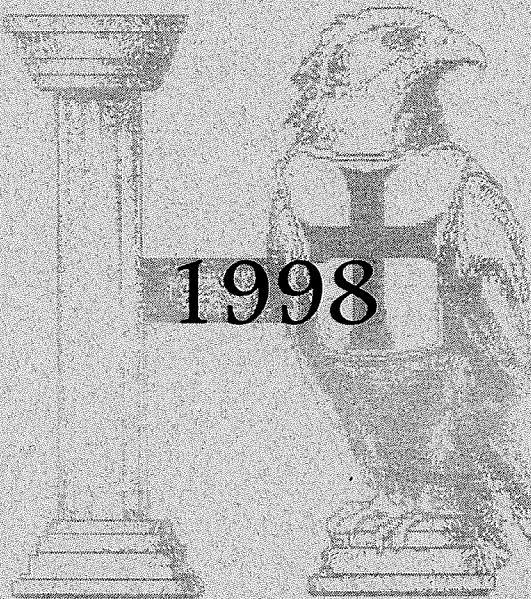
SAN SIMEON COMMUNITY SERVICES DISTRICT
SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
For the Years Ended June 30,

	<u>Sanitation</u> <u>Fund</u>	<u>1998</u> <u>Water</u> <u>Fund</u>	<u>Total</u>	<u>1997</u> <u>Total</u>
Operating revenues				
Utility sales		\$177,699	\$177,699	\$195,056
Service charges	\$166,453	33,274	199,727	213,811
State of California	22,406		22,406	38,298
Total operating revenues	188,859	210,973	399,832	447,165
Operating expenses				
Salaries and wages	94,583	49,950	144,533	105,674
Payroll taxes	1,709	903	2,612	1,527
Employee benefits (Note 8)	15,986	8,443	24,429	16,161
Vehicle expenses	708	524	1,232	1,650
Supplies and small tools	2,220	25,160	27,380	27,245
Repairs and maintenance	23,884	10,115	33,999	9,223
Utilities and telephone	47,854	8,222	56,076	58,840
Insurance	13,584	3,691	17,275	22,557
Office expense	2,733	1,282	4,015	3,445
Legal and professional	14,141	8,602	22,743	15,557
Licenses and permits	2,000	609	2,609	4,744
General manager				14,363
Director's fees	2,744	1,681	4,425	4,200
Hauling	3,798		3,798	3,904
Depreciation expense	32,885	13,791	46,676	46,069
Lab expense	6,707	2,706	9,413	4,923
Other expense				4,389
Memberships and seminars	561	414	975	2,737
Contract labor	1,663	896	2,559	19,523
Total operating expenses	267,760	136,989	404,749	366,731
Operating income (loss)	(78,901)	73,984	(4,917)	80,434
Non-operating revenues and (expenses)				
Grant income				3,918
Interest income	76,091	19,023	95,114	82,747
Tax revenue	35,323	8,831	44,154	44,197
Other revenues	40	10	50	46
Tax administration fee	(983)	(246)	(1,229)	(1,188)
Total non-operating revenues and (expenses)	110,471	27,618	138,089	129,720
Net income	\$31,570	\$101,602	\$133,172	\$210,154

DRAFT

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11-30-98
F.G.W

GENERAL LAWS WORKSHOP



1998


BROWN ACT ~ FAIR POLITICAL
PRACTICES ACT ~ PROCEDURAL
DUE PROCESS

HUNT
& ASSOCIATES
Attorneys and Counselors At Law

MEMORANDUM

TO: FORREST WARREN, GENERAL MANAGER
SAN SIMEON COMMUNITY SERVICES DISTRICT

DATE: NOVEMBER 25, 1998

FROM: VON JAROSZ 

CLT/MTR: SSCSD.MTRS
-- GENERAL MATTERS

SUBJECT: GENERAL LAWS WORKSHOP

Enclosed please find six copies of our General Laws Workshop Booklet.
Please route a copy to each Board Member. I have also enclosed a copy for you.

Thank you in advance for your attention to this matter.

VJ

/vj

Attachments

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HIGHLIGHTS OF THE
“RALPH M. BROWN ACT”

Highlights of “The Ralph M. Brown Act”

This document is intended to be an outline that touches on some of the more important aspects of the Brown Act. It is not intended to be all-encompassing. The reader is encouraged to seek legal counsel if he or she has a question that is not readily answered herein.

I. PURPOSE OF THE BROWN ACT

Local government exists to aid in the conduct of the people’s business. The people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not good for the people to know. Therefore, it is the intent of this Act that the actions and deliberations of all local agencies be taken openly. Deliberations include any collective discussion involving the examination, weighing and reflection on the reasons for or against a choice. It also includes the exchange of facts preliminary to the ultimate decision.

II. TYPES OF BODIES AND MEETINGS SUBJECT TO THE BROWN ACT

A. Legislative Bodies

1. *Governing Bodies.* All legislative bodies of a local governmental agency.
2. *Subsidiary Bodies.* All bodies created by a legislative body, whether decision making or advisory, permanent or temporary.
 - a. *Exception.* Advisory committees comprised solely of members of a legislative body which are less than a quorum of the body are exempt, unless such a committee exercises continuing subject matter jurisdiction or meets according to a fixed schedule established by charter or formal action of a legislative body, in which case it is a standing committee, and is not exempt.
3. *Private Corporations or Entities.* Covered only if a legislative body delegates some of its functions; or if it provides some funding and appoints one of its members to serve on the board.
4. *Members.* All public officials are required to comply with the Brown Act as soon as the date of their election even prior to formally taking office.

B. Meetings Covered

1. *Meeting Defined:* “Any congregation of a majority of the members of a legislative body at the same time and place to hear, discuss, or deliberate upon any item within the subject matter jurisdiction of the legislative body or local agency to which it pertains.” (Section 54952.2.)
 - a. *Exceptions: Individual Contacts or Conversations:* Individual contacts or conversations between a member of a legislative body

and any other person (including contacts or conversations with less than a quorum of other members) are not meetings.

- b. *Attendance at Meetings of Another Legislative Body or Standing Committee:* A majority of a legislative body may attend a meeting of another local agency, provided that they do not discuss their agency's business among themselves. In addition, a majority may also observe a standing committee within their own agency.
- c. *Conferences and Public Meetings:* Attendance at conferences and meetings open to the public (so long as members do not discuss amongst themselves matters under the legislative body's subject matter jurisdiction).
- d. *Social or Ceremonial Events:* Attendance at social or ceremonial events where matters under the legislative body's subject matter jurisdiction are not discussed amongst the members.

3. *Serial Meetings Prohibited*

- a. *Definition:* "any use of direct communication, personal intermediaries, or technological devices that is employed by a majority of the members of a legislative body to develop a collective concurrence as to action to be taken on an item by the member of the legislative body." (Section 54952.2(b).)
- b. *Two-Step Test:* Once it has been determined that a serial meeting has taken place, it is necessary to inquire whether the communications were used to develop a concurrence. If communications were not used to develop a concurrence, then no violation of the Brown Act occurs in spite of the serial communications.

III. NOTICE, LOCATION AND AGENDA REQUIREMENTS

- A. *Notice Requirements:* Must include time, place, and business to be discussed.
 - 1. *Regular Meetings:* The time and place for regular meetings is to be set by ordinance or resolution. The agenda must be posted 72 hours in advance.
 - 2. *Special Meetings:* May be called by presiding officer or majority of body. Agenda must be posted and received by each member, local newspaper(s), and radio and television station(s) at least 24 hours in advance. No business other than that specified in the notice of a special meeting may be considered. No exceptions. An ordinance cannot be enacted at a special meeting, even if listed on the agenda, unless it is an urgency ordinance.

3. *Adjourned Meetings:* No notice required if a regular or special meeting is adjourned (by announcement) to specific date, time and place (within 5 days of meeting).
4. *Emergency Meetings:* Required due to disruption or threatened disruption of public facilities. One hour telephone notice to local newspaper(s), radio and television station(s) required. One hour telephone notice to local newspaper(s), radio and television station(s) required. No closed session permitted.
5. *General Tax Increases or Assessments: (Not Applicable to Special Taxes).* The legislative body must conduct at least one public meeting at which public testimony is permitted. A minimum of ten (10) days notice must be given. Then, a public hearing must also be held. A minimum of 45 days notice must be given. The public meeting must take place at least 7 days before the public hearing. Notice of the public meeting and the public hearing are to be given at the same time.
6. *Advisory and Standing Committees.* Advisory and standing committees are excepted from the requirements to provide the time and place for holding regular meetings. (Section 54954(a).)
7. *Notice Requests:* Any person may request that a copy of the agenda or the agenda packet be mailed to them at the same time the agenda is posted or distributed to a legislative body. Each written request is valid until January 1 of the following year and the legislative body may establish a fee to cover the costs of mailing.

B. Location of Meetings

Must be held within jurisdictional limits of a local agency, except in the following instances.

- Compliance with state or federal court order
- Inspect real or personal property.
- Multi-agency meetings or discussions.
- Legal counsel's office.
- Meet with elected or appointed officers of U.S. or state.
- Meet at facility owned by local agency where related to facility.

C. Agenda Requirements

1. Agendas must be posted in location freely accessible to the public.
2. Each item of business to be discussed or transacted must be briefly described.
3. No action permitted on item not described in agenda excepted as set forth below in 4(b) .

4. *Exceptions:*
- a. *Emergency Situations:* As determined by a majority of the legislative body. An emergency situation is a work stoppage or other activity which severely impairs public health, safety, or both, or a crippling disaster which severely impairs public health, safety, or both.
 - b. *Subsequent Need Items:* A legislative body may act on an item not on the agenda if (i) it approves of the need to take action by a 2/3 vote or unanimous vote if less than 2/3 but more than a quorum is present; and (ii) the need for action came to its attention after the agenda was posted.
 - c. *Held-Over Items:* A legislative body may act upon items not on the agenda if: (i) the item appeared properly appeared on an agenda for a previous meeting; (ii) no more than 5 calendar days earlier; and (iii) the item was continued from the prior meeting to the subsequent meeting.
 - d. *Public Questions:* Members of a legislative body may briefly respond to statements made or questions asked during public comment period. On a member's own initiative or in response to public comment, members may ask for clarification, refer to staff, or request staff to report back.

IV. PUBLIC PARTICIPATION

A. Opportunity to Address Legislative Body

1. *Regular Meetings:* General Rule - The public must be given the opportunity to address the legislative body on any item within the subject matter jurisdiction of the legislative body.
2. *Special Meetings:* Public must be afforded opportunity to address the legislative body concerning item which is a subject of a special meeting before any action is taken on the item.
3. *Regulation:* The legislative body must allow public criticism of its policies, procedures, programs, services, or acts/omissions of the body. Reasonable regulations limiting the amount of time allotted for public testimony on an issue and for each speaker may be adopted. The right to criticize does not confer the right to slander.

B. Recording of Meetings

The public has right to make recordings, but the legislative body may prohibit recording if it makes a reasonable finding that recording cannot continue without noise, illumination or obstruction of view or would constitute a disruption.

C. Public's Right to Inspect Recording Made by Local Agency

Any recording of an open and public meeting made by a local agency is subject to inspection consistent with the Public Records Act.

D. Access to Public Meeting Place

Access for disabled persons is required. Also, no entry requirements for an open and public meeting may be imposed on a member of the public who desires to attend the meeting (e.g., the following requirements are not permitted: payment of a fee; requiring that an attendee's name be given; requiring that a form be filled out).

E. Teleconferencing.

The use of teleconferencing, defined as any audio or video connection, may be used for all meetings or proceedings. All votes must be by roll call and the meeting should be noticed accordingly. The public must also have access to the teleconference locations.

V. DISCLOSURE OF WRITTEN MATERIAL

A. Distributed Material

Any writings (not exempt under the Public Records Act) distributed to all or a majority of the members of a legislative body by any person in connection with a matter subject to discussion or consideration at a public meeting must be made available for inspection and copying.

