

SAN SIMEON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

SAN SIMEON COMMUNITY SERVICES DISTRICT
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INTRODUCTORY SECTION

Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Daniel Williams	Chairperson	2016
Alan Fields	Vice-Chairperson	2016
John Russell	Director	2018
Leroy Price	Director	2016
Ken Patel	Director	2018

FINANCIAL SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of San Simeon Community Services District (District) as of and for the fiscal year ended June 30, 2016, and the related notes to the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the San Simeon Community Services District, as of June 30, 2016, and the changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017, on our consideration of the San Simeon Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the District's basic financial statements as of and for the fiscal year ended June 30, 2015, and our report dated January 20, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Remy & Haulghain LLP

Santa Maria, California
February 28, 2017

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION-PROPRIETARY FUND
June 30, 2016
with Comparative Totals for June 30, 2015

	2016	2015
ASSETS		
Current Assets:		
Petty cash	\$ 150	\$ 150
Cash and investments	660,412	860,691
Restricted cash and investments	35	100
Accounts receivable	83,677	70,355
Prepaid expenses	47	156
Total current assets	<u>744,321</u>	<u>931,452</u>
Capital Assets:		
Non-depreciable:		
Construction in progress	922,452	31,254
Depreciable:		
Sewer plant	2,086,929	2,056,619
Water plant	1,140,431	1,140,431
Building	395,874	395,874
Equipment	316,748	316,748
Less: Accumulated depreciation	<u>(2,109,789)</u>	<u>(2,036,639)</u>
Net capital assets	<u>2,752,645</u>	<u>1,904,287</u>
Total assets	<u>3,496,966</u>	<u>2,835,739</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	171,740	337
Customer deposits	55,608	55,608
Long-Term Liabilities		
Current portion of loan payable	<u>7,483</u>	<u>7,281</u>
Total current liabilities	<u>234,831</u>	<u>63,226</u>
Long-Term Liabilities		
Loan payable	<u>469,170</u>	<u>476,653</u>
Total long-term liabilities	<u>469,170</u>	<u>476,653</u>
Total Liabilities	<u>704,001</u>	<u>539,879</u>
NET POSITION		
Net investment in capital assets	2,275,992	1,420,353
Restricted for:		
Capital projects	35	100
Debt service		21,000
Unrestricted	<u>516,938</u>	<u>854,407</u>
Total net position	<u>\$ 2,792,965</u>	<u>\$ 2,295,860</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, 2016

With Comparative Totals for the Fiscal Year Ended June 30, 2015

	2016	2015
Operating Revenues:		
Services-waste	\$ 395,248	\$ 370,212
Services-water	328,018	311,700
Meter charge-water		11,521
Effluent water	3,004	1,495
State of CA-Hearst Castle	31,107	23,495
Services-other	73,397	66,530
Late fees and adjustments	3,076	4,074
	<u>833,850</u>	<u>789,027</u>
Operating Expenses:		
Accounting	8,535	8,425
Bank fees	169	20
Bookkeeping	14,400	14,400
Directors' fees	5,800	5,500
Payroll Expenses	444	497
Dues and subscriptions	3,664	2,540
Election expense		250
Road maintenance	18,056	206
Riprap engineering	30,534	2,989
Insurance-health	10,991	8,262
Insurance-liability	6,967	6,967
LAFCO budget allocation	2,742	2,479
Legal fees	22,841	25,980
Legal fees-litigation	1,184	2,154
Licenses and permits	12,262	13,865
Miscellaneous	106	100
Memberships		153
Depreciation	73,150	79,800
Interest	13,409	13,605
Office expenses		1,421
Operations management	579,074	600,097
Professional fees	17,985	57,830
Pico project	4,907	
Emergency stand by	12,607	21,962
Repairs	13,220	20,818
Website	3,840	3,570
	<u>856,887</u>	<u>893,890</u>
Net operating gain (loss)	<u>(23,037)</u>	<u>(104,863)</u>
Non-Operating Revenues (Expenses):		
Property taxes	77,109	73,307
Interest income	2,266	1,687
	<u>79,375</u>	<u>74,994</u>
Capital and Financing Revenues		
Grant income	419,448	
	<u>419,448</u>	
Total capital and financing revenues (expenses)	<u>419,448</u>	
Changes in net position	<u>475,786</u>	<u>(29,869)</u>
Net position - beginning of fiscal year	2,295,860	2,325,729
Prior period adjustment	21,319	
Net position - beginning of fiscal year-restated	<u>2,317,179</u>	<u>2,325,729</u>
Net position - end of fiscal year	<u>\$ 2,792,965</u>	<u>\$ 2,295,860</u>

