

SUNSET BEACH SANITARY DISTRICT
BASIC FINANCIAL STATEMENTS
WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2020



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SUNSET BEACH SANITARY DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sunset Beach Sanitary District
Sunset Beach, California

We have audited the accompanying financial statements of the governmental activity and general fund of the Sunset Beach Sanitary District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's 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 opinions 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. 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 auditors' 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 auditors consider internal control relevant to the District'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 District'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 opinions.

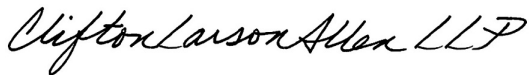
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and general fund of the District as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis information 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 opinions on the basic financial statements are not affected by this missing information.



CliftonLarsonAllen LLP

Irvine, California
August 4, 2021

SUNSET BEACH SANITARY DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
AND STATEMENT OF NET POSITION

June 30, 2020

	General Fund	Adjustments	Statement of Net Position
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 2,335,960	\$ -	\$ 2,335,960
Property taxes receivable	31,082	-	31,082
Sewer fees receivable	-	-	-
Interest receivable	7,338	-	7,338
Prepaid items	40,892	-	40,892
TOTAL CURRENT ASSETS	<u>2,415,272</u>	<u>-</u>	<u>2,415,272</u>
CAPITAL ASSETS			
Sewer transmission and treatment capacity rights	-	1,754,389	1,754,389
Construction in progress	-	200,691	200,691
Property, plant, and equipment, net of \$1,592,583 accumulated depreciation	-	1,841,731	1,841,731
TOTAL CAPITAL ASSETS	<u>-</u>	<u>3,796,811</u>	<u>3,796,811</u>
TOTAL ASSETS	<u>\$ 2,415,272</u>	<u>\$ 3,796,811</u>	<u>6,212,083</u>
LIABILITIES AND FUND BALANCE/NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 215,819	\$ -	\$ 215,819
Wages payable	3,506	-	3,506
Due to other governmental agencies	64	-	64
TOTAL CURRENT LIABILITIES	<u>219,389</u>	<u>-</u>	<u>219,389</u>
TOTAL LIABILITIES	<u>219,389</u>	<u>-</u>	<u>219,389</u>
FUND BALANCE/NET POSITION			
Fund balance			
Nonspendable:			
Prepaid items	40,892	(40,892)	
Committed:			
Emergency reserve	448,321	(448,321)	
Capital improvements - Broadway Siphon	1,269,600	(1,269,600)	
Unassigned	437,070	(437,070)	
TOTAL FUND BALANCE	<u>2,195,883</u>	<u>(2,195,883)</u>	
Net position			
Investment in capital assets		3,796,811	3,796,811
Unrestricted		2,195,883	2,195,883
TOTAL NET POSITION		<u>5,992,694</u>	<u>\$ 5,992,694</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,415,272</u>	<u>\$ 3,796,811</u>	

See accompanying notes to basic financial statements.

SUNSET BEACH SANITARY DISTRICT

GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	General Fund	Adjustments	Statement of Activities
EXPENDITURES / PROGRAM EXPENSES			
Sanitation services:			
Salaries and employee benefits	\$ 186,395	\$ -	\$ 186,395
Equipment and facilities, maintenance, and repair	173,449	-	173,449
Insurance	11,091	-	11,091
Memberships	14,649	-	14,649
Office expense	734	-	734
Professional and specialized services	62,952	-	62,952
Publication of legal notice	1,231	-	1,231
Refuse disposal	256,944	-	256,944
Rents and leases	12,516	-	12,516
Engineering and construction	185,971	(181,947)	4,024
Telephone	3,159	-	3,159
Transportation and travel	5,471	-	5,471
Utilities	192,510	-	192,510
Depreciation	-	154,276	154,276
TOTAL EXPENDITURES / PROGRAM EXPENSES	1,107,072	(27,671)	1,079,401
PROGRAM REVENUES			
Sanitation service fees	510,061	-	510,061
NET PROGRAM ACTIVITY	(597,011)	27,671	(569,340)
GENERAL REVENUES			
Property taxes	911,995	-	911,995
Penalties and costs	156	-	156
Sanitation permits	9,000	-	9,000
Interest earned	38,749	-	38,749
Other	5,425	-	5,425
TOTAL GENERAL REVENUES	965,325	-	965,325
CHANGE IN FUND BALANCE	368,314		
FUND BALANCE - JUNE 30, 2019	1,827,569		
FUND BALANCE - JUNE 30, 2020	\$ 2,195,883		
CHANGE IN NET POSITION		\$ 27,671	395,985
NET POSITION - JUNE 30, 2019			5,596,709
NET POSITION - JUNE 30, 2020			\$ 5,992,694

See accompanying notes to basic financial statements.