B. Documents Exempt from Disclosure

1. Initiative, referendum and recall petitions, and all memoranda prepared by the local agency in connection with examination of the petitions.
2. Preliminary drafts, notes, or interagency memoranda which are not retained by the local agency in the ordinary course of business.
3. Records regarding pending litigation or claims until litigation or claim is finally adjudicated or settled.
4. Personnel, medical or similar files, the disclosure of which would constitute an unwarranted invasion of privacy.
5. Writing subject to the attorney-client privilege or attorney work product doctrine.
6. Other exempted records as set forth in the Public Records Act.

VI. CLOSED SESSIONS

A. Agenda Notice Requirements

Items to be discussed during closed session must be briefly described on the agenda.

B. Subject Matter Announced in Open Session

Legislative body must announce in open session items to be discussed in subsequent closed session. Disclosure may be made by simple reference to the agenda item number or letter. The announcement may be at the location announced in the agenda for the closed session, as long as the public is allowed to be present to hear the announcement.

Local officials may not publicly disclose information that has been received and discussed in closed session concerning pending litigation unless the information is authorized by law to be discussed or has been waived by majority approval of the board.

C. Permissible Closed Sessions

1. To instruct negotiations of real property transaction.
2. To instruct negotiations who are meeting and conferring with represented and unrepresented employees.
3. To discuss pending litigation or claims with City's legal counsel.
4. To consider the appointment, employment, evaluation of performance or dismissal of public employee, or to hear complaints or charges brought against employee.
5. To consider license applications by persons with criminal records.
6. To meet with law enforcement regarding public security.
7. For those agencies providing certain health care services, to hear a charge or complaint from a member enrolled in its health plan if the member does not wish to have his or her name, medical status, or other information that is protected by federal law publicly disclosed.

D. Reporting Following Closed Session

1. *General Rule.* After any closed session, legislative body generally must reconvene in open session and make a public report of specified actions and the vote of each member. However, the obligation to report varies by type of matter.

(a) *Real Estate Negotiations.* Approval of agreements concluding real estate negotiations must be reported out during same meeting if the agreement is final. Must report approval action, voting tally and substance of agreement. If other side must finalize agreement, no immediate disclosure is required. As soon as the other party has informed City of its approval, City must make above disclosure upon inquiry.

(b) *Approval of Litigation Defense, Appellate Review or Amicus Curiae Participation.* Must be reported out during same meeting. Must report approval action, adverse parties (if known), substance of litigation and voting tally.

(c) *Approval to Initiate or Intervene in Litigation.*

(i) Before Suit Commenced. Must be reported out during same meeting. Must report that direction to initiate or intervene has been given and that the action, defendants and other particulars will be disclosed to any person upon inquiry once the action is formally commenced, unless disclosure would jeopardize service of process or settlement negotiations.

(ii) After Action Commenced. Disclosure is required only upon inquiry. Reporting requirements vary. If disclosure would not jeopardize service of process or settlement negotiations, City must disclose action taken, voting tally, defendants, other particulars. If disclosure would jeopardize either service of process or settlement, no disclosure is required until service is complete or settlement negotiations concluded.

(d) *Approval of Pending Litigation Settlements.* Must be reported out during same meeting if settlement is final. Must report acceptance action, voting tally, substance of agreement. No report required if other party or court must finalize. As soon as finalized, City upon inquiry, must disclose as above.

(e) *Disposition of Joint Powers Agency Claims.* Must report as soon as disposition is reached. Must report voting tally, claimant, name of local agency claimed against, substance of claim and monetary amount of approved for payment and agreed upon by claimant.

(f) *Actions Affecting Employment Status of Public Employees.* Must report action taken to appoint, employ, dismiss, accept the resignation of or otherwise affect the employment status of a public employee, voting tally, title of the position and any change in compensation. If action taken is subject to further administrative remedies, report deferred until first public meeting following exhaustion of remedies. For all other actions, report must be made during same meeting.

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VII. VIOLATIONS AND REMEDIES

A. Criminal Penalties

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(g) *Approval of Agreements Concluding Labor Negotiations.* Must report item approved, voting tally, and other party. Must be reported out after agreement is final and has been ratified or accepted by other party. Unclear if must report in open session or upon inquiry.

VII. VIOLATIONS AND REMEDIES

A. Criminal Penalties

1. In General. A member of a legislative body who attends a meeting where action is taken in violation of the Brown Act, and where the member *intends* to deprive the public of information to which the member knows or has reason to know the public is entitled under the Act, is guilty of a misdemeanor.

2. Change in Standard of Criminal Liability. Under former law, a conviction could only be obtained if a defendant had *knowledge* that the meeting was held in violation of the Brown Act. Under current law, a defendant must have the wrongful *intent* to deprive the public of information to which it is entitled under the Brown Act.

B. Civil Relief

1. Who has right to sue. The District Attorney or any interested person may sue.

2. Taping. The Brown Act permits a lawsuit to compel the legislative body to tape record its closed sessions if a court finds a violation of the provisions of the Act regarding closed sessions.

C. Invalidation of Acts Taken

The District Attorney or any interested person can bring suit to invalidate an action taken in violation of the Brown Act, unless the action is corrected within the time periods specified in the Act.

D. Costs and Attorneys Fees

A prevailing plaintiff is entitled to costs and attorney's fees. A prevailing defendant is entitled to costs and attorney's fees only if the court finds that the plaintiff's lawsuit was clearly frivolous and totally lacking in merit.

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CONFLICTS OF INTEREST UNDER THE POLITICAL REFORM ACT OF 1974

I. POLITICAL REFORM ACT OF 1974 (GOV. CODE, § 81000 ET SEQ.)

A. PURPOSE: The Political Reform Act of 1974 ("the Act") was enacted to improve the legislative process by reducing the influence wealthy financial contributors have on candidates and elected officials. It regulates campaign finance in a number of ways: (1) by requiring disclosure of and placing limitations on contributions; (2) by regulating the activities of professional lobbyists; (3) by placing limits on and regulating the acceptance of gifts, honoraria, etc. by government officials; (4) by prescribing appropriate ethics; and (5) by requiring elected or appointed officials to step down and not take part in a governmental decision in which they have a conflict of interest.

B. FAIR POLITICAL PRACTICES COMMISSION: The Act creates the Fair Political Practices Commission ("FPPC") which is responsible for administering and enforcing the provisions of the Act. The FPPC also assists government officials in determining whether or not participating in a particular decision involves a conflict of interest or with respect to other aspects of the Act (e.g., campaign finance or ethics) by issuing opinion letters.

II. CONFLICTS OF INTEREST

A. GENERALLY: A conflict of interest under the Act only exists if an elected or appointed official has a financial interest in a particular government decision or act.

B. "FINANCIAL INTEREST": Government Code section 87103 provides:

A public official has a financial interest in a governmental decision if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official or a member of his or her immediate family or on any of the following:

(a) Any business entity in which the public official has a direct or indirect investment worth one thousand dollars (\$1,000) or more.

(b) Any real property in which the public official has a direct or indirect interest worth one thousand dollars (\$1,000) or more.

(c) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars (\$250) or more in value provided to, received by or promised to the public official within 12 months prior to the time when the decision is made.

(d) Any business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management.

(e) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the public official within 12 months prior to the time when the decision is made.

For purposes of this section, indirect investment or interest means any investment or interest investment or interest owned by the spouse or dependent

child of a public official, by an agent on behalf of a public official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or greater.

C. REQUIREMENT OF NON-PARTICIPATION: "No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a government decision in which he knows or has reason to know he has a financial interest." (Gov. Code, § 87100.)

For purposes of Gov. Code §87103, which provides that an official has a financial interest in a decision within the meaning of Gov. Code §87100 (prohibition on participation in government decision in which official has financial interest), if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official or a member of his or her immediate family, an effect is considered "reasonably foreseeable" if there is a substantial likelihood that it will occur. Certainty is not required. However, if an effect is only a mere possibility, it is not reasonably foreseeable. Although this meaning comes from an advice letter of the Fair Political Practices Commission and advice letters are legal authority, it is consistent with the ordinary meaning of the term and is based on the construction of conflict of interest prohibition in a decision of the United States Supreme Court. *Smith v. Superior Court* (1994, 1st Dist.) 31 Cal App 4th 205, 36 Cal Rptr 2d 897.

The requirement of prohibition or participation in governmental decision is also subject to Government Code § 87101 which provides that a public official is not prohibited "from making or participating in the making of a governmental decision to the extent his participation is legally required for the action or decision to be made. The fact that an official's vote is needed to break a tie does not make his participation legally required . . ." An example is where, due to disqualifications, the Council does not have a quorum. If the Council cannot, as a result of Council member disqualification, obtain a quorum in order to make decisions it is legally required to make, the Council may bring back as many disqualified Council members as is necessary to establish a quorum. The preferred means of selecting which disqualified Council member should participate is by lot or other means of random selection.

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PROCEDURAL DUE PROCESS LIMITATIONS ON ACTIONS OF CITY COUNCIL

As part of our continuing efforts to manage potential liability risk for the City, we periodically provide the City Council updates on the state of the law in various areas which may impact the Council's actions in governing the City. From time to time, there are issues that arise that emphasize the need to provide legal counsel in this manner. One issue that often arises is the extent and nature of Council involvement in the decision making process prior to a matter actually being presented to the Council for a given decision.

As an initial matter, there are essentially three bodies of law that govern how the City Council addresses the various matters that come before it: 1) the federal and California Constitutions, 2) California statutes and local ordinances, and 3) the Brown Act. This memorandum will deal only with the first of these areas, since statutes and ordinances vary depending on the issue being considered. For example, land use decisions can involve the California Environmental Quality Act (CEQA), while financing decisions can involve the Revenue and Taxation Code, Propositions 13, 62 and 218, and other laws. As to the third body of law, we concurrently provide the Council with a memorandum on the Brown Act.

The fundamental issue to bear in mind which is common to the federal and California constitutions is that a person may not be deprived of life, liberty or property without due process of law. U.S. Const. Amendment V, Cal. Const. Art. I, Sec. 7. This concept is easier to state than to apply. As applied to the numerous decisions that come before Council, the persons affected by the decision have the right to "due process," both in terms of the substantive consideration of the issue by the Council, and in the procedures used by the Council to consider the issue.

Defining the requirements of due process entails a determination of what is fundamentally fair in a particular situation or category of situations. The general application of due process principles is flexible, depending upon the nature of the competing interests involved. Distilled to its essence, "due process" requires that a party: (1) be given notice that the matter is pending, and (2) be afforded a reasonable opportunity to respond on the matter. The party must be informed that the matter is pending so that the party can choose whether or not to contest it. This is one of the reasons the Council is required, under the Brown Act, to post the agenda of matters that are to be considered at a Council meeting, and why matters *not* on the agenda generally cannot be considered by the Council.

This "due process" requirement applies only to governmental decisions that are *adjudicative* in nature--decisions involving the application of a rule to a specific set of facts. An example of such a decision is the granting of a conditional land use permit. *Legislative* action--the formulation of a rule to be applied in all future cases, does not, under the constitutions, require "notice and an opportunity to be heard." Such notice may be required by the various state statutes and the Brown Act, but those statutes are beyond the scope of this memorandum. An example of such legislative action is the adoption of a zoning ordinance.

The reasons for this distinction between "legislative" and "adjudicatory" acts were best stated by U.S. Supreme Court Justice Holmes, who said:

issue. For a member of a decision making body to rely on evidence presented *outside* the public hearing denies at least one, and possibly all parties, the opportunity to address and respond to the evidence. The result is a denial of procedural due process, which in some cases can open the agency up to litigation.

