



November 16, 2021

Board of Directors
San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452

We have audited the basic financial statements of San Simeon Community Services District as of and for the fiscal year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 19, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Simeon Community Services District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of Capital Assets in Note 4 and Long-Term Liabilities in Note 7.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 16, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each fiscal year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Adjustments: We assisted the District staff with moving equipment expenditures to capital assets accounts since the equipment gives the District a long-term benefit. We also assisted District staff with adjusting ending accruals for payables to ensure that expenses were recorded in the proper fiscal period to match when they were actually earned or incurred.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of San Simeon Community Services District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Moss, Remy & Halverson LLP

Santa Maria, California



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the basic financial statements of San Simeon Community Services District, which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2021.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the District, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Simeon Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
November 16, 2021

SAN SIMEON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

June 30, 2021

SAN SIMEON COMMUNITY SERVICES DISTRICT
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June 30, 2021

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INTRODUCTORY SECTION

**SAN SIMEON COMMUNITY SERVICES DISTRICT
ORGANIZATION
June 30, 2021**

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
William Carson	Director	2024
Bill Maurer	Director	2022

FINANCIAL SECTION

INDEPENDENT AUDITOR'S 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, 2021, and the related notes to the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Simeon Community Services District, as of June 30, 2021, and the changes in financial position and cash flows 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 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 November 16, 2021, on our consideration of the San Simeon Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the District's basic financial statements as of and for the fiscal year ended June 30, 2020, and our report dated January 28, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Kelly & Halgren LLP

Santa Maria, California
November 16, 2021

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

June 30, 2021

with Comparative Totals for June 30, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Petty cash	\$ 150	\$ 150
Cash and investments	1,155,515	1,248,894
Accounts receivable	122,234	128,375
Prepaid expenses		12,959
Total current assets	<u>1,277,899</u>	<u>1,390,378</u>
Capital Assets:		
Non-depreciable:		
Construction in progress	287,694	223,206
Depreciable:		
Sewer plant	1,797,238	1,784,769
Water plant	1,631,891	1,627,991
Building	279,580	279,580
Equipment	12,690	12,690
Land improvements	26,791	26,791
Less: Accumulated depreciation	<u>(1,539,919)</u>	<u>(1,446,427)</u>
Net capital assets	<u>2,495,965</u>	<u>2,508,600</u>
Total assets	<u>3,773,864</u>	<u>3,898,978</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	36,278	18,306
Customer deposits	88,799	80,140
Long-Term Liabilities:		
Current portion of loan payable	<u>8,805</u>	<u>8,567</u>
Total current liabilities	<u>133,882</u>	<u>107,013</u>
Long-Term Liabilities		
Loan payable	<u>425,548</u>	<u>434,353</u>
Total long-term liabilities	<u>425,548</u>	<u>434,353</u>
Total Liabilities	<u>559,430</u>	<u>541,366</u>
NET POSITION		
Net investment in capital assets	2,061,612	2,065,680
Unrestricted:		
Board assigned for water capital improvements	155,505	55,655
Board assigned for wastewater capital improvements	155,785	55,341
Board assigned for general capital improvements	43,295	15,637
Board committed for operating reserves	250,000	250,000
Undesignated	<u>548,237</u>	<u>915,299</u>
Total net position	<u>\$ 3,214,434</u>	<u>\$ 3,357,612</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, 2021
With Comparative Totals for the Fiscal Year Ended June 30, 2020