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 820,528	\$ 803,795
Payments to suppliers	(594,990)	(807,895)
Payments to employees	(17,235)	(13,762)
Net cash provided (used) by operating activities	<u>208,303</u>	<u>(17,862)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(900,189)	(67,312)
Grants	419,448	
Repayment of loan	(7,281)	(7,085)
Net cash provided (used) by capital and related financing activities	<u>(488,022)</u>	<u>(74,397)</u>
Cash Flows from Noncapital Financing Activities:		
Property taxes	77,109	74,721
Tax administration fee		(1,414)
Net cash provided (used) by noncapital and related financing activities	<u>77,109</u>	<u>73,307</u>
Cash Flows from Investing Activities:		
Investment income	2,266	1,687
Net cash provided (used) by investing activities	<u>2,266</u>	<u>1,687</u>
Net increase (decrease) in cash and cash equivalents	(200,344)	(17,265)
Cash and cash equivalents, beginning of fiscal year	860,941	878,206
Cash and cash equivalents, end of fiscal year	<u>\$ 660,597</u>	<u>\$ 860,941</u>
Reconciliation to Statement of Net Position		
Petty cash	\$ 150	\$ 150
Cash and investments	660,412	860,691
Restricted cash and investments	35	100
	<u>\$ 660,597</u>	<u>\$ 860,941</u>
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating loss	\$ (23,037)	\$ (104,863)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	73,150	79,800
Change in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	(13,322)	15,467
(Increase) decrease in prepaid expenses	109	6,967
Increase (decrease) in accounts payable	171,403	(17,013)
Increase (decrease) in customer deposits		1,780
Net cash provided (used) by operating activities	<u>\$ 208,303</u>	<u>\$ (17,862)</u>

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – NATURE OF DISTRICT

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. Net Position (Continued) - Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.
- K. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- L. Comparative Data/Total Only - Comparative total data for the prior fiscal year has been presented in certain accompanying financial statements in order to provide an understanding of the changes in the District's financial position, operations, and cash flows. Also, certain prior fiscal amounts have been reclassified to conform to the current fiscal year financial statements presentation.
- M. Future Accounting Pronouncements

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

Statement No. 74	"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provisions of this statement are effective for fiscal years beginning after July 15, 2016.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value. On June 30, 2016, the District had the following cash and temporary investments on hand:

Deposits:		
Cash on hand		\$ 150
Cash in banks		659,037
		<u>659,187</u>
Pooled Investment Funds:		
Cash and investments in San Luis Obispo County Treasurer		
County Treasurer		889
State of California Local Agency Investment Fund (LAIF)		521
		<u>1,410</u>
Total Cash and Investments		<u>\$ 660,597</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the San Luis Obispo County Investment Pool and the Local Agency Investment Fund (LAIF), however, these external pools are not measured under Level 1, 2, or 3.

Restricted cash

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

Investments Authorized by the District's Investment Policy

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

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

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
San Luis Obispo County					
Treasury	\$ 889	\$ 889	\$ -	\$ -	\$ -
LAIF	<u>521</u>	<u>521</u>			
Total	<u>\$ 1,410</u>	<u>\$ 1,410</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>
San Luis Obispo County						
Treasury	\$ 889	N/A	\$ -	\$ -	\$ -	\$ 889
LAIF	<u>521</u>	N/A				<u>521</u>
Total	<u>\$ 1,410</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,410</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

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.