Should individual councilmembers be presented information on a particular matter outside the public hearing format, it is important that the information be brought forward during a public hearing so all parties may respond to the information. As stated before, a reviewing court looks only to the evidence presented to a council in the public hearing on the matter. If there is insufficient analytic relationship between the evidence presented at a hearing, and the ultimate decision by the council, the decision could be overturned by the court.

In addition, final determinations of specific issues should not be guaranteed or promised prior to the actual presentation of evidence and argument on the issues in a public hearing. This speaks to both the impartiality aspect of due process and the requirement that the "opportunity to be heard" come *before* the Council makes its final determination. Proponents of an issue may request that Council provide assurances of particular actions to be taken in the future, but such assurances would be constitutionally improper until the necessary evidence and argument is presented to support such actions. Furthermore, the proponents may seek assurances that the Council will support them on an issue, notwithstanding adverse rulings from subordinate commissions which first consider the issue. Such assurances would also be constitutionally improper, for the City Council has, by ordinance and resolution, established the various "processes" which must be followed in bringing final decisions and/or appeals to the Council. The "process" cannot be short-circuited without running the risk of depriving one or more parties their constitutional right to "procedural due process."

An example of such short-circuiting took place in the City of Thousand Oaks. The planning commission of that city made a decision on a project. Under the city's municipal code, the planning commission's decision could be appealed to the city council by an "aggrieved person." However, the city council decided that it would appeal the planning commission's decision to itself, thereby acting as both the "aggrieved person" and the decision maker. The court held that this double role was constitutionally impermissible. The court's ruling was essentially two-fold. First, the council failed to maintain the impartiality required of it under the constitution, and second, it failed to follow the procedures set forth in the municipal code for such appeals. Thus, the court reversed the council's decision to appeal the planning commission's ruling.

In conclusion, we remain available to provide advice to the Council on the boundaries of the "due process" requirements of the state and federal constitutions. While in most instances violations of procedural or substantive due process do not occur, it is nevertheless important to ensure that the City is not drawn into an inadvertent violation.

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**SPECIAL BOARD OF DIRECTORS MEETING
SAN SIMEON
COMMUNITY SERVICES DISTRICT**

MINUTES

**SPECIAL CLOSED SESSION: August 27, 1998 4:30 P.M.
111 Pico Ave. District Office**

1. CALL TO ORDER-

1.1 ROLL CALL

Present: Richard Andresen
Ardy May
Lorraine Mirabal-Boubion
Leanne Morgan
Absent: Lois Stevens

2. PUBLIC COMMENTS: Limited to those items on the agenda.
No public comments.

**3. PERSONNEL CLOSED SESSION PURSUANT TO GOV.
CODE SECTION 54957. PERFORMANCE REVIEW FOR
GENERAL MANAGER FORREST WARREN AND OFFICE
ADMINISTRATOR KIM ALLISON.**

OPEN SESSION: August 27, 1998 6:00 P.M. Cavalier Banquet Room

1. CALL TO ORDER

1.1 PLEDGE OF ALLEGIANCE TO THE FLAG

1.2 ROLL CALL

Present: Richard Andresen
Ardy May
Lorraine Mirabal-Boubion
Leanne Morgan
Lois Stevens (Arrived 6:20 P.M.)
Absent: None

**2. PUBLIC COMMENTS: Note: Any topic NOT on the agenda
may be presented. Please observe a 3-minute limit.**

2.1 Director's comments and proposed agenda items.

Director Morgan: Is it possible for more than two directors to tour the plant at the same time?

Forrest Warren: It would be possible if it is posted 24 hours in advance.

Robert Schultz: Prior to tonight's open session, the Board of Directors met in closed session to discuss an item regarding Personnel under Government Code Section 54597. No action was taken that requires reporting under the Brown Act.

3. CONSIDERATION AND APPROVAL OF MINUTES OF THE REGULAR MEETING OF JULY 8, 1998 AND THE SPECIAL MEETING OF JULY 21, 1998. (ACTION)

Director May motioned to approve the minutes for July 8, 1998 and the special meeting of July 21, 1998 seconded by Director Morgan. Motion carried.

4. CONSIDERATION OF 1998-99 BUDGET AFTER WORKSHOP

Forrest Warren: Presentation of Proposed Operational Budget. See attached documents.

John Wallace: Presentation of Proposed Capital Improvement Budget Items. See attached documents.

Director May motioned to approve the 1998-1999 Budget with changes that would be needed through the year seconded by Director Morgan. Motion carried.

5. STAFF REPORT

**5.1 WRITTEN COMMUNICATIONS
CARRIAGE INN RESTAURANT REMODEL**

Forrest Warren: Presented a letter from Don Carrott concerning plans to remodel the Carriage Inn Restaurant. The complete set of plans are at the District Office.

5.2 ORAL COMMUNICATIONS
Consideration of Miscellaneous verbal Staff reports and Directors' comments.

6. ADJOURNMENT

The meeting was adjourned at 7:25 P.M.

**REGULAR BOARD OF DIRECTORS MEETING
SAN SIMEON
COMMUNITY SERVICES DISTRICT**

DATE: Wednesday, Dec. 9, 1998
TIME: 7:00 P.M.

PLACE: CAVALIER
BANQUET ROOM

AGENDA

- 1. CALL TO ORDER**
 - 1.1 PLEDGE OF ALLEGIANCE TO THE FLAG
 - 1.2 ROLL CALL

- 2. PUBLIC COMMENTS:** Note: Any topic NOT on the agenda may be presented. Please observe a 3-minute limit.
 - 2.1 Director's comments and proposed agenda items.

- 3. CONSENT ITEMS**
 1. Minutes of August 27, 1998 and November 18, 1998
 2. Warrants

- 4. ELECTION OF OFFICERS**

- 5. WORKSHOP ON BOARDMEMBERSHIP AND THE BROWN ACT**

- 6. CONSIDERATION OF PURCHASING PROCEDURES, PER DIEM AND AGENDA POLICIES. (SCHULTZ)**

- 7. AUDITORS ANNUAL REPORT TO THE BOARD**

- 8. STAFF REPORT**
 - 7.1 WRITTEN COMMUNICATIONS
 - 7.2 ORAL COMMUNICATIONS
Consideration of Miscellaneous verbal Staff reports and Directors' comments.

- 9. ADJOURNMENT**

**REGULAR BOARD OF DIRECTORS MEETING
SAN SIMEON
COMMUNITY SERVICES DISTRICT**

DATE: Wednesday, Nov. 18, 1998
TIME: 7:00 P.M.

PLACE: CAVALIER
BANQUET ROOM

Minutes

**SPECIAL CLOSED SESSION: Wednesday, November 18, 1998 5:00 P.M.
Cavalier Banquet Room**

1. CALL TO ORDER

1.1 ROLL CALL:

Directors: Stevens, Morgan, Mirabal-Boubion, May, Andresen.

Note: St, Mo, Mi, Ma, An are abbreviations for Directors Steven, Morgan, Mirabal-Boubion, May, Andresen. For example St/Mo denotes that Director Stevens made the motion, and Director Morgan seconded. The item relates to the agenda item by the same number. Immediately following each item of these minutes is a description, printed in capital letters of the action taken on that item by the Board of Directors.

2. PUBLIC COMMENTS- NO COMMENTS.

3. GOVERNMENT CODE SECTION 54957; PERSONNEL

ISSUES: Discussion regarding personnel issues for finalizing proposed contract with General Manager Forrest Warren.

4. ADJOURNMENT- 6:15 PM

OPEN SESSION:

1. CALL TO ORDER

1.1 PLEDGE OF ALLEGIANCE TO THE FLAG

1.2 ROLL CALL: Present: Director May, Mirabal-Boubion, Andresen
Absent: Director Stevens, Morgan

(Chairman Andresen indicated that Director Stevens became ill and had to be taken to a Doctor by Director Morgan)

1.3 ANNOUNCEMENT OF REPORTABLE ACTION OF SPECIAL MEETING ON OCTOBER 29, 1998-NO REPORTABLE ACTION.

1.4 ANNOUNCEMENT OF REPORTABLE ACTION OF SPECIAL MEETING ON NOVEMBER 18, 1998-NO REPORTABLE ACTION.

2. **PUBLIC COMMENTS:** Dee Dee Ricci asked if both meetings (special and regular) had been posted. General Manager Warren indicated that both meetings were posted on the same agenda. John Prian asked if his item relating to building of storage units was on the agenda. General Manager Warren indicated that it was part of item number 7.

2.1 Director's comments and proposed agenda items- NONE

Mi/Ma 3. **APPROVAL OF MINUTES OF OCT.14,1998-APPROVED**
All ayes

Mi/Ma 4. **APPROVAL OF WARRANTS OCT.8-NOV.11,1998-APPROVED**
All ayes

5. **CONSIDERATION OF POLICY ON TRAVEL/WORKSHOP EXPENSES (SCHULTZ)-**
DISCUSSION BY BOARD/PUBLIC, DEC. FOR ADOPTION

6. **CONSIDERATION OF POLICY FOR PLACEMENT OF ITEMS ON THE AGENDA (SCHULTZ)-**
DISCUSSION BY BOARD/PUBLIC, DEC. FOR SECOND DISCUSSION

7. **CONSIDERATION OF AD HOC COMMITTEE TO REVIEW PROPOSED CHANGES BY GENERAL COUNSEL TO ORD.66, WATER MORITORIUM (SCHULTZ)-**WATER COMMITTEE IS TO MEET IN A COUPLE OF WEEKS TO GO OVER THIS ISSUE. RICHARD ANDRESEN RESIGNED FROM COMMITTEE SINCE KIM KARNES IS ON THE COMMITTEE AND WILL BECOME A DIRECTOR IN DEC. ARDY MAY IS ALSO ON THE COMMITTEE.

8. **STAFF REPORT**

8.1 **WRITTEN COMMUNICATIONS-NONE**

8.2 **ORAL COMMUNICATIONS**

Consideration of Miscellaneous verbal Staff reports and Directors' comments.-NONE

8.21 **SYSTEMATIC ROAD REPAIR UPDATE (WALLACE)-TABLED**
AFTER DISCUSSION AS NOT APPROPRIATE AT THIS TIME.

8.22 **UPDATE ON EQUALIZATION COVER/BID PROPOSALS**
(WALLACE)-STAFF TO EXPLORE CHEMICAL ODOR CONTROL, CONVERSION OF EQUALIZATION TANKANY OTHER OPTIONS AND REPORT BACK.

