

SAN SIMEON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

June 30, 2022

Draft

SAN SIMEON COMMUNITY SERVICES DISTRICT
TABLE OF CONTENTS
June 30, 2022

INTRODUCTORY SECTION

Organization 1

FINANCIAL SECTION

Independent Auditor’s Report 2

BASIC FINANCIAL STATEMENTS

Statement of Net Position – Proprietary Fund 4

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund 5

Statement of Cash Flows – Proprietary Fund 6

Notes to Basic Financial Statements..... 7

SUPPLEMENTARY INFORMATION

Schedule of Revenues and Expenses by Function for the Fiscal Year Ended June 30, 2022 15

Schedule of Revenues and Expenses by Function for the Fiscal Year Ended June 30, 2021 16

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INTRODUCTORY SECTION

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Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Gwen Kellas	Chairperson	2024
Mary Giacoletti	Vice-Chairperson	2022
Daniel de la Rosa	Director	2024
Michael Donahue	Director	2022

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the San Simeon Community Services District, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the San Simeon Community Services District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the San Simeon Community Services District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Simeon Community Services District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Simeon Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the San Simeon Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Simeon Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the schedules of revenues, expenses, and changes in net position by function on pages 15 and 16 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues, expenses, and changes in net position by function is the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenses, and changes in net position by function are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December XX, 2022, on our consideration of the San Simeon Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the San Simeon Community Services District's 2021 financial statements, and our report dated November 16, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Santa Maria, California
December XX, 2022

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022
with Comparative Totals for June 30, 2021

	2022	2021
ASSETS		
Current Assets:		
Petty cash	\$ 150	\$ 150
Cash and investments	1,149,580	1,155,515
Accounts receivable	125,533	122,234
Total current assets	<u>1,275,263</u>	<u>1,277,899</u>
Capital Assets:		
Non-depreciable:		
Construction in progress	287,694	287,694
Depreciable:		
Sewer plant	1,797,238	1,797,238
Water plant	1,631,891	1,631,891
Building	279,580	279,580
Equipment	12,690	12,690
Land improvements	26,791	26,791
Less: Accumulated depreciation	<u>(1,629,770)</u>	<u>(1,539,919)</u>
Net capital assets	<u>2,406,114</u>	<u>2,495,965</u>
Total assets	<u>3,681,377</u>	<u>3,773,864</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	86,995	36,278
Customer deposits	102,599	88,799
Current portion of loan payable	9,049	8,804
Total current liabilities	<u>198,643</u>	<u>133,881</u>
Long-Term Liabilities		
Long-term portion of loan payable	<u>416,500</u>	<u>425,549</u>
Total long-term liabilities	<u>416,500</u>	<u>425,549</u>
Total Liabilities	<u>615,143</u>	<u>559,430</u>
NET POSITION		
Net investment in capital assets	1,980,565	2,061,612
Restricted for:		
USDA loan reserve	25,690	
Unrestricted:		
Board assigned for water capital improvements	198,978	155,505
Board assigned for wastewater capital improvements	199,048	155,785
Board assigned for general capital improvements	50,051	43,295
Board committed for operating reserves	340,000	250,000
Undesignated	<u>271,902</u>	<u>548,237</u>
Total net position	<u>\$ 3,066,234</u>	<u>\$ 3,214,434</u>

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2022
With Comparative Totals for the Fiscal Year Ended June 30, 2021