SUNSET BEACH SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Sanitation service fees	\$ 495,000	\$ 495,000	\$ 510,061	\$ 15,061
Property taxes	878,000	878,000	911,995	33,995
Penalties and costs	-	-	156	156
Sanitation permits	20,000	20,000	9,000	(11,000)
Interest earned	20,000	20,000	38,749	18,749
Other	5,000	5,000	5,425	425
TOTAL REVENUES	<u>1,418,000</u>	<u>1,418,000</u>	<u>1,475,386</u>	<u>57,386</u>
EXPENDITURES				
Sanitation services:				
Salaries and employee benefits	203,500	203,500	186,395	17,105
Equipment and facilities, maintenance, and repair	304,000	304,000	173,449	130,551
Insurance	12,000	12,000	11,091	909
Miscellaneous	15,600	15,600	14,649	951
Office expense	1,000	1,000	734	266
Professional and specialized services	69,900	69,900	62,952	6,948
Publication of legal notice	1,500	1,500	1,231	269
Refuse disposal	257,500	257,500	256,944	556
Rents and leases	13,000	13,000	12,516	484
Telephone	4,200	4,200	3,159	1,041
Transportation and travel	6,300	6,300	5,471	829
Utilities	287,635	287,635	192,510	95,125
Capital outlay - engineering and construction	555,000	555,000	185,971	369,029
TOTAL EXPENDITURES	<u>1,731,135</u>	<u>1,731,135</u>	<u>1,107,072</u>	<u>624,063</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(313,135)	(313,135)	368,314	681,449
FUND BALANCE - JUNE 30, 2019				
	<u>1,827,569</u>	<u>1,827,569</u>	<u>1,827,569</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2020				
	<u>\$ 1,514,434</u>	<u>\$ 1,514,434</u>	<u>\$ 2,195,883</u>	<u>\$ 681,449</u>

See accompanying notes to basic financial statements.

SUNSET BEACH SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Sunset Beach Sanitary District (the District) was organized in 1930 to operate a sewer system serving the residents of Sunset Beach within the City of Huntington Beach, Surfside Colony within the City of Seal Beach, and certain lots within the City of Huntington Beach. At June 30, 2020, the District served 982 residential sewage units, 336.5 commercial sewage units, 12 sewer cleaning units (restaurants), and 1,010 trash units.

B. Financial Statement Presentation

Local government entities are required to report information on a government-wide basis and on a fund basis (with emphasis placed on major funds of the entity). The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. The governmental fund financial statements (i.e., balance sheet and the statement of revenues, expenditures, and changes in fund balance) report information on individual funds of the government. A fund is considered to be a separate accounting entity with a self-balancing set of accounts.

Since the District is engaged in a single governmental activity and has no component units or fiduciary activities, the government-wide and governmental fund financial statements have been combined with a reconciliation of the individual line items in a separate column titled "Adjustments" on the financial statements, which accounts for the differences in measurement focus and basis of accounting of these financial statements as described in Notes 1C and 1D. The amounts reported in the "Adjustments" column pertain to the balances and activity of the District's long-term assets and liabilities. The government-wide financial statements are reported in the "Statement of Net Position" and "Statement of Activities" columns. The governmental fund financial statements are reported in the "General Fund" column.

C. Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

On the government-wide statement of net position and the statement of activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long term) economic resources and obligations of the government are reported.

SUNSET BEACH SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus (Continued)

In the governmental fund financial statements, all funds are accounted for on the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Amounts expended to acquire capital assets are recorded as expenditures in the year that the resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

D. Basis of Accounting

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the governmental fund financial statements, funds are presented using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. The District considers fees for sanitation services, property taxes, and investment income to be available if collected within 60 days of the end of the current fiscal period.

Fees for sanitation services, property taxes, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

SUNSET BEACH SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. New Accounting Pronouncements

Current Year Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The District implemented Statement No. 95 and postponed the implementation of the provisions in Statements and Implementation Guides that were previously required to be implemented for fiscal year 2019-2020.

In June 2020, GASB issued 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. Paragraph 4 of this Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

Paragraph 5 of this Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements of these paragraphs did not impact the District.