9. **ADJOURNMENT- 8:29 PM**

SAN SIMEON COMMUNITY SERVICES DISTRICT
WARRANT REPORT
 November 12 through December 2, 1998

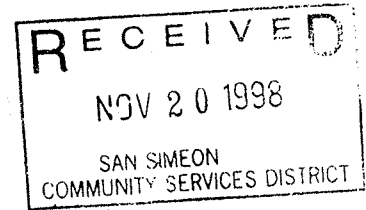
<u>DATE</u>	<u>NUM</u>	<u>NAME</u>	<u>WARRANT #</u>	<u>MEMO</u>	<u>AMOUNT</u>
11/12/98	1886	MID-STATE BANK	9811-014	PAYROLL TAXES FOR OCTOBER	\$2,281.32
11/12/98	1887	EMPLOYMENT DEV. DEPT.	9811-015	PAYROLL TAXES FOR OCTOBER	\$436.75
11/12/98	1888	PG&E	9811-016	ELECTRICITY	\$4,141.75
11/12/98	1889	PUBLIC EMP. RET. SYSTEM	9811-017	RETIREMENT FOR OCTOBER	\$1,950.56
11/16/98	1890	KIMBERLY ALLISON	9811-018	PAYROLL 11/1/98-11/15/98	\$253.30
11/16/98	1891	RONALD HEAD	9811-019	PAYROLL 11/1/98-11/15/98	\$1,579.42
11/16/98	1892	LEROY PRICE	9811-020	PAYROLL 11/1/98-11/15/98	\$1,011.34
11/16/98	1893	FORREST WARREN	9811-021	PAYROLL 11/1/98-11/15/98	\$734.34
11/16/98	1894	PRESSURE VESSEL SERV.	9811-022	SODIUM HYPOCHLORITE	\$1,602.32
11/16/98	1895	JOHN WALLACE & ASSOC.	9811-023	MAJOR PROJECTS	\$2,955.76
11/16/98	1895	JOHN WALLACE & ASSOC.	9811-023	ENGINEER CONSULTANT	\$989.47
11/16/98	1896	C.S.D.A.	9811-024	MEMBERSHIP RENEWAL	\$369.00
11/16/98	1897	GROENIGER & COMPANY	9811-025	6" REPAIR CLAMP	\$65.53
11/16/98	1898	W.W. GRAINGER, INC.	9811-026	PRIMER, PAINT	\$59.80
11/18/98	1899	PACIFIC BELL	9811-027	TELEPHONE	\$156.28
11/18/98	1900	CARL PETERSON	9811-028	REF. SEC. DEP. LESS FINAL BILL #1111	\$50.00
11/18/98	1901	FGL ENVIRONMENTAL	9811-029	INORGANIC ANALYSIS	\$138.60
11/18/98	1902	SLO CO. ENVIRON. HEALTH	9811-030	CROSS CONNECTION FOR 8/98-9/98	\$114.00
11/23/98	1903	RICHARD ANDRESEN	9811-031	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1904	ARDY MAY	9811-032	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1905	LORAIN MIRABAL-BOUBION	9811-033	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1906	LEANNE MORGAN	9811-034	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/23/98	1907	LOIS STEVENS	9811-035	MONTHLY BOARD SERVICE FOR NOV.	\$75.00
11/30/98	1908	KIMBERLY ALLISON	9811-036	PAYROLL 11/16/98-11/30/98	385.84
11/30/98	1909	RONALD HEAD	9811-037	PAYROLL 11/16/98-11/30/98	1562.81
11/30/98	1910	LEROY PRICE	9811-038	PAYROLL 11/16/98-11/30/98	1132.21
11/30/98	1911	FORREST WARREN	9811-039	PAYROLL 11/16/98-11/30/98	847.61
11/30/98	1912	MID-STATE BANK	9811-040	GAS & OIL, STARTER REPAIR, POSTAGE	509.23
11/30/98	1913	PUBLIC EMP. RET. SYSTEM	9811-041	HEALTH INSURANCE FOR DECEMBER	1047.02
12/1/98	1914	PUBLIC EMP. RET. SYSTEM	9812-001	RETIREMENT FOR NOVEMBER	2309.86
12/1/98	1915	EMPLOYMENT DEV. DEPT.	9812-002	PAYROLL TAXES FOR NOVEMBER	537.33
12/1/98	1916	MID-STATE BANK	9812-003	PAYROLL TAXES FOR NOVEMBER	3008.96
12/2/98		TOTAL			\$30,605.41

OFFICE OF THE TREASURER

SACRAMENTO



Local Agency Investment Fund
 PO Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001



October , 1998 Statement

Account Number : 16-40-003

COMMUNITY SERVICES DISTRICT
 OF SAN SIMEON

Attn: CHAIRMAN

111 PICO AVENUE
 SAN SIMEON

CA 93452

Transactions

<u>Effective Date</u>	<u>Transaction Date</u>	<u>Tran Type</u>	<u>Confirm Number</u>	<u>Authorized Caller</u>	<u>Amount</u>
10-15-1998	10-14-1998	QRD		SYSTEM	24,345.87

Account Summary

Total Deposit :	24,345.87	Beginning Balance :	1,715,207.94
Total Withdrawal :	0.00	Ending Balance :	1,739,553.81

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
5010 - SERVICES				
501001 - Services - Waste	82,960.93	70,388.91	12,572.02	117.9%
501601 - Meter Charge - Waste	0.00	10,111.09	-10,111.09	0.0%
502001 - State of CA - Hearst	10,441.26	9,722.25	719.01	107.4%
502101 - Septic Treatment Waste	0.00	0.00	0.00	0.0%
502602 - Services - Water	91,244.16	76,805.58	14,438.58	118.8%
502602 - Meter Charge - Water	13,287.46	1,944.42	11,343.04	683.4%
Total 5010 - SERVICES	197,933.81	168,972.25	28,961.56	117.1%
5040 - PROPERTY TAX				
504003 - Property Tax Current - Secured	3,078.96	16,535.92	-13,456.96	18.6%
504103 - Prop Tax Current Secured Supp	365.47	557.67	-192.20	265.5%
505003 - Prop Tax Current Unsecured	1,480.51			
505103 - Prop Tax Current Unsec Suppl	4.83			
506003 - Prop Tax Prior Secured	-15.06			
507003 - Prop Tax Prior Unsecured	22.05			
507103 - Prop Tax Prior Unsec Suppl	6.79			
508003 - Penalties/Interest Prop Tax	11.33	333.25	-321.92	37.7%
509003 - Homeowners Prop Tax Relief	125.74	-460.83	586.57	0.0%
548003 - Prop Tax Admin Fee SB2557	0.00			
Total 5040 - PROPERTY TAX	5,070.62	16,966.01	-11,895.39	29.9%
6600 - INTEREST				
660003 - Interest Money Mkt	217.34	194.42	22.92	111.8%
663001 - Interest LAIF - Waste	0.00	21,777.75	-21,777.75	0.0%
663002 - Interest LAIF - Water	0.00	6,222.25	-6,222.25	0.0%
663003 - Interest LAIF - Gen	0.00	3,111.09	-3,111.09	0.0%
665003 - Penalties/Interest/Adjusmt	1,467.27	291.67	1,175.60	503.1%
Total 6600 - INTEREST	1,684.61	31,597.18	-29,912.57	5.3%
5720-03 - MISCELLANEOUS INCOME				
Total Income	204,756.34	217,574.35	-12,818.01	94.1%
Expense				
6000 - PAYROLL EXPENSE				
6010 - OPERATORS				
6010-01 - Operators - Waste	23,879.60	25,917.87	-2,038.27	92.1%
6011-02 - Operators - Water	5,969.90	6,420.59	-450.69	93.0%
Total 6010 - OPERATORS	29,849.50	32,338.46	-2,488.96	92.3%
6025 - STANDBY				
6025-01 - Standby - Sewer	2,740.80	2,969.87	-229.07	92.3%
6026-02 - Standby - Water	685.20	666.51	18.69	104.4%
Total 6025 - STANDBY	3,426.00	3,626.38	-200.38	94.5%
6035 - OVERTIME & HOLIDAY				
6035-01 - O. T. & Holiday Pay - Sewer	1,302.37	1,361.00	-48.63	96.4%
6036-02 - O. T. & Holiday Pay - Water	331.30	515.76	-184.46	64.2%
6037-03 - O. T. & Holiday Pay - Genl	15.18			

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Total 6035 - OVERTIME & HOLIDAY	1,648.85	1,866.76	-217.91	89.3%
6055 - CONTRACT EMPLOYEES				
6055-01 - Contract Employees - Sewer	643.75	0.00	643.75	100.0%
6056-02 - Contract Employees - Water	643.75	0.00	643.75	100.0%
6057-03 - Contract Employees - Genl	1,287.50	0.00	1,287.50	100.0%
Total 6055 - CONTRACT EMPLOYEES	2,575.00	0.00	2,575.00	100.0%
6110 - PAYROLL TAXES				
6110-01 - Payroll Taxes - Sewer	24.64	707.61	-682.97	3.5%
6111-02 - Payroll Taxes - Water	6.16	97.25	-91.09	6.3%
6112-03 - Payroll Taxes - General	0.00	97.25	-97.25	0.0%
Total 6110 - PAYROLL TAXES	30.80	902.11	-871.31	3.4%
6210 - HEALTH INSURANCE				
6210-01 - Health Ins. Exp. - Sewer	2,371.49	3,100.67	-729.18	76.5%
6211-02 - Health Ins. Exp. - Water	1,591.00	2,173.59	-582.59	73.2%
6212-03 - Health Ins. Exp. - General	792.89	553.05	239.84	143.4%
Total 6210 - HEALTH INSURANCE	4,755.38	5,827.31	-1,071.93	81.6%
6235 - PENSION PLAN				
6235-01 - Pension Plan - Sewer	5,975.52	6,898.13	-922.61	86.6%
6236-02 - Pension Plan - Water	3,582.01	1,959.95	1,622.06	182.8%
6237-03 - Pension Plan - Genl	1,791.00	553.05	1,237.95	323.8%
Total 6235 - PENSION PLAN	11,348.53	9,411.13	1,937.40	120.6%
6310 - DIRECTORS FEES				
6310-01 - Director Fee - Sewer	787.50	729.17	58.33	108.0%
6311-02 - Director Fee - Water	618.75	583.33	35.42	106.1%
6312-03 - Director Fee - General	468.75	437.50	31.25	107.1%
Total 6310 - DIRECTORS FEES	1,875.00	1,750.00	125.00	107.1%
6325 - BOOKKEEPER/SECRETARY				
6325-01 - Bookkeeper Sec. - Sewer	0.00	0.00	0.00	0.0%
6326-02 - Bookkeeper Sec. - Water	0.00	0.00	0.00	0.0%
6327-03 - Bookkeeper Sec. - General	0.00	0.00	0.00	0.0%
Total 6325 - BOOKKEEPER/SECRETARY	0.00	0.00	0.00	0.0%
6410 - GENERAL MANAGER/SECRETARY				
6410-01 - General Manager/Sec. - Sewer	3,518.99	3,147.29	371.70	111.8%
6411-02 - General Manager/Sec. - Water	3,518.99	3,147.29	371.70	111.8%
6412-03 - General Manager/Sec. - General	7,037.98	6,294.45	743.53	111.8%
Total 6410 - GENERAL MANAGER/SECRETARY	14,075.96	12,589.03	1,486.93	111.8%
6425 - OFFICE ADMINISTRATOR				
6425-01 - Office Administrator - Sewer	1,006.49	1,057.56	-51.07	95.2%
6426-02 - Office Administrator - Water	1,006.49	1,057.56	-51.07	95.2%
6427-03 - Office Administrator - General	2,012.87	2,115.07	-102.20	95.2%
Total 6425 - OFFICE ADMINISTRATOR	4,025.85	4,230.19	-204.34	95.2%
6000 - PAYROLL EXPENSE - Other	2,308.20			