	2022	2021
Operating Revenues:		
Services-waste	\$ 482,109	\$ 471,529
Services-water	430,361	432,805
State of CA-Hearst Castle	30,665	25,430
Services-other	97,903	94,691
Late fees and adjustments	(1,059)	(27,990)
Total operating revenues	1,039,979	996,465
Operating Expenses:		
Accounting	14,115	5,775
Bank fees	78	1,033
Bookkeeping	16,740	15,720
Directors' fees	3,300	4,500
Payroll expenses	253	344
Dues and subscriptions	5,756	2,985
Road maintenance	4,550	29,800
Riprap engineering		4,273
Insurance-health	4,446	4,227
PERS Retirement	16,193	15,816
Insurance-liability	11,793	12,959
LAFCO budget allocation	3,140	2,637
Legal fees	266,733	117,212
Licenses and permits	21,397	19,784
Miscellaneous	3,627	6,590
Depreciation	89,851	93,492
Office expenses	316	958
Operations management	568,783	600,510
Repairs and maintenance allowance - GES contract	40,000	
Professional fees	187,405	108,636
Emergency stand by	20,000	10,000
Repairs	43,323	69,846
Utilities	80,539	82,332
Website	4,900	14,300
Weed abatement	2,625	2,175
Total operating expenses	1,409,863	1,225,904
Net operating income (loss)	(369,884)	(229,439)
Non-Operating Revenues (Expenses):		
Property taxes	91,086	90,912
Covid relief grant	135,531	
Interest expense	(11,886)	(12,123)
Interest income	415	7,472
Total non-operating revenues (expenses)	215,146	86,261
Capital Contributions:		
Grant income	6,538	
Total capital contributions	6,538	
Changes in net position	(148,200)	(143,178)
Net position - beginning of fiscal year	3,214,434	3,357,612
Net position - end of fiscal year	\$ 3,066,234	\$ 3,214,434

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2022
With Comparative Totals for the Fiscal Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 1,050,480	\$ 1,011,265
Payments to suppliers	(1,261,296)	(1,092,410)
Payments to employees	(7,999)	(9,071)
Net cash used by operating activities	<u>(218,815)</u>	<u>(90,216)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets		(80,857)
Capital grants	6,538	
Interest payments	(11,886)	(12,123)
Principal loan payments	(8,804)	(8,567)
Net cash used by capital and related financing activities	<u>(14,152)</u>	<u>(101,547)</u>
Cash Flows from Noncapital Financing Activities:		
Noncapital grants	135,531	
Property taxes	91,086	90,912
Net cash provided by noncapital and related financing activities	<u>226,617</u>	<u>90,912</u>
Cash Flows from Investing Activities:		
Investment income	415	7,472
Net cash provided by investing activities	<u>415</u>	<u>7,472</u>
Net decrease in cash and cash equivalents	(5,935)	(93,379)
Cash and cash equivalents, beginning of fiscal year	<u>1,155,665</u>	<u>1,249,044</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 1,149,730</u>	<u>\$ 1,155,665</u>
Reconciliation to Statement of Net Position		
Petty cash	\$ 150	\$ 150
Cash and investments	1,149,580	1,155,515
	<u>\$ 1,149,730</u>	<u>\$ 1,155,665</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (369,884)	\$ (229,439)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	89,851	93,492
Change in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	(3,299)	6,141
(Increase) decrease in prepaid expenses		12,959
Increase (decrease) in accounts payable	50,717	17,972
Increase (decrease) in customer deposits	13,800	8,659
Net cash used by operating activities	<u>\$ (218,815)</u>	<u>\$ (90,216)</u>

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SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - NATURE OF DISTRICT

San Simeon Community Services District (the "District") is a political subdivision of the State of California. The District administers the following community services as provided by its charter: water, sanitation, streets, lighting, weed abatement, and general and administrative services.