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal years ended June 30, 2016, and June 30, 2015, are shown below:

	Balance July 1, 2015	Additions	Deletions	Prior Period Adjustments	Balance June 30, 2016
Non-depreciable capital assets:					
Construction in progress	\$ 31,254	\$ 891,198	\$ -	\$ -	\$ 922,452
Total non-depreciable capital assets	<u>\$ 31,254</u>	<u>\$ 891,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,452</u>
Depreciable capital assets:					
Sewer plant	\$ 2,056,619	\$ 8,991	\$ -	\$ 21,319	\$ 2,086,929
Water plant	1,140,431				1,140,431
Building	395,874				395,874
Equipment	316,748				316,748
	3,909,672	8,991		21,319	3,939,982
Accumulated depreciation	2,036,639	73,150			2,109,789
Total depreciable capital assets	<u>\$ 1,873,033</u>	<u>\$ (64,159)</u>	<u>\$ -</u>	<u>\$ 21,319</u>	<u>\$ 1,830,193</u>
Net capital assets	<u>\$ 1,904,287</u>	<u>\$ 827,039</u>	<u>\$ -</u>	<u>\$ 21,319</u>	<u>\$ 2,752,645</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 4 - SCHEDULE OF CAPITAL ASSETS (Continued)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable capital assets:				
Construction in progress	\$ 11,511	\$ 19,743	\$ -	\$ 31,254
Total non-depreciable capital assets	<u>\$ 11,511</u>	<u>\$ 19,743</u>	<u>\$ -</u>	<u>\$ 31,254</u>
Depreciable capital assets:				
Sewer plant	\$ 2,030,781	\$ 25,838	\$ -	\$ 2,056,619
Water plant	1,118,700	21,731		1,140,431
Building	395,874			395,874
Equipment	316,748			316,748
	<u>3,862,103</u>	<u>47,569</u>		<u>3,909,672</u>
Accumulated depreciation	1,956,839	79,800		2,036,639
Total depreciable capital assets	<u>\$ 1,905,264</u>	<u>\$ (32,231)</u>	<u>\$ -</u>	<u>\$ 1,873,033</u>
Net capital assets	<u>\$ 1,916,775</u>	<u>\$ (12,488)</u>	<u>\$ -</u>	<u>\$ 1,904,287</u>

Depreciation expense for the fiscal years ended June 30, 2016 and 2015 was \$73,150 and \$79,800, respectively. Additions to construction in progress for the year ended June 30, 2016 consisted of expenses related to the RO unit.

NOTE 5 – CUSTOMER DEPOSITS

The liability for customer deposits consists of the following as of June 30, 2016 and 2015:

	2016	2015
Hook-Up deposits	\$ 45,750	\$ 45,750
Customer meter deposits	<u>9,858</u>	<u>9,858</u>
	<u>\$ 55,608</u>	<u>\$ 55,608</u>

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

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

NOTE 6 – LOAN PAYABLE

On July 11, 2011, the District applied for a \$500,000 loan from the United States Department of Agriculture. The loan was approved, and the District began to draw on the loan during the 13/14 fiscal year. The District is required to make semi-yearly payments of \$10,345. Future minimum payments are as follows on the next page:

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 – LOAN PAYABLE (Continued)

Fiscal year Ended June 30,	Principal	Interest	Total
2017	\$ 7,483	\$ 13,207	\$ 20,690
2018	7,690	13,000	20,690
2019	7,902	12,788	20,690
2020	8,121	12,569	20,690
2021	8,347	12,343	20,690
2022-2026	45,329	58,121	103,450
2027-2031	51,963	51,487	103,450
2032-2036	59,564	43,886	103,450
2037-2041	68,281	35,169	103,450
2042-2046	78,273	25,177	103,450
2047-2051	89,726	13,724	103,450
2052-2053	43,974	9,314	53,288
Total	<u>\$ 476,653</u>	<u>\$ 300,785</u>	<u>\$ 777,438</u>

NOTE 7 – LONG TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2016, is shown below:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within one year
Loan payable	\$ 483,934	\$ -	\$ 7,281	\$ 476,653	\$ 7,483
Totals	<u>\$ 483,934</u>	<u>\$ -</u>	<u>\$ 7,281</u>	<u>\$ 476,653</u>	<u>\$ 7,483</u>

NOTE 8 – JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. Seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program period July 1, 2015 through June 30, 2016.

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.

NOTE 8 – JOINT POWERS AUTHORITY (Continued)

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

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

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

NOTE 9 – RELATED PARTY TRANSACTION

The District has an agreement with Grace Environmental Services to oversee the daily operations of the District. San Simeon Community Services District paid \$579,074 for their services during the 15/16 fiscal year.

NOTE 10 – CONTINGENCIES

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

NOTE 11 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$21,319 was made to add a generator which should have been an addition to capital assets in the 14/15 fiscal year.