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Total 6000 · PAYROLL EXPENSE	75,919.07	72,541.37	3,377.70	104.7%
6999 · UNCATEGORIZED EXPENSES	0.00			
8000 · COMMUNICATIONS				
8005 · TELEPHONE				
8006-01 · Telephone - Sewer	273.00	330.17	-57.17	82.7%
8006-02 · Telephone - Water	545.77	690.33	-144.56	82.7%
8007-03 · Telephone - General	273.00	330.17	-57.17	82.7%
Total 8005 · TELEPHONE	1,091.77	1,320.67	-228.90	82.7%
8025 · ALARM/OPERATIONS				
8025-01 · Alarm/Operations - Sewer	36.43	45.36	-8.93	80.3%
8026-02 · Alarm/Operations - Water	36.42	45.36	-8.94	80.3%
8027-03 · Alarm/Operations - General	0.00	45.36	-45.36	0.0%
Total 8025 · ALARM/OPERATIONS	72.85	136.08	-63.23	53.5%
8035 · ALARM/OFFICE				
8035-01 · Alarm/Office - Sewer	0.00	42.00	-42.00	0.0%
8036-02 · Alarm/Office - Water	0.00	42.00	-42.00	0.0%
8037-03 · Alarm/Office - General	81.00	42.00	39.00	192.9%
Total 8035 · ALARM/OFFICE	81.00	126.00	-45.00	64.3%
Total 8000 · COMMUNICATIONS	1,245.62	1,582.75	-337.13	78.7%
8050 · INSURANCE, LIABILITY				
8055-01 · Liability Insurance - Sewer	8,520.65	2,903.46	5,617.19	293.5%
8056-02 · Liability Insurance - Water	2,130.16	1,092.00	1,038.16	195.1%
8057-03 · Liability Insurance - General	1,183.43	606.67	576.76	195.1%
Total 8050 · INSURANCE, LIABILITY	11,834.24	4,602.13	7,232.11	257.1%
8090 · INSURANCE, WORKERS COMP				
8095-01 · Work Comp. - Sewer	2,641.96	1,617.75	1,024.21	163.3%
8096-02 · Work Comp. - Water	690.48	521.13	139.35	126.7%
8097-03 · Work Comp. - General	0.00	0.00	0.00	0.0%
Total 8090 · INSURANCE, WORKERS COMP	3,302.44	2,138.88	1,163.56	154.4%
8100 · EQUIPMENT MAINTENANCE				
8135-01 · Regular Equipment Maint - Sewer	10.17	383.65	-373.48	2.7%
8136-02 · Regular Equipment Maint - Water	1,667.13	1,560.81	106.32	106.8%
Total 8100 · EQUIPMENT MAINTENANCE	1,677.30	1,944.46	-267.16	86.3%
8170 · VEHICLE MAINTENANCE				
8175-01 · Vehicle Maintenance - Sewer	23.54	307.21	-283.67	7.7%
8176-02 · Vehicle Maintenance - Water	23.54	287.75	-264.21	8.2%
8177-03 · Vehicle Maintenance - General	11.77	143.91	-132.14	8.2%
Total 8170 · VEHICLE MAINTENANCE	58.85	738.87	-680.02	8.0%
8210 · STRUCTURE MAINTENANCE				
8215-01 · Regular Structure Maint - Sewer	1,147.50	0.00	1,147.50	100.0%
8216-02 · Regular Structure Maint - Water	202.50	0.00	202.50	100.0%
8235-01 · Major Structure Maint - Sewer	1,222.65	4,472.21	-3,249.56	%

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
8236-02 · Major Structure Maint - Water	0.00	4,472.21	-4,472.21	0.0%
Total 8210 · STRUCTURE MAINTENANCE	2,572.65	8,944.42	-6,371.77	28.8%
8277 · ROAD MAINTENANCE				
8277-03 · Regular Road Maint - General	0.00	272.21	-272.21	0.0%
Total 8277 · ROAD MAINTENANCE	0.00	272.21	-272.21	0.0%
8365 · SLUDGE DISPOSAL - SEWER				
8400 · LAB EXPENSE/SUPPLIES	3,926.88	1,477.79	2,449.09	265.7%
8405-01 · Lab Exp/ Supplies - Sewer	0.00	233.33	-233.33	0.0%
8406-02 · Lab Exp/Supplies - Water	64.62	77.79	-13.17	83.1%
Total 8400 · LAB EXPENSE/SUPPLIES	64.62	311.12	-246.50	20.8%
8430 · MEMBERSHIP/SEMINARS				
8435-01 · Membership/Seminars - Sewer	276.48	729.13	-452.65	37.9%
8436-02 · Membership/Seminars - Water	276.48	729.17	-452.69	37.9%
8437-03 · Membership/Seminars - General	184.29	486.13	-301.84	37.9%
Total 8430 · MEMBERSHIP/SEMINARS	737.25	1,944.43	-1,207.18	37.9%
8500 · PROFESSIONAL FEES				
8545 · LEGAL FEES				
8545-01 · Attorney Fees - Sewer	1,429.88	1,166.67	263.21	122.6%
8546-02 · Attorney Fees - Water	1,429.88	1,166.67	263.21	122.6%
8547-03 · Attorney Fees - General	2,859.72	2,333.33	526.39	122.6%
Total 8545 · LEGAL FEES	5,719.48	4,666.67	1,052.81	122.6%
8550 · ACCOUNTANT/AUDITOR				
8555-01 · Accountant/Audit - Sewer	0.00	324.10	-324.10	0.0%
8556-02 · Accountant/Audit - Water	0.00	324.06	-324.06	0.0%
8557-03 · Accountant/Audit - General	0.00	324.05	-324.05	0.0%
Total 8550 · ACCOUNTANT/AUDITOR	0.00	972.21	-972.21	0.0%
8560 · ENGINEER CONSULTANT				
8565-01 · Engineer Consultant - Sewer	1,488.13	680.54	807.59	218.7%
8566-02 · Engineer Consultant - Water	1,288.13	680.54	607.59	189.3%
8567-03 · Engineer Consultant - General	2,976.21	1,361.13	1,615.08	218.7%
Total 8560 · ENGINEER CONSULTANT	5,752.47	2,722.21	3,030.26	211.3%
8570 · GENERAL MGR./ENGINEER				
8571-01 · General Manager/Eng. - Sewer	0.00	0.00	0.00	0.0%
8572-02 · General Manager/Eng. - Water	0.00	0.00	0.00	0.0%
8573-03 · General Manager/Eng. - General	0.00	0.00	0.00	0.0%
Total 8570 · GENERAL MGR./ENGINEER	0.00	0.00	0.00	0.0%
8590 · OFFICE ADMINISTRATION ASSISTANT				
8591-01 · Office Admin. Assist. - Sewer	0.00	0.00	0.00	0.0%
8592-02 · Office Admin. Assist. - Water	0.00	0.00	0.00	0.0%
8593-03 · Office Admin. Assist. - General	0.00	0.00	0.00	0.0%
Total 8590 · OFFICE ADMINISTRATION ASSISTANT	0.00	0.00	0.00	0.0%

San Simeon P&L Budget Comparison July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
Total 8500 · PROFESSIONAL FEES	11,471.95	8,361.09	3,110.86	137.2%
8505 · OFFICE EXPENSE				
8505-01 · Office Expense - Sewer	431.09	248.31	182.78	173.6%
8506-02 · Office Expense - Water	431.09	248.31	182.78	173.6%
8507-03 · Office Expense - General	862.01	492.29	369.72	175.1%
Total 8505 · OFFICE EXPENSE	1,724.19	988.91	735.28	174.4%
8510 · POSTAGE				
8515-01 · Postage - Sewer	64.58	112.89	-48.31	57.2%
8516-02 · Postage - Water	64.58	112.89	-48.31	57.2%
8517-03 · Postage - General	129.14	225.73	-96.59	57.2%
Total 8510 · POSTAGE	258.30	451.51	-193.21	57.2%
8595 · SAMPLE TESTING				
8595-01 · Sample Testing - Sewer	4,163.95	2,306.49	1,857.46	180.5%
8596-02 · Sample Testing - Water	566.00	932.59	-337.59	63.8%
Total 8595 · SAMPLE TESTING	4,756.95	3,239.08	1,519.87	146.9%
8600 · EQUIPMENT RENTAL				
8605-01 · Equipment Rental - Sewer	0.00	97.25	-97.25	0.0%
8606-02 · Equipment Rental - Water	0.00	97.25	-97.25	0.0%
8607-03 · Equipment Rental - General	0.00	97.25	-97.25	0.0%
Total 8600 · EQUIPMENT RENTAL	0.00	291.75	-291.75	0.0%
8635 · AUTOMOBILE EXPENSE-GAS & OIL				
8635-01 · Gas & Oil - Sewer	123.66	202.72	-79.06	61.0%
8636-02 · Gas & Oil - Water	123.66	202.77	-79.11	61.0%
8637-03 · Gas & Oil - General	82.44	138.97	-56.53	59.3%
Total 8635 · AUTOMOBILE EXPENSE-GAS & OIL	329.76	544.46	-214.70	60.6%
8660 · LICENSE/PERMITS				
8665-01 · License/Permits - Sewer	2,000.00	777.79	1,222.21	257.1%
8666-02 · License/Permits - Water	0.00	236.79	-236.79	0.0%
8667-03 · License/Permits - General	0.00	0.00	0.00	0.0%
Total 8660 · LICENSE/PERMITS	2,000.00	1,014.58	985.42	197.1%
8730 · UTILITIES				
8735-01 · Electrical/Power - Sewer	18,931.19	14,359.92	4,591.27	132.0%
8736-02 · Electrical/Power - Water	1,923.79	1,755.18	168.61	109.6%
8737-03 · Electrical/Power - General	113.78	107.94	5.84	105.4%
8738-02 · Elec/Power/Hearst Well/Standby	0.00	4.20	-4.20	0.0%
8745-01 · Rubbish - Sewer	378.55	235.62	142.93	160.7%
8746-02 · Rubbish - Water	309.70	192.78	116.92	160.6%
8747-03 · Rubbish - General	0.00	0.00	0.00	0.0%
8757-03 · Street Lights - General	3,625.65	3,371.53	254.12	107.5%
Total 8730 · UTILITIES	25,282.66	20,007.17	5,275.49	126.4%
8760-02 · DESAL STANDBY COSTS	0.00	0.00	0.00	0.0%
8800 · OPERATING EXPENSES				
8805-01 · Small Tools - Sewer	0.00	35.09	-35.09	7%

San Simeon
P&L Budget Comparison
 July 1 through November 20, 1998

	Jul 1 - Nov 20, '98	Budget	\$ Over Budget	% of Budget
8806-02 · Small Tools - Water	17.46	41.58	-24.12	42.0%
8807-03 · Small Tools - General	0.00	0.00	0.00	0.0%
8825-01 · Disinfecting Chem - Sewer	8,596.21	5,345.25	3,249.96	160.8%
8826-02 · Disinfecting Chem - Water	1,222.06	3,669.35	-3,547.29	3.3%
8835-01 · Operating Supplies - Sewer	1,131.43	1,084.02	47.41	104.4%
8836-02 · Operating Supplies - Water	463.43	948.87	-485.44	48.8%
Total 8800 · OPERATING EXPENSES	10,329.59	11,124.16	-794.57	92.9%
Total Expense	157,494.32	142,521.14	14,973.18	110.5%
Net Ordinary Income	47,262.02	75,053.21	-27,791.19	63.0%
Other Income/Expense				
8010 · OTHER EXPENSES	10.00			
8010-01 · BANK SERVICE CHARGES	10.00			
Total 8010 · OTHER EXPENSES	10.00			
Total Other Expense	10.00			
Net Other Income	-10.00			
Net Income	47,252.02	75,053.21	-27,801.19	63.0%

PERS RETIREMENT BETTERMENT COMMITTEE INC.

141 NORTH GLENDALE AVENUE • GLENDALE, CALIFORNIA 91206

EXECUTIVE BOARD

GEORGE F. BUCK
Pasadena
President
(818) 405-4561

TED MORRISON
Glendale Fire (retired)
Vice President
(818) 957-1137

CARLOS SOEGAARD
Glendale (retired)
Treasurer
(818) 352-3725

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M.W.D. of Southern Calif.
Secretary
(909) 392-2585

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Anaheim
Research Director
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Police (retired)
Director
(310) 393-1486

ROY M. LOPEZ
Glendale
Director
(818) 548-3945

November 12, 1998

General Manager
San Simeon Community Services District
111 Pico Avenue
Route 1 - Box S-17
San Simeon, California 93452

Dear Sir/Madam:

This is to inform you of the availability for your agency to contract for available monthly, pre-retirement death benefits to surviving family members known as the PERS 1959 Survivor Benefit Program.

This benefit is available by contract amendment for PERS members who are not covered by Social Security with their public agency employer.

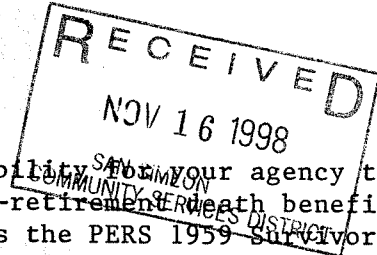
As Social Security benefit levels have increased over the years with automatic increases in the Consumer Price Index (CPI), additional levels have been added to the PERS 1959 Survivor Benefit Program because monthly benefits are fixed. According to PERS records your agency is among a small group of cities/counties/special districts which is without Social Security coverage and does not provide this benefit coverage for your membership.