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

There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies - The accounting policies of the District conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).
- B. Basis of Accounting - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.
- C. Budget - Although a budget is adopted annually, it is used primarily as a guideline for the Board in regulating expenditures. There is no legal requirement to stay within the adopted budget in the payment or classification of expenditures.
- D. Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and in banks and short-term, highly liquid investments with a maturity of three months or less, which include money market funds, cash management pools in County Treasury and the state Local Agency Investment Fund (LAIF). Cash held in the county and state pooled funds is carried at cost, which approximates fair value. Interest earned is deposited quarterly into the participant's fund. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.
- E. Property, Plant and Equipment - Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation - Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-50 years) under the straight-line method of depreciation.
- G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable is shown at full value.
- H. Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.
- I. Customer Deposits - Customer deposits are recorded as a liability of the District. The District requires an advance deposit of \$50 for new customers.
- J. Net Position - GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. Net Position (Continued) - Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.
- K. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- L. Comparative Data/Total Only - Comparative total data for the prior fiscal year has been presented in certain accompanying financial statements in order to provide an understanding of the changes in the District's financial position, operations, and cash flows. Also, certain prior fiscal amounts may have been reclassified to conform to the current fiscal year financial statements presentation.
- M. Property Taxes - The County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid). The County remits tax monies to the District every month and twice a month in December and April. The final amount which is "teetered" is remitted in August each year.

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

M. Future Accounting Pronouncements

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

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 3 - CASH AND INVESTMENTS

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Investments are carried at fair value. On June 30, 2022, the District had the following cash and temporary investments on hand:

Deposits:	
Cash on hand	\$ 150
Cash in banks	58,794
	58,944
Investments:	
Money market	1,090,224
State of California Local Agency Investment Fund (LAIF)	562
	1,090,786
Total Cash and Investments	\$1,149,730

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

Petty cash	\$ 150
Cash and investments	1,149,580
Total cash and investments	\$1,149,730

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. There are no investments measured under Levels 1, 2, or 3.

Investments Authorized by the District's Investment Policy

The following table identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the District's Investment Policy (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Banker's Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	20%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
State Registered Warrants, Notes or Bonds	N/A	None	None
Notes and Bonds for other Local California Agencies	5 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Money market funds	\$ 1,090,224	\$ 1,090,224	\$ -	\$ -	\$ -
LAIF	562	562			
Total	<u>\$ 1,090,786</u>	<u>\$ 1,090,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Money market funds	\$1,090,224	N/A	\$ -	\$ -	\$ -	\$1,090,224
LAIF	562	N/A				562
Total	<u>\$1,090,786</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,090,786</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District's investments that are required to be reported.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal years ended June 30, 2022, and June 30, 2021, are shown below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Non-depreciable capital assets:				
Construction in progress	\$ 287,694	\$ -	\$ -	\$ 287,694
Total non-depreciable capital assets	<u>\$ 287,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,694</u>
Depreciable capital assets:				
Sewer plant	\$ 1,797,238	\$ -	\$ -	\$ 1,797,238
Water plant	1,631,891			1,631,891
Building	279,580			279,580
Land improvements	26,791			26,791
Equipment	12,690			12,690
	<u>3,748,190</u>			<u>3,748,190</u>
Accumulated depreciation	1,539,919	89,851		1,629,770
Total depreciable capital assets	<u>\$ 2,208,271</u>	<u>\$ (89,851)</u>	<u>\$ -</u>	<u>\$ 2,118,420</u>
Net capital assets	<u>\$ 2,495,965</u>	<u>\$ (89,851)</u>	<u>\$ -</u>	<u>\$ 2,406,114</u>

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Non-depreciable capital assets:				
Construction in progress	\$ 223,206	\$ 64,488	\$ -	\$ 287,694
Total non-depreciable capital assets	<u>\$ 223,206</u>	<u>\$ 64,488</u>	<u>\$ -</u>	<u>\$ 287,694</u>
Depreciable capital assets:				
Sewer plant	\$ 1,784,769	\$ 12,469	\$ -	\$ 1,797,238
Water plant	1,627,991	3,900		1,631,891
Building	279,580			279,580
Land improvements	26,791			26,791
Equipment	12,690			12,690
	<u>3,731,821</u>	<u>16,369</u>		<u>3,748,190</u>
Accumulated depreciation	1,446,427	93,492		1,539,919
Total depreciable capital assets	<u>\$ 2,285,394</u>	<u>\$ (77,123)</u>	<u>\$ -</u>	<u>\$ 2,208,271</u>
Net capital assets	<u>\$ 2,508,600</u>	<u>\$ (12,635)</u>	<u>\$ -</u>	<u>\$ 2,495,965</u>

Depreciation expense for the fiscal years ended June 30, 2022 and 2021 was \$89,851 and \$93,492, respectively.