SUNSET BEACH SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments

Investments are reported at the fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

G. Capital Assets

The capital assets of the District are composed of capacity rights purchased by the District in sewage treatment and transmission facilities owned by others, as well as capital assets owned by the District. Capacity rights are carried at cost with no provision for amortization.

Other capital assets owned by the District, which include sewer improvements, pump stations, and equipment, are carried at cost, net of accumulated depreciation. Capital assets are depreciated using the straight-line method, and the estimated useful lives of the related assets used for depreciation are as follows:

Sewer improvements and pump stations	10 - 30 years
Equipment	7 - 10 years

The District's policy is to capitalize assets purchased with an economic useful life of more than one year and a cost of more than \$1,000.

H. Sanitation Services Revenue

Sanitation services revenue results from residential and business refuse disposal secured assessments, which are collected from the District's population by additions to the annual property tax statements.

I. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1 and become delinquent on December 11 and April 11. The County of Orange (County) bills and collects the property taxes and remits them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

J. Lease

The District accounts for its leased storage space under the operating method of accounting; thus, lease payments are expensed as incurred.

SUNSET BEACH SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Position

In the statement of net position, net position is classified in the following categories:

Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation on these assets and related long-term debt used to acquire the assets reduce this category.

Unrestricted Net Position - This category represents the net position of the District that is not restricted for any project or other purpose.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

L. Fund Balance

The fund balance reported in the governmental fund balance sheet is classified in the following categories:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Board of Directors. These commitments may be changed or lifted but only by the same formal action, a resolution, that was used to impose the constraint originally.

Unassigned Fund Balance - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District's policy is to apply the restricted fund balance first.

SUNSET BEACH SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance (Continued)

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balances are available, the District's policy is to apply the committed fund balance first, then the assigned fund balance, and finally the unassigned fund balance.

M. Budget

The Board of Directors adopts an annual budget that begins on July 1. Annual appropriations are approved by the Board of Directors prior to the beginning of each year. All appropriations lapse at year-end. The Board of Directors has the legal authority to amend the budget at any time during the fiscal year. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the expenditure line item level.

N. Estimates

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities/and disclosures of contingent assets and liabilities at the date of the basic financial statements, as well as the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and Investments

Cash and investments of \$2,335,960 consist of \$189,566 in federally insured demand accounts, \$448,321 invested in California Local Agency Investment Fund (LAIF), and \$1,698,073 maintained by the County as part of the County's pooled cash and investments.

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized by the District's investment policy. 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 Investment Fund	N/A	None	None
Orange County Pooled Investment Fund	N/A	None	None
N/A - Not Applicable			

2. 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 investing in the Orange County Pooled Investment Fund (OCPIF) and LAIF. Funds invested in the OCPIF and LAIF are highly liquid, as deposits and withdrawals can be made at any time without penalty.

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 a rating by a nationally recognized statistical rating organization. The District's investments in the OCPIF and LAIF are not rated.

The District has no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer), the District 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 deposits or investments, 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 market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department.

2. CASH AND INVESTMENTS (CONTINUED)

Investment in Orange County Pooled Investment Fund

The District is a voluntary participant in the (OCPIF) which is a pooled investment fund program governed by the Orange County Board of Supervisors and is administered by the Orange County Treasurer and Tax Collector. Investments in OCPIF are highly liquid, as deposits and withdrawal can be made at any time without penalty. The District's fair value of its share in the pool is the same value of the pool shares. Information on OCPIF's use of derivative securities in its investment portfolio and OCPIF's and the District's exposure to credit, market, or legal risk are not available.

Investment in Local Agency Investment Fund

The District is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 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 financial statements at 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.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices in active markets for similar assets, and Level 3 inputs are significant unobservable inputs.

The District's investments consist of OCPIF and LAIF, which are investments not subject to the fair value hierarchy disclosure.

3. SEWER TRANSMISSION AND TREATMENT CAPACITY RIGHTS

The District purchased capacity rights in facilities for transmission and treatment of District wastewater and sewage from the City of Huntington Beach on December 23, 1970, at a cost of \$158,812; on July 29, 1986, at a cost of \$327,500; on July 17, 2006, at a cost of \$800,000; and on June 11, 2015, at a cost of \$468,077. The City of Huntington Beach has contracted with Sanitation District No. 11 of the County to provide treatment and disposal facilities for the processing of wastewater and sewage from the District's area.