Both our Committee and the PERS Board of Administration has continued to URGE local public agencies whose members do not have Social Security coverage to give favorable consideration to adding or improving their 1959 Survivor Benefit Program coverage. Because Level 1 and Level 2 benefits are no longer adequate, those levels of coverage are no longer available to contracting public agencies.

Benefit Level	Year	One Survivor	Two Survivor	Three + Survivors	Agency Cost	Member Cost
3	1984	\$ 350	\$ 700	\$ 840	\$ 0.00	\$ 2.00
4	1993	950	1,900	2,280	3.50	2.00

The monthly amounts provided are fixed. There is no cost-of-living applied to these monthly payments.

Legislation creating these Levels established a "risk pool" consisting of all local public agency employers at Level 3 and another at Level 4. The agency rate is based on the group's experience at each level in order to minimize the unpredictable risk for a small cohort. Even one or two unexpected deaths in a small group such as yours can result in significant funding requirements. (The PERS Actuarial Office reports 5.2 deaths for each 10,000 covered local public agency members in 1995.) Pooling the risk, as is done with both Level 3 and Level 4, eliminates this financial problem.



47. Section 21548 Pre-Retirement Optional Settlement 2 Death Benefit

The spouse of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit in lieu of the lump sum Basic Death Benefit. The benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2, the highest monthly allowance a member can leave a spouse.

This benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

Employer Cost:	Valuation required.
Rough Estimate:	0.1% to 0.3% of payroll.
Member Cost:	None.

48. Section 21551 Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor

If the surviving spouse remarries, death benefits being paid to the spouse of a member who died prior to retirement will not cease.

Surviving spouses who elected to receive a reduced allowance which would not end upon remarriage shall have their allowance restored to the lifetime allowance to which he or she was originally entitled for all benefits payable on or after the date this section becomes operative for the agency.

If the spouse is entitled to continued health benefits coverage and remarries, he or she may not add the new spouse or stepchildren as family members under the continued health benefits coverage.

Employer Cost:	No valuation required. Actual costs will emerge in future valuations.
Member Cost:	None.

An operative date for this benefit is established at the time of amendment.

49. Section 21573 Third Level of 1959 Survivor Benefits

Concurrent coverage under this section and Social Security is prohibited, but an agency may provide the benefit for the full formula members of a divided miscellaneous member group. Members in employment prior to the effective date of the amendment may elect not to be covered, however, participation is required for all future hires who are not covered under Social Security (Section 21577).

This benefit provides a monthly allowance to survivors of a member who dies prior to retirement. The benefit is paid in addition to the Basic Death Benefit, the 1957 Survivor Benefit, or, if applicable, the Pre-Retirement Optional Settlement 2 Death Benefit but would be reduced by the amount of the Special Death Benefit, if payable.

The monthly allowance payable to eligible survivors is as follows:

Spouse with two or more children; or three or more dependent children, alone	\$840
Spouse with one dependent child; or two dependent children alone	\$700
One dependent child; or surviving spouse at age 62*, or older until remarriage**; or dependent parents	\$350

* The benefit would be payable to a surviving spouse at age 60 if the agency's contract includes Section 21580 (1959 Survivor Benefits to Surviving Spouse at Age 60).

** The benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

The surviving spouse may elect (within 24 months of the date of the member's death) a 25% reduction to the monthly allowance in lieu of cessation of the allowance in the event of remarriage. If the agency later amends its contract to include Section 21551, surviving spouses who elected to receive the reduced allowance would have their allowance restored to the lifetime allowance to which he or she was originally entitled.

Effective January 1, 1994, this benefit is mandatory for public agencies first contracting or any contracting agency amending its contract to remove exclusions of member classifications for employees who become CalPERS members and who are not covered under Social Security. The agency may elect to provide Section 21574 (Fourth Level of 1959 Survivor Benefits).

Employer Cost:	\$0 per month per covered member effective July 1, 1997. Valuation required if the contract currently provides a lower level of 1959 Survivor Benefits to determine the funding status of the agency's 1959 Survivor Benefit Account. (There is no fee for this valuation.)
Member Cost:	\$2.00 monthly (non-refundable).

The employer cost is based on a term insurance valuation method of a large experience pool rather than the experience of your agency, the rate is less likely to have large fluctuations, though it may vary from year to year depending on mortality experience of the pool. The actual employer costs for agencies currently providing 1959 Survivor Benefits who amend to provide the Third Level will vary depending upon each agency's 1959 Survivor funding level.

If there is a deficit in the agency's 1959 Survivor funding (an unfunded accrued liability) based on the Third Level benefit, this unfunded liability shall be either, 1) paid for completely by the agency at or prior to the effective date of the amendment or, 2) amortized and paid for over a period of five years, the first payment to be made at or prior to the effective date of the amendment and subsequent payments on the anniversary of the effective date of the amendment. In addition, an employer per member, per month cost (if any) will be imposed.

If there is a surplus in the agency's 1959 Survivor funding, this surplus shall be used to offset any employer required first-year contributions.

An operative date for this benefit is established at the time of amendment.

50. Section 21574 Fourth Level of 1959 Survivor Benefits

This benefit provides a higher level of 1959 Survivor Benefits to survivors of a member who dies prior to retirement. The benefit is paid in addition to the Basic Death Benefit, the 1957 Survivor Benefit, or, if applicable, the Pre-Retirement Optional Settlement 2 Death Benefit but would be reduced by the amount of the Special Death Benefit, if payable.

The monthly allowance payable to eligible survivors under this section is as follows:

Spouse with two or more children; or three or more dependent children, alone	\$2,280
Spouse with one dependent child; or two dependent children alone	\$1,900
One dependent child; or surviving spouse at age 60, or older until remarriage*; or dependent parents	\$950

* The benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

The surviving spouse may elect (within 24 months of the date of the member's death) a 25% reduction to the monthly allowance in lieu of cessation of the allowance in the event of remarriage. If the agency later amends its contract to include Section 21551, surviving spouses who elected to receive the reduced allowance would have their allowance restored to the lifetime allowance to which he or she was originally entitled.

- Employer Cost: \$3.50 per month per covered member effective July 1, 1997. Valuation required if the contract currently provides a lower level of 1959 Survivor Benefits to determine the funding status of the agency's 1959 Survivor Benefit Account. (There is no fee for this valuation.)
- Member Cost: \$2.00 monthly (non-refundable).

As with Section 21573, public agencies contracting or amending to provide the Fourth Level will receive a single employer rate based on term insurance rates. This rate will be calculated on the pool experience rather than individual employer experience. The actual employer cost for agencies currently providing 1959 Survivor Benefits who amend to provide the Fourth Level will vary depending upon each agency's 1959 Survivor funding level.

If there is a deficit in the agency's 1959 Survivor funding (an unfunded accrued liability) based on the Fourth Level benefit, this unfunded liability shall be either, 1) paid for completely by the agency at or prior to the effective date of the amendment or, 2) amortized and paid for over a period of five years, the first payment to be made at or prior to the effective date of the amendment and subsequent payments on the anniversary of the effective date of the amendment. In addition, an employer per member, per month cost (if any) will be imposed.

If there is a surplus in the agency's 1959 Survivor funding, this surplus shall be used to offset any employer required first-year contributions.

Operative date for this benefit is established at the time of amendment.

SAN SIMEON COMMUNITY SERVICES DISTRICT PURCHASING PROCEDURE

This procedure will explain the steps necessary to complete Purchase Orders and steps required to complete Purchase Contracts. Purchase Contracts are for all services that have a formal written contract. Purchase Orders are for all other purchases or services as specified below.

PURCHASE OF SUPPLIES AND EQUIPMENT

Purchase Order Needed?

Amount of order equals or exceeds \$200.

PO required

Amount of Order is \$199 or less

PO not required

APPROVAL/SIGNATURES REQUIRED?

Amount of order equals or exceeds \$3,000

Board of Directors approval required

Amount of order is \$1,000 to \$2,999

One Board of Director and General
Manager

Amount of Order is \$999 or less

General Manager

FORMAL OR OPEN MARKET PROCEDURE?

Amount of order equals or exceeds \$3,500

Three written proposals are required

Amount of order is \$500 to \$3,499

Three price quotes are required

Amount of order is \$499 or less

Competitive quotes not required

Only one vendor carries the commodity

Competitive quotes not required

The above formal guidelines do not apply to public works/construction projects which are governed by State law. These guidelines do not apply to professional services.

PURCHASE ORDERS

- I. A purchase order (PO) is required when a purchase is greater than \$200.00. A PO is not required for vehicle repairs since the estimates and actual repairs vary substantially. Also there will be PO issued after the fact (i.e., work completed and invoice received prior to requesting PO.)
- II. The PO starts with a Request for Purchase Order form completed by the requesting individual.
Things to remember when completing the request are:
 - Proper General Ledger accounting to charge the expense to
 - Vendor information. It is especially important when dealing with a new vendor that you provide the remittance address, phone number and/or contact names, and the vendor Tax Identification Number
 - Any specifications or quotes that need to be particularly referenced in the body of the PO
 - Appropriate approval signatures. Please check the Signature Authority Tables if you are unsure who is authorized to approve these requests. If the request does not have the correct signatures, a PO cannot be issued.

- III. When work is completed, a copy of the PO or the PO # identified on the invoice shall state "okay to pay." "Okay to pay" needs a legible signature. It means the goods and services have been received/provided and meet specifications in the order. No additional approval is needed since we have the original request on file with the necessary signatures. There is one exception. If the invoice amount is greater than the PO, the invoice must be re-approved.

PURCHASE CONTRACTS

- I. As mentioned above, Purchase Contracts will be created for all services that have a formal contract. Once the contract is awarded to the contractor and signed by the contractor and the City Attorney, it should be sent to the General Manger for his signature. It must contain an attachment indicated in the following:
- Staff person responsible for contract administration
 - General Ledger Accounting
 - Contract Start and End Date
 - Retainage Requirements
- II. After the Contract is signed by the General Manager, a contract is set up in the system and is pulled into a Purchase Order so that the funds will be encumbered.
- III. The Purchase Order and a copy of the contract are sent to the contractor. The contractor is directed to reference the Purchase Order on all billings.

SAN SIMEON COMMUNITY SERVICES DISTRICT
Route 1, Box S-17
San Simeon, California 93452
(805) 927-4778

DRAFT MEMORANDUM

(PLEASE OBTAIN FINAL FROM JOHN W. BY DEC. 2, 1998)

DATE: December 2, 1998
TO: Board of Directors
VIA: *Forrest G. Warren, General Manager*
FROM: John L. Wallace, District Engineer
SUBJECT: Brief Status Report on Active San Simeon CSD Projects

EQUALIZATION BASIN COVER AND ODOR CONTROL:

At the Board's meeting on October 14th, staff was instructed to proceed with obtaining informal bids for permanently covering the 32-foot by 42-foot equalization tank at the wastewater treatment plant and providing an air scrubber unit to control odor.

Preliminary costs of around \$70,000 were presented to the Board on the November 18th meeting. Staff was given the direction to hold off on this type of improvement until a decision could be made and funds made available to expand the treatment plant.

HEARST DRIVE AND SAN SIMEON AVENUE WATERLINE REPLACEMENT:

Construction is underway. The start date for the Contractor (The Sanchez Company) began November 19, 1998. Mobilization, utility exploration and pavement grinding should begin Monday November 30th, after the Thanksgiving holidays.

Utility companies have been notified and have located their respective utility. A survey work is complete and the County of SLO has been notified. Compaction testing will be performed by Mid Coast Geotechnical of Paso Robles.