NOTE 5 – CUSTOMER DEPOSITS

The liability for customer deposits consists of the following as of June 30, 2022 and 2021:

	2022	2021
Hook-up deposits	\$ 94,149	\$ 80,099
Customer meter deposits	8,450	8,700
	<u>\$ 102,599</u>	<u>\$ 88,799</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022

NOTE 5 – CUSTOMER DEPOSITS (Continued)

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

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

NOTE 6 – LOAN PAYABLE

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

Fiscal year Ended June 30,	Principal	Interest	Total
2023	\$ 9,049	\$ 11,641	\$ 20,690
2024	9,300	11,390	20,690
2025	9,557	11,133	20,690
2026	9,822	10,868	20,690
2027	10,094	10,596	20,690
2028-2032	54,820	48,630	103,450
2033-2037	62,842	40,608	103,450
2038-2042	72,037	31,413	103,450
2043-2047	82,578	20,872	103,450
2048-2052	94,662	8,788	103,450
2053	10,788	156	10,944
Total	<u>\$ 425,549</u>	<u>\$ 206,095</u>	<u>\$ 631,644</u>

NOTE 7 – LONG TERM LIABILITIES – SCHEDULE OF CHANGES

A schedule of changes in long-term liabilities for the fiscal years ended June 30, 2022 and June 30, 2021, are shown below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within one year
Loan payable (Direct Borrowing)	\$ 434,353	\$ -	\$ 8,804	\$ 425,549	\$ 9,049
Totals	<u>\$ 434,353</u>	<u>\$ -</u>	<u>\$ 8,804</u>	<u>\$ 425,549</u>	<u>\$ 9,049</u>
	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Loan payable (Direct Borrowing)	\$ 442,920	\$ -	\$ 8,567	\$ 434,353	\$ 8,804
Totals	<u>\$ 442,920</u>	<u>\$ -</u>	<u>\$ 8,567</u>	<u>\$ 434,353</u>	<u>\$ 8,804</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. Seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing programs listed below for the program period July 1, 2017 through June 30, 2018.

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

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

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

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

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

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

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

NOTE 9 – RELATED PARTY TRANSACTION

The District has an agreement with Grace Environmental Services to oversee the daily operations of the District with the President of Grace Environmental Services, Charles Grace, serving as the General Manager. San Simeon Community Services District paid \$689,322 for their services including \$568,783 for operations which includes staffing, \$80,539 for electricity, and \$40,000 for preventative maintenance during the 2021/22 fiscal year.