	2021	2020
Operating Revenues:		
Services-waste	\$ 471,529	\$ 444,391
Services-water	432,805	396,043
State of CA-Hearst Castle	25,430	70,777
Services-other	94,691	88,422
Late fees and adjustments	(27,990)	2,514
	<u>996,465</u>	<u>1,002,147</u>
Operating Expenses:		
Accounting	5,775	9,775
Bank fees	1,033	166
Bookkeeping	15,720	14,560
Directors' fees	4,500	5,100
Payroll expenses	344	397
Dues and subscriptions	2,985	4,732
Road maintenance	29,800	
Riprap engineering	4,273	21,958
Insurance-health	4,227	4,285
PERS Retirement	15,816	13,199
Insurance-liability	12,959	10,163
LAFCO budget allocation	2,637	3,386
Legal fees	117,212	64,363
Licenses and permits	19,784	16,936
Miscellaneous	6,590	1,524
Depreciation	93,492	97,102
Office expenses	958	
Operations management	600,510	653,031
Professional fees	108,636	40,922
Emergency stand by	10,000	10,000
Repairs	69,846	34,280
Utilities	82,332	7,695
Website	14,300	13,700
Weed abatement	2,175	3,885
	<u>1,225,904</u>	<u>1,031,159</u>
Total operating expenses		
	<u>(229,439)</u>	<u>(29,012)</u>
Net operating income (loss)		
Non-Operating Revenues (Expenses):		
Property taxes	90,912	87,860
Interest expense	(12,123)	(12,354)
Interest income	7,472	21,979
	<u>86,261</u>	<u>97,485</u>
Total non-operating revenues (expenses)		
Capital Contributions:		
Grant income		178,482
		<u>178,482</u>
Total capital contributions		
Changes in net position	(143,178)	246,955
Net position - beginning of fiscal year	3,357,612	3,285,342
Prior-period adjustment		(174,685)
Net position - beginning of fiscal year, restated	<u>3,357,612</u>	<u>3,110,657</u>
Net position - end of fiscal year	<u>\$ 3,214,434</u>	<u>\$ 3,357,612</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, 2021
With Comparative Totals for the Fiscal Year Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 1,011,265	\$ 985,107
Payments to suppliers	(1,092,410)	(924,066)
Payments to employees	(9,071)	(9,782)
Net cash provided (used) by operating activities	<u>(90,216)</u>	<u>51,259</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(80,857)	(71,103)
Grants		178,482
Interest payments	(12,123)	(12,354)
Principal loan payments	(8,567)	(8,336)
Net cash provided (used) by capital and related financing activities	<u>(101,547)</u>	<u>86,689</u>
Cash Flows from Noncapital Financing Activities:		
Property taxes	90,912	87,860
Net cash provided by noncapital and related financing activities	<u>90,912</u>	<u>87,860</u>
Cash Flows from Investing Activities:		
Investment income	7,472	21,979
Net cash provided by investing activities	<u>7,472</u>	<u>21,979</u>
Net increase (decrease) in cash and cash equivalents	(93,379)	247,787
Cash and cash equivalents, beginning of fiscal year	1,249,044	1,001,257
Cash and cash equivalents, end of fiscal year	<u>\$ 1,155,665</u>	<u>\$ 1,249,044</u>
Reconciliation to Statement of Net Position		
Petty cash	\$ 150	\$ 150
Cash and investments	1,155,515	1,248,894
	<u>\$ 1,155,665</u>	<u>\$ 1,249,044</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (229,439)	\$ (29,012)
Adjustments to reconcile operating income (loss) to net cash provided (used)		
by operating activities:		
Depreciation	93,492	97,102
Change in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	6,141	(18,230)
(Increase) decrease in prepaid expenses	12,959	(2,796)
Increase (decrease) in accounts payable	17,972	3,005
Increase (decrease) in customer deposits	8,659	1,190
Net cash provided (used) by operating activities	<u>\$ (90,216)</u>	<u>\$ 51,259</u>

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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, and No. 80.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. Future Accounting Pronouncements

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

Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provision of this statement except for paragraphs 6-9 are effective for fiscal years beginning after December 15, 2019. Paragraph 6-9 is effective for fiscal years beginning after June 15, 2021.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value. On June 30, 2021, the District had the following cash and temporary investments on hand:

Deposits:	
Cash on hand	\$ 150
Cash in banks	<u>140,677</u>
	<u>140,827</u>
Investments:	
Money market	1,014,277
State of California Local Agency Investment Fund (LAIF)	<u>561</u>
	<u>1,014,838</u>
Total Cash and Investments	<u><u>\$1,155,665</u></u>

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

Petty cash	\$ 150
Cash and investments	<u>1,155,515</u>
Total cash and investments	<u><u>\$1,155,665</u></u>

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

Restricted cash

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

Investments Authorized by the District's Investment Policy

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

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

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Money market funds	\$ 1,014,277	\$ 1,014,277	\$ -	\$ -	\$ -
LAIF	561	561			
Total	\$ 1,014,838	\$ 1,014,838	\$ -	\$ -	\$ -