OCEAN OUTFALL EMERGENCIES REPAIRS:

The District is currently under Contract with Underwater Resources, Inc of San Francisco, CA. Flanges, diffusers and anode equipment have been ordered. District staff and Contractor will be scheduling work when the ordered equipment becomes available.

PIPELINE BRIDGE AND CHANNELIZATION PROJECT:

Civil plans and specifications are complete. Structural engineering plans have been approved for the new structural channel box and retaining walls. Structural Drawings are ready to incorporate into the Civil Drawings. Recommend to solicit for bids per attached tentative construction schedule.

AVONNE AVENUE CASTILLO WATER LINE LOOP:

A water line easement has been prepared and is being processed for approval.

084-02projectstatus.wpd

SAN SIMEON COMMUNITY SERVICES DISTRICT
Revised Tentative Construction Schedule
for the
PIPELINE BRIDGE AND CHANNELIZATION PROJECT

Survey, Structural and Civil Design Completion	November 25, 1998
Contract Documents, Drawings and Specification Complete	November 30, 1998
1st Notice to Bidders	December 7, 1998
2nd Notice to Bidders (min. 5 days between publications)	December 14, 1998
Pre-Bid Conference (Friday, 2:00 pm)	December 18, 1998
Receive Bids (Wednesday, 2:00 pm)	January 6, 1999
Award of Bid	January 13, 1999
Notice of Award*	January 14, 1999
Notice to Proceed* (15 days from Award)	January 28, 1999
Start Work (10 days from Notice to Proceed)	February 8, 1999
Completion - (120 Calendar Days)	June 8, 1999

* send Certified Mail
a:\brdgsch.wpd.crt

NOT A PART OF THE CONTRACT

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

**Independent Auditors' Report
and
Financial Statements**

For the Years Ended
June 30, 1998 and 1997

DRAFT

SAN SIMEON COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Years Ended June 30, 1998 and 1997

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DRAFT

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF DIRECTORS
June 30, 1998

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Richard Andresen, Chairman	November, 2000
Ardy May, Vice-Chairman	November, 2000
Lorraine Mirabal-Boubion, Director	November, 2000
Leanne Morgan, Director	November, 1998
Lois Stevens, Director	November, 1998

DRAFT



CROSBY & CINDRICH-CERTIFIED PUBLIC ACCOUNTANTS

1035 PEACH STREET, SUITE 201 - SAN LUIS OBISPO, CA 93401
PHONE: (805)543-5800 FAX: (805)543-2575

Independent Auditors' Report

Board of Directors
San Simeon Community Services District
San Simeon, California

We have audited the accompanying balance sheet of the San Simeon Community Services District as of June 30, 1998, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the San Simeon Community Services District as of June 30, 1997, were audited by other auditors whose report dated October 9, 1997, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Simeon Community Services District as of June 30, 1998, and the results of its operations and its changes in cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DRAFT

CROSBY & CINDRICH
Certified Public Accountants

October 26, 1998

SAN SIMEON COMMUNITY SERVICES DISTRICT

BALANCE SHEETS

As of June 30,

ASSETS

Current assets

Cash and cash equivalents (Notes 2 and 3)
 Accounts receivable (Note 2)
 Interest receivable
 Prepaid insurance (Note 2)

Total current assets

Restricted cash (Notes 2, 3 and 7)

Property, plant & equipment, net (Notes 2 and 4)

Other assets

Construction in progress (Note 5)
 Deposits

Total assets

LIABILITIES AND FUND EQUITY

Current liabilities

Accounts payable
 Accrued liabilities (Note 6)
 Deposits – payable from restricted assets (Note 7)

Total liabilities

Fund equity

Retained earnings (Note 9)
 Reserved for contingent liability
 Reserved for capital projects
 Unreserved

Total fund equity

Total liabilities and fund equity

	<u>1998</u>	<u>1997</u>
	\$1,685,340	\$1,523,911
	37,426	62,925
	23,827	20,631
	13,494	13,494
	1,746,593	1,620,961
	52,270	76,160
	751,107	786,943
	186,573	140,835
	3,755	3,991
	\$2,740,298	\$2,628,890
	\$20,352	\$21,040
	11,998	9,184
	52,270	76,160
	84,620	106,384
	250,000	250,000
	814,108	478,417
	1,591,570	1,794,089
	2,655,678	2,522,506
	\$2,740,298	\$2,628,890

DRAFT

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Years Ended June 30,

	1998	1997
Operating revenues		
Utility sales	\$211,393	\$195,056
Service charges	166,033	213,811
State of California – Department of Parks and Beaches	22,406	38,298
Total operating revenues	399,832	447,165
Operating expenses		
Salaries and wages	144,533	105,674
Payroll taxes	2,612	1,527
Employee benefits (Note 8)	24,429	16,161
Vehicle expenses	1,232	1,650
Supplies and small tools	27,380	27,245
Repairs and maintenance	33,999	9,223
Utilities and telephone	56,076	58,840
Insurance	17,275	22,557
Office expense	4,015	3,445
Legal and professional	22,743	15,557
Licenses and permits	2,609	4,744
Director's fees	4,425	4,200
Hauling	3,798	3,904
Depreciation expense	46,676	46,069
Lab expense	9,413	4,923
Other expense		4,389
Memberships and seminars	975	2,737
Contract labor	2,559	33,886
Total operating expenses	404,749	366,731
Operating income (loss)	(4,917)	80,434
Non-operating revenues and (expenses)		
Grant income		3,918
Interest income	95,114	82,747
Tax revenue	44,154	44,197
Other revenues	50	46
Tax administration fee	(1,229)	(1,188)
Total non-operating revenues and (expenses)	138,089	129,720
Net income	133,172	210,154
Retained earnings – beginning of year	2,522,506	2,312,352
Retained earnings – end of year	\$2,655,678	\$2,522,506

DRAFT

The accompanying notes are an integral part of these financial statements

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	1998	1997
<i>Cash flows from operating activities</i>		
Operating income (loss)	(\$4,917)	\$80,434
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:		
Depreciation	46,676	46,069
Change in assets and liabilities		
(Increase) decrease in accounts receivable	25,499	(13,569)
Increase in interest receivable	(3,196)	(1,672)
(Increase) decrease in prepaid insurance	13,494	(12,142)
(Increase) decrease in deposits	236	150
Decrease in accounts payable	(688)	(49)
Increase in accrued liabilities	2,814	339
Increase (decrease) in deposits	(23,890)	
Net cash flows provided by operating activities	56,028	99,560
<i>Cash flows from non – capital financing activities</i>		
Grant income		3,918
Property tax revenues received	44,154	44,197
Property tax administration fees paid	(1,229)	(1,188)
Other revenues received	50	46
Net cash flows provided by non – capital financing activities	42,975	46,973
<i>Cash flows from capital and related financing activities</i>		
Purchase of fixed assets	(10,840)	(5,839)
Additional construction in progress	(45,738)	(28,936)
Net cash flows used by capital and related financing activities	(56,578)	(34,775)
<i>Cash flows from investing activities</i>		
Interest income	95,114	82,747
Net cash flows provided by investing activities	95,114	82,747
<i>Net increase in cash and cash equivalents</i>	137,539	194,505
<i>Cash and cash equivalents at beginning of year</i>	1,600,071	1,405,566
<i>Cash and cash equivalents at end of year</i>	\$1,737,610	\$1,600,071

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The accompanying notes are an integral part of these financial statements

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 1: ORGANIZATION

The San Simeon Community Services 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 and general administrative services.

Reporting Entity

The San Simeon Community Services District (District) complies with Generally Accepted Accounting Principals and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Fund Type (Enterprise Funds)

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The San Simeon Community Services District accounts for its operation as an Enterprise Fund. Enterprise Funds are used to account for water and sanitary utility operations which are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The enterprise funds of the District are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors at the start of each year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid expenses.

Restricted Assets

These assets consist of cash restricted for Water Fund customer deposits and will serve deposits.

Accounts Receivable

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Water and sewer charges are billed monthly. Customer accounts receivable are written off in full when the receivable is deemed totally uncollectible. An allowance for uncollectibles is not considered necessary since it would not be material.

Property, Plant and Equipment

All fixed assets are valued at historical cost or estimated historical cost if actual costs are not available. Depreciation has been provided over the estimated useful life of the asset using the straight-line method. The estimated useful lives are as follows:

Treatment Plant and Collection System	50 years
Supply/Distribution System	30 years
Buildings/Blowers	20 years
General Plant Machinery and Equipment	5-10 years

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 1998 and 1997

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. Tax revenues are recognized by the District in the year levied.

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 1998 and 1997 are summarized as follows:

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
Petty cash	\$ 100	\$ 100
Demand deposits	44,705	124,850
Cash and investments with:		
County treasurer	1,425	2,060
Local Agency Investment Fund (LAIF)	<u>1,639,110</u>	<u>1,396,901</u>
Subtotal	1,685,340	1,523,911
Local Agency Investment Fund - restricted (see note 7)	<u>52,270</u>	<u>76,160</u>
Total	<u>\$ 1,737,610</u>	<u>\$ 1,600,071</u>

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SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 1998 and 1997

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

- Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 - uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

At June 30, 1998, the carrying amount of the District's cash deposits was \$44,705. The bank's balance was \$56,847. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 1998, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank Accounts	\$ 56,847	\$ -0-	\$ -0-	\$ 56,847	\$ 44,705

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SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

A summary of fixed assets by major classifications is as follows:

	<u>June 30, 1997</u>	<u>Additions</u>	<u>June 30, 1998</u>
Sewer plant	\$ 929,924		\$ 929,924
Water plant	243,356		243,356
Building	116,294		116,294
Equipment	<u>193,768</u>	\$ 10,840	<u>204,608</u>
	1,483,342		1,494,182
Less accumulated depreciation	<u>(696,399)</u>		<u>(743,075)</u>
Total	<u>\$ 786,943</u>		<u>\$ 751,107</u>

Depreciation expense for the periods ended June 30, 1998 and 1997, were \$46,676 and \$46,069, respectively.

NOTE 5: CONSTRUCTION IN PROGRESS

Several projects have been started by the San Simeon Community Services District but have not been completed at year end. All costs associated with these projects/studies have been capitalized to construction in progress, as follows:

	<u>June 30, 1997</u>	<u>Additions</u>	<u>June 30, 1998</u>
Major water project	\$ 136,769	\$45,738	\$ 182,507
Waste water treatment plant	<u>4,066</u>		<u>4,066</u>
Total	<u>\$ 140,835</u>		<u>\$ 186,573</u>

NOTE 6: COMPENSATED ABSENCES

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San Simeon Community Services District has accrued a liability for vacation leave earned, but not taken, by staff employees for the periods ended June 30, 1998 and 1997, in the amount of \$11,998 and \$9,184, respectively. These accruals were calculated based on actual vacation days earned and applied to the individual employees' hourly rates.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 1998 and 1997

NOTE 7: DEPOSITS

Hook-up and customer meter deposits totaled \$52,270 and \$76,160 for the years ended June 30, 1998 and 1997, respectively. These deposits represent a non-interest bearing restricted current liability. All deposits are currently invested with the Local Agency Investment Fund (see note 3).

The hook-up deposits are from customers on a waiting list to connect into the system. These deposits totaled \$43,470 and \$67,410 for the years ended June 30, 1998 and 1997, respectively. 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.

The customer meter deposits totaled \$8,800 and \$8,750 for the years ended June 30, 1998 and 1997, respectively. For each metered customer, a \$50 refundable deposit is required, before any service can be provided by the District.