SUPPLEMENTARY INFORMATION

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2016

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>General</u>	<u>Total</u>
Operating Revenues:				
Utility sales	\$ 395,248	\$ 328,018	\$ 3,076	\$ 726,342
Service charges		3,004	73,397	76,401
State of CA-Dept of Parks and Recreation	31,107			31,107
	<u>426,355</u>	<u>331,022</u>	<u>76,473</u>	<u>833,850</u>
Operating Expenses:				
Accounting	2,838	2,838	2,859	8,535
Bank fees		10	159	169
Bookkeeping	4,800	4,800	4,800	14,400
Directors' fees	1,944	2,232	1,624	5,800
Payroll expenses	148	148	148	444
Dues and subscriptions	650	381	2,633	3,664
Road maintenance			18,056	18,056
Riprap engineering	30,534			30,534
Insurance-Health			10,991	10,991
Insurance-Liability	697	3,832	2,438	6,967
LAFCO budget allocation	686	686	1,370	2,742
Legal fees	7,614	7,614	7,613	22,841
Legal fees-litigation	67	67	1,050	1,184
Licenses and permits	9,959	2,303		12,262
Miscellaenous			106	106
Depreciation	35,112	22,676	15,362	73,150
Interest expense			13,409	13,409
Operations management	364,457	185,663	28,954	579,074
Professional fees	11,682	4,303	2,000	17,985
Pico project			4,907	4,907
Emergency water stand-by		12,607		12,607
Repairs	13,220			13,220
Website			3,840	3,840
	<u>484,408</u>	<u>250,160</u>	<u>122,319</u>	<u>856,887</u>
Total operating expenses	<u>484,408</u>	<u>250,160</u>	<u>122,319</u>	<u>856,887</u>
Net operating gain (loss)	<u>(58,053)</u>	<u>80,862</u>	<u>(45,846)</u>	<u>(23,037)</u>
Non-Operating Revenues (Expenses):				
Property taxes			77,109	77,109
Interest income			2,266	2,266
			<u>79,375</u>	<u>79,375</u>
Total non-operating revenues (expenses)			<u>79,375</u>	<u>79,375</u>
Capital and Financing Revenues				
Grant income			419,448	419,448
			<u>419,448</u>	<u>419,448</u>
Total capital and financing revenues			<u>419,448</u>	<u>419,448</u>
Change in net position	<u>\$ (58,053)</u>	<u>\$ 80,862</u>	<u>\$ 452,977</u>	<u>\$ 475,786</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2015

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>General</u>	<u>Total</u>
Operating Revenues:				
Utility sales	\$ 370,212	\$ 311,700	\$ 4,074	\$ 685,986
Service charges	8,943	13,016	57,587	79,546
State of CA-Dept of Parks and Recreation	23,495			23,495
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	402,650	324,716	61,661	789,027
Operating Expenses:				
Accounting	2,758	2,739	2,928	8,425
Bank fees			20	20
Bookkeeping	5,000	4,820	4,580	14,400
Directors' fees	2,260	2,710	530	5,500
Payroll expenses	155	155	187	497
Dues and subscriptions	503	201	1,836	2,540
Election expense			250	250
Road maintenance			206	206
Riprap engineering	2,989			2,989
Insurance-Health			8,262	8,262
Insurance-Liability	4,180	2,090	697	6,967
LAFCO budget allocation	620	620	1,239	2,479
Legal fees	8,660	8,660	8,660	25,980
Legal fees-litigation	324	324	1,506	2,154
Licenses and permits	9,496	4,287	82	13,865
Miscellaneous	50	50		100
Memberships			153	153
Depreciation	38,304	24,738	16,758	79,800
Interest expense			13,605	13,605
Office expenses			1,421	1,421
Operations management	370,435	198,627	31,035	600,097
Professional fees	18,435	36,760	2,635	57,830
Emergency water stand-by		21,962		21,962
Repairs	20,612	206		20,818
Website			3,570	3,570
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	484,781	308,949	100,160	893,890
	<hr/>	<hr/>	<hr/>	<hr/>
Net operating gain (loss)	(82,131)	15,767	(38,499)	(104,863)
Non-Operating Revenues (Expenses):				
Property taxes			74,721	74,721
Interest income			1,687	1,687
Tax administration fee			(1,414)	(1,414)
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-operating revenues (expenses)			74,994	74,994
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net position	\$ (82,131)	\$ 15,767	\$ 36,495	\$ (29,869)