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	\$1,014,277	N/A	\$ -	\$ -	\$ -	\$1,014,277
LAIF	561	N/A				561
Total	\$1,014,838		\$ -	\$ -	\$ -	\$1,014,838

Concentration of Credit Risk

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

Custodial Credit Risk

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

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (continued)

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

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

Investment in State Investment Pool

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

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal years ended June 30, 2021, and June 30, 2020, are shown below and on the following page:

	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>-</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>

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - SCHEDULE OF CAPITAL ASSETS (Continued)

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

Depreciation expense for the fiscal years ended June 30, 2021 and 2020 was \$93,492 and \$97,102, respectively.

NOTE 5 – CUSTOMER DEPOSITS

The liability for customer deposits consists of the following as of June 30, 2021 and 2020:

	2021	2020
Hook-up deposits	\$ 80,099	\$ 70,890
Customer meter deposits	8,700	9,250
	<u>\$ 88,799</u>	<u>\$ 80,140</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-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:

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 6 – LOAN PAYABLE (Continued)

Fiscal year Ended June 30,	Principal	Interest	Total
2022	\$ 8,805	\$ 11,885	\$ 20,690
2023	9,049	11,641	20,690
2024	9,300	11,390	20,690
2025	9,557	11,133	20,690
2026	9,822	10,868	20,690
2027-2031	53,343	50,107	103,450
2032-2036	61,149	42,301	103,450
2037-2041	70,096	33,354	103,450
2042-2046	80,353	23,097	103,450
2047-2051	92,111	11,339	103,450
2052-2053	30,768	866	31,634
Total	<u>\$ 434,353</u>	<u>\$ 217,981</u>	<u>\$ 652,334</u>

NOTE 7 – LONG TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal years ended June 30, 2021 and June 30, 2020, are shown below:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Loan payable (Direct Borrowing)	\$ 442,920	\$ -	\$ 8,567	\$ 434,353	\$ 8,805
Totals	<u>\$ 442,920</u>	<u>\$ -</u>	<u>\$ 8,567</u>	<u>\$ 434,353</u>	<u>\$ 8,805</u>

	Balance July 1, 2019	Additions	Deletions	Prior-period Adjustment	Balance June 30, 2020	Due within one year
Loan payable (Direct Borrowing)	\$ 459,089	\$ -	\$ 8,336	\$ (7,833)	\$ 442,920	\$ 8,567
Totals	<u>\$ 459,089</u>	<u>\$ -</u>	<u>\$ 8,336</u>	<u>\$ (7,833)</u>	<u>\$ 442,920</u>	<u>\$ 8,567</u>

NOTE 8 – JOINT POWERS AUTHORITY

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

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

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

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

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – JOINT POWERS AUTHORITY (Continued)

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

The District also participated in the elective 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 \$692,964 for their services including \$560,510 for operations which includes staffing, \$82,332 for electricity, \$40,000 for preventative maintenance, and \$10,122 for additional consulting, maintenance, and repairs during the 2020/21 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

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

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>General</u>	<u>Total</u>
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
	<u>479,932</u>	<u>418,508</u>	<u>98,025</u>	<u>996,465</u>
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	7,342	42,744	43,406	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
	<u>522,317</u>	<u>505,847</u>	<u>197,740</u>	<u>1,225,904</u>
Total operating expenses	<u>522,317</u>	<u>505,847</u>	<u>197,740</u>	<u>1,225,904</u>
Net operating income (loss)	<u>(42,385)</u>	<u>(87,339)</u>	<u>(99,715)</u>	<u>(229,439)</u>
Non-Operating Revenues (Expenses):				
Property taxes			90,912	90,912
Interest expense		(12,123)		(12,123)
Interest income		4,732	2,740	7,472
		<u>(7,391)</u>	<u>93,652</u>	<u>86,261</u>
Total non-operating revenues (expenses)		<u>(7,391)</u>	<u>93,652</u>	<u>86,261</u>
Change in net position	<u>\$ (42,385)</u>	<u>\$ (94,730)</u>	<u>\$ (6,063)</u>	<u>\$ (143,178)</u>

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

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