NOTE 8: PENSION PLAN

The San Simeon Community Services District is a member of the Public Employees' Retirement System (PERS) which covers both full-time employees. The total PERS pension expense to the District amounted to \$18,192 and \$11,876 for the years ended June 30, 1998 and 1997, respectively. The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1996, which indicates a total underfunded pension benefit obligation of \$68,462 applicable to District employees, as follows:

Pension benefit obligation:		
Expected accrued liability		\$ 154,824
Current employees:		
Accumulated employee contributions including allocated investment earnings		86,362
Actual unfunded liability	DRAFT	\$ 68,462

NOTE 9: RESERVED RETAINED EARNINGS

The District has set up "reserves" in retained earnings to set aside retained earnings balances for a specific future use. Reserves have been established by Board resolution for contingent liabilities and future capital projects.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 10: 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, 1997 through June 30, 1998.

General and Auto Liability and Public Officials' and Employees' Errors and Omissions: Total risk financing limits of \$2.5 million. This total consists of \$500,000 SIR and an excess policy with the Insurance Company of the State of Pennsylvania p.l.c., No. 4797-2053 combined single limit at \$2.0 million per occurrence, with a \$500-\$1,000 deductible per occurrence and 10% co-insurance after initial \$10,000 cost expended by SDRMA, up to \$500,000, per occurrence, for errors and omission claims. The District also purchased a \$3 million excess coverage layer. Coverage also includes a \$100,000 blanket fidelity bond.

Property Loss: The Travelers Insurance Company No. KTJ-CMB-230T795-8-97. This covers the 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 \$50 million per occurrence, subject to a \$2,000 deductible per occurrence.

Boiler and Machinery: Kemper National Insurance Company No. 3XN-026650-01. This covers the replacement cost in excess of listed deductibles.

Comprehensive and Collision: Fully self-funded by S.D.R.M.A., Policy No. 9698CC. This covers selected vehicles with deductibles of \$250/\$500 or \$500/\$1,000, as elected.

The annual member contribution was \$13,193 for the Package Program and \$301 for the Comprehensive/ Collision Program. 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 11: CONTINGENCIES

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According to the District's staff and attorney, there are no other contingent liabilities that are outstanding and no lawsuits are pending that would result in a financial consequence to the District.

SAN SIMEON COMMUNITY SERVICES DISTRICT
SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
For the Years Ended June 30,

	Sanitation Fund	1998 Water Fund	Total	1997 Total
Operating revenues				
Utility sales		\$177,699	\$177,699	\$195,056
Service charges	\$166,453	33,274	199,727	213,811
State of California	22,406		22,406	38,298
Total operating revenues	188,859	210,973	399,832	447,165
Operating expenses				
Salaries and wages	94,583	49,950	144,533	105,674
Payroll taxes	1,709	903	2,612	1,527
Employee benefits (Note 8)	15,986	8,443	24,429	16,161
Vehicle expenses	708	524	1,232	1,650
Supplies and small tools	2,220	25,160	27,380	27,245
Repairs and maintenance	23,884	10,115	33,999	9,223
Utilities and telephone	47,854	8,222	56,076	58,840
Insurance	13,584	3,691	17,275	22,557
Office expense	2,733	1,282	4,015	3,445
Legal and professional	14,141	8,602	22,743	15,557
Licenses and permits	2,000	609	2,609	4,744
General manager				14,363
Director's fees	2,744	1,681	4,425	4,200
Hauling	3,798		3,798	3,904
Depreciation expense	32,885	13,791	46,676	46,069
Lab expense	6,707	2,706	9,413	4,923
Other expense				4,389
Memberships and seminars	561	414	975	2,737
Contract labor	1,663	896	2,559	19,523
Total operating expenses	267,760	136,989	404,749	366,731
Operating income (loss)	(78,901)	73,984	(4,917)	80,434
Non-operating revenues and (expenses)				
Grant income				3,918
Interest income	76,091	19,023	95,114	82,747
Tax revenue	35,323	8,831	44,154	44,197
Other revenues	40	10	50	46
Tax administration fee	(983)	(246)	(1,229)	(1,188)
Total non-operating revenues and (expenses)	110,471	27,618	138,089	129,720
Net income	\$31,570	\$101,602	\$133,172	\$210,154

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**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

**INDEPENDENT AUDITORS' REPORT
AND
MANAGEMENT ADVISORY COMMENTS**

For the Year Ended
June 30, 1998

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CROSBY & CINDRICH-CERTIFIED PUBLIC ACCOUNTANTS

1035 PEACH STREET, SUITE 201 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-5800 FAX: (805)543-2575

Independent Auditors' Report

Board of Directors
San Simeon Community Services District
San Simeon, California

In planning and performing our audit of the financial statements of the San Simeon Community Services District, for the year ended June 30, 1998, we considered its internal control structure in order to determine our auditing procedures. This was done for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control structure. However, a matter involving the internal control structure and its operations was noted that we consider to be a reportable condition, under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

In the attachment, we have listed the reportable condition, and other audit comments and recommendations for improvement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the management of San Simeon Community Services District.

We appreciate the complete cooperation and assistance we received from the staff during our audit work.

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CROSBY & CINDRICH
Certified Public Accountants

October 26, 1998

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

Attachment
October 26, 1998

REPORTABLE CONDITION

1. Segregation of Accounting Duties

During our audit internal control questionnaire, we noted that the division of some accounting duties, normally segregated to different individuals in the accounting office, were not segregated because of the limited number of office personnel at the District. In any bookkeeping system, it is essential that the various accounting duties are segregated to insure that the internal accounting controls of the system are not being breached. Whenever these accounting function duties are doubled-up, or handled by one person, a "key person" situation exists which could enable that person to manipulate the accounting records for his or her own benefit. In itself, this situation constitutes a reportable condition. In many instances, like with the District, further segregation of accounting functions in a small office are not possible or cost effective.

It is our office policy to periodically notify the Board if such a condition exists in their accounting system, and to make the Board aware of the potential dangers involved.

It is not our objective to insinuate that a problem exists within the current accounting system, especially since all evidence would indicate that the system is performing adequately, nor is it our objective to provide negative assurance that there is nothing wrong with the accounting system.

Through professional literature and seminars in which we have attended, it has become apparent that the problems resulting from this reportable condition have become epidemic.

If a situation arises in the future that would question the integrity of a "key person" within the accounting system, the Board may want to implement additional procedures. These procedures could include internal auditing techniques, spot checks, and observation of "key person" procedures.

DRAFT

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

Attachment
October 26, 1998

AUDIT COMMENTS, AND SUGGESTIONS

1. Year 2000 (Y2K)

On January 1, 2000, information technology experts believe that many application systems will fail as a result of erroneous calculations and data integrity problems. The situation, commonly known as the "Year 2000 (Y2K) Issue" will occur because many computers cannot process date information beyond December 31, 1999. This situation has arisen because many application software products were originally designed to accommodate only a two digit date position to represent the year.

The District must devote the necessary resources to evaluate its systems and make itself Y2K compliant. This will ensure that the systems will be able to process date information on and after January 1, 2000.

We recommend that the District allow for complete testing of all computer applications prior to January 1, 2000. If required, the District should make the necessary system modifications to avoid significant program failures.

The District should also consider implementing additional verification procedures to insure that information received from its investment activities, San Luis Obispo County, and other third-party organizations will not experience problems relating to the Y2K issue that could affect the District's revenues and cash investments.

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2. Year-end Adjusting Journal Entries

Throughout the audit, numerous year-end audit adjustments were required to properly report the District's general ledger account totals. The rationale for each adjustment was thoroughly explained to the District's staff. We have found that this additional educational process will not only acquaint and familiarize the District staff to the audit process, it will enable the staff to expedite the process for future audits. We have also found that it will enable the staff to prepare more concise interim financial statements for the Board of Directors.

It is our goal to significantly reduce the number of year-end audit adjustments to five or less.

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**

Attachment
October 26, 1998

AUDIT COMMENTS, AND SUGGESTIONS

3. Accounting Procedures Manual

The accounting and procedures manual should be updated periodically to insure that detailed written instructions and procedures are included for every possible transaction, assignment and duty. If a procedure is established for every type of transaction, it will insure that similar transactions will be handled consistently and the accounting procedures used are appropriate. A detailed manual can help to avoid misunderstandings, prevent errors, increase efficiency, and reduce duplicated or wasted effort. We understand that updating a procedures manual can be costly and time consuming, however, it is our experience that major benefits will be derived from these manuals, such as; time saved in training and supervising new personnel because of an untimely change in accounting personnel. We have also found that in updating the manual, management can develop new procedures that can improve or make the system more efficient.

4. Contributed Capital

From its inception as a special district, the San Simeon Community Services District has had significant capital amounts contributed to its retained earnings. To properly report these contributed capital amounts, the District should allocate and report a portion of its retained earnings as "contributed capital" on its financial statements. It is not critical that this allocation must be made. For many special districts it is extremely difficult, if not impossible, to tabulate the correct contributed capital amount. However, to make the District's financial statements more compliant with Governmental Accounting Standards Board guidelines, we recommend that the amount be tabulated and reported in the financial statements.

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5. Coding of Receipts and Disbursements/Balance Sheet Reconciliation

During our tests of transactions, we noted that several transactions were not consistently coded to the same account during the year, resulting in several year-end adjustments. We understand that a new software system was implemented during the year, which probably contributed to this problem. Since the nature of the organization's monthly expenses do not fluctuate from month to month and now that the software system appears to be adequately running, we recommend that all monthly disbursements be systematized in such a way that the entries can be made consistently without question (see Note 3).

We also recommend that all balance sheet accounts be reconciled at least monthly to insure that the interim financial statements are accurately stated.

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**
Attachment
October 26, 1998

AUDIT COMMENTS, AND SUGGESTIONS

6. Payroll Reconciliation

Our audit procedures included a reconciliation between all payroll tax returns and the general ledger. During this reconciliation, we noted differences between the amounts reported on the payroll tax returns and what was reported on the general ledger. Subsequently, the differences were located, and the appropriate corrections were made. To avoid any future penalties and problems, we recommend that every payroll be reconciled to the general ledger accounts after each payroll is processed, in a manner similar to the reconciliation we performed during our audit. This procedure will insure that all expense and liability accounts accurately agree with the related payroll tax returns, prior to their submission, and any problems that may exist can be easily detected in a timely manner.

It is our understanding that new procedures have subsequently been implemented to reconcile the payroll tax returns with the general ledger accounts every quarter.

7. Audit Adjustments

During our reconciliation of the fund balances, we noted that several of the prior year audit adjusting entries were not recorded in the District's general ledger. The omitted journal entries resulted in differences in the fund balance. Also, because of these differences, each interim financial statement was misstated. To preclude this from happening in future years, we suggest that the audit adjusting journal entries be entered immediately after the audit is completed. After the journal entries are posted, a reconciliation should be performed to insure that the fund balances/retained earnings amounts recorded on the general ledger agree with the audited financial statements.

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8. Accounts Payable

During our search for unrecorded liabilities we noted that the amount recorded on the general ledger was different than the actual liability. Now that an accurate amount has been determined at year-end we recommend that a monthly reconciliation be performed to insure that all liabilities are accurately recorded in the general ledger. Any differences that occur during the reconciliation can be easily detected and corrected in a timely manner.

**SAN SIMEON
COMMUNITY SERVICES DISTRICT**
Attachment
October 26, 1998

AUDIT COMMENTS, AND SUGGESTIONS

9. Accounts Receivable

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During our examination of the accounts receivable and the accounts receivable miscellaneous accounts for the District, we noted that some minor adjustments were required to reconcile the subsidiary ledgers with the general ledger. To insure that all receivables are adequately recorded and collected, we recommend that an accounts receivable aging list be maintained and reconciled monthly for accuracy, for both accounts.

It appears as though a considerable amount of time is utilized to input utility billing information into the current accounts receivable/general ledger computer program. To simplify the monthly utility billing process, we recommend that a separate accounts receivable program be purchased and utilized, rather than using the general ledger accounting program to track the utility billing accounts receivable.

It is our understanding that new procedures have subsequently been implemented to reconcile the accounts receivable aging listing with the general ledger every month.