NOTE 10 – CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

Draft

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2022

	Sanitation Fund	Water Fund	General	Total
Operating Revenues:				
Utility sales	\$ 482,109	\$ 430,361	\$ -	\$ 912,470
Service charges			97,903	97,903
State of CA-Dept. of Parks and Recreation	30,665			30,665
Late fees and adjustments		(10,161)	9,102	(1,059)
	<u>512,774</u>	<u>420,200</u>	<u>107,005</u>	<u>1,039,979</u>
Operating Expenses:				
Accounting	4,705	4,705	4,705	14,115
Bank fees			78	78
Bookkeeping	5,580	5,580	5,580	16,740
Directors' fees	1,100	1,100	1,100	3,300
Payroll expenses	97	97	59	253
Dues and subscriptions	1,558	2,023	2,175	5,756
Road maintenance			4,550	4,550
Insurance-health	2,223	2,223		4,446
PERS Retirement	8,097	8,096		16,193
Insurance-liability	4,717	5,897	1,179	11,793
LAFCO budget allocation	785	785	1,570	3,140
Legal fees	52,634	161,465	52,634	266,733
Licenses and permits	18,362	3,035		21,397
Miscellaneous	206	154	3,267	3,627
Depreciation	41,462	43,668	4,721	89,851
Office expenses			316	316
Operations management	284,392	227,513	56,878	568,783
Repairs and maintenance allowance - GES contract	20,000	16,000	4,000	40,000
Professional fees	57,044	104,343	26,018	187,405
Emergency stand by		20,000		20,000
Repairs	14,544	17,728	11,051	43,323
Utilities	58,143	13,771	8,625	80,539
Website	1,633	1,633	1,634	4,900
Weed abatement			2,625	2,625
	<u>577,282</u>	<u>639,816</u>	<u>192,765</u>	<u>1,409,863</u>
Total operating expenses	<u>577,282</u>	<u>639,816</u>	<u>192,765</u>	<u>1,409,863</u>
Net operating income (loss)	<u>(64,508)</u>	<u>(219,616)</u>	<u>(85,760)</u>	<u>(369,884)</u>
Non-Operating Revenues (Expenses):				
Property taxes			91,086	91,086
Covid relief grant			135,531	135,531
Interest expense		(11,886)		(11,886)
Interest income			415	415
		<u>(11,886)</u>	<u>227,032</u>	<u>215,146</u>
Total non-operating revenues (expenses)		<u>(11,886)</u>	<u>227,032</u>	<u>215,146</u>
Capital Contributions				
Grant income	6,020	518		6,538
	<u>6,020</u>	<u>518</u>		<u>6,538</u>
Total capital contributions	<u>6,020</u>	<u>518</u>		<u>6,538</u>
Change in net position	<u>\$ (58,488)</u>	<u>\$ (230,984)</u>	<u>\$ 141,272</u>	<u>\$ (148,200)</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2021

	Sanitation Fund	Water Fund	General	Total
Operating Revenues:				
Utility sales	\$ 454,502	\$ 418,508	\$ 3,334	\$ 876,344
Service charges			94,691	94,691
State of CA-Dept. of Parks and Recreation	25,430			25,430
Total operating revenues	479,932	418,508	98,025	996,465
Operating Expenses:				
Accounting	1,925	1,925	1,925	5,775
Bank fees		1	1,032	1,033
Bookkeeping	5,240	5,240	5,240	15,720
Directors' fees	1,600	1,600	1,300	4,500
Payroll expenses	122	122	100	344
Dues and subscriptions	1,795	910	280	2,985
Road maintenance			29,800	29,800
Riprap engineering	4,273			4,273
Insurance-health			4,227	4,227
PERS Retirement			15,816	15,816
Insurance-liability	7,775	3,888	1,296	12,959
LAFCO budget allocation	659	659	1,319	2,637
Legal fees	37,447	53,615	26,150	117,212
Licenses and permits	15,600	3,884	300	19,784
Miscellaneous	36	2,561	3,993	6,590
Depreciation	43,263	43,473	6,756	93,492
Office expenses	409	458	91	958
Operations management	338,292	232,449	29,769	600,510
Professional fees	16,637	78,349	13,650	108,636
Emergency stand by		10,000		10,000
Repairs	33,116	29,741	6,989	69,846
Utilities	45,282	32,934	4,116	82,332
Website	4,767	4,767	4,766	14,300
Weed abatement			2,175	2,175
Total operating expenses	558,238	506,576	161,090	1,225,904
Net operating income (loss)	(78,306)	(88,068)	(63,065)	(229,439)
Non-Operating Revenues (Expenses):				
Property taxes			90,912	90,912
Interest expense		(12,123)		(12,123)
Interest income		4,732	2,740	7,472
Total non-operating revenues (expenses)		(7,391)	93,652	86,261
Change in net position	\$ (78,306)	\$ (95,459)	\$ 30,587	\$ (143,178)