The District owns certain transmission lines and pumps that are in use but are fully depreciated since they were acquired prior to 1940. No cost or book values for these assets are shown in the accompanying financial statements.

SUNSET BEACH SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets, not being depreciated:				
Capacity rights	\$ 1,754,389	\$ -	\$ -	\$ 1,754,389
Construction in progress	<u>57,297</u>	<u>143,394</u>	<u>-</u>	<u>200,691</u>
Total capital assets, not being depreciated	<u>1,811,686</u>	<u>143,394</u>	<u>-</u>	<u>1,955,080</u>
Capital assets, being depreciated:				
Sewer improvements and pump stations	3,034,216	9,300	-	3,043,516
Equipment	<u>361,545</u>	<u>29,253</u>	<u>-</u>	<u>390,798</u>
Total capital assets being depreciated	3,395,761	38,553	-	3,434,314
Less accumulated depreciation for				
Sewer improvements and pump stations	(1,154,470)	(115,328)	-	(1,269,798)
Equipment	<u>(283,837)</u>	<u>(38,948)</u>	<u>-</u>	<u>(322,785)</u>
Total accumulated depreciation	<u>(1,438,307)</u>	<u>(154,276)</u>	<u>-</u>	<u>(1,592,583)</u>
Total capital assets being depreciated, net	<u>1,957,454</u>	<u>(115,723)</u>	<u>-</u>	<u>1,841,731</u>
Capital assets, net	<u>\$ 3,769,140</u>	<u>\$ 27,671</u>	<u>\$ -</u>	<u>\$ 3,796,811</u>

5. MINIMUM LEASE PAYMENTS

The District leases a storage facility under a three-year noncancelable operating lease agreement. The lease requires monthly payments of \$981 through May 31, 2020, \$1,082 from June 1, 2020 through May 31, 2021, \$1,050 from June 1, 2021 through May 31, 2022, \$1,103 from June 1, 2022 through May 31, 2023, and \$1,158 from June 1, 2023 through May 31, 2024. Total lease expenditures for the period ended June 30, 2020, is \$11,772. The following is a schedule by fiscal year of future minimum rental payments required under the operating lease agreements:

Year Ending June 30,	Amount
2021	\$ 12,883
2022	12,632
2023	13,183
2024	<u>13,841</u>
Total	<u>\$ 52,539</u>

6. JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (Authority).

A. Description of Special District Risk Management Authority

The Authority is an intergovernmental risk-sharing joint powers authority created under the provisions of California Government Code Sections 6500 et seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

B. Self-Insurance Programs of the Authority

At June 30, 2020, the District participated in the self-insurance programs of the Authority as follows:

Property and Mobile Equipment Loss: Insured up to replacement cost for scheduled property; \$1,000,000,000 per occurrence, subject to a \$1,000 deductible.

Boiler and Machinery Coverage: Insured up to replacement cost for scheduled property; \$100,000,000 per occurrence, subject to a \$1,000 deductible.

Pollution Coverage: Insured up to replacement cost for scheduled property; \$2,000,000 per occurrence, subject to a \$1,000 deductible.

Cyber Coverage: Insured up to \$2,000,000 per occurrence, subject to a \$25,000 deductible per occurrence.

General and Auto Liability: Insured up to \$5,000,000 per occurrence, subject to a \$500 deductible for general liability claims and \$1,000 deductible for auto liability claims.

Public Officials' and Employees' Errors and Omissions and Employment Practices Liability: Insured up to \$5,000,000 per wrongful act with an annual member aggregate. The District is responsible for 50% of the amount in excess of \$10,000 and less than \$50,000. However, if certain criteria is met, this obligation will be waived.

Public Officials' Personal Liability: Insured up to \$500,000 per occurrence with an annual aggregate per board member, subject to a \$1,000 deductible.

Employee Dishonesty Coverage: Insured up to \$1,000,000 per occurrence. Includes public employee dishonesty, forgery, or alteration and theft, and disappearance and destruction coverages.

SUNSET BEACH SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

6. JOINT POWERS AUTHORITY (CONTINUED)

B. Self-Insurance Programs of the Authority (Continued)

Workers' Compensation Coverage and Employer's Liability Coverage: Insured up to California statutory limits for all work-related injuries/illnesses covered by California law and up to \$5,000,000 for employer's liability coverage, subject to terms, conditions, and exclusions as provided in the Memorandum of Coverage.

During the past three years, the above programs have had no settlements that exceed insurance coverage and there have been no significant reductions in insurance coverage.

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