



November 28, 2022

TO: Finance Advisory Committee

FROM: Ron Munds, General Manager
Adrienne Geidel, District Bookkeeper

SUBJECT: Agenda Item 3 – 11/28/2022 FAC Meeting
Receive and File the District's Draft Fiscal Year 2021-2022
Financial Audit

President
Matthew D. Fourcroy

Vice President
Charles L. Cesena

Directors
Troy C. Gatchell
Marshall E. Ochylski
Christine M. Womack

General Manager
Ron Munds

District Accountant
Robert Stilts, CPA

Unit Chief
John Owens

Battalion Chief
Paul Provence

Mailing Address:
P.O. Box 6064
Los Osos, CA 93412

Offices:
2122 9th Street, Suite 110
Los Osos, CA 93402

Phone: 805/528-9370
FAX: 805/528-9377

www.losososcsl.org

DESCRIPTION

Review of the District's fiscal year 2021-2022 financial audit.

SUMMARY OF STAFF RECOMMENDATION

Staff recommends that the FAC adopt the following motion:

Motion: I recommend to the Board that the Board receive and file the fiscal year 2021-2022 financial audit as presented.

DISCUSSION

The firm Fetcher & Company was contracted to perform the District's fiscal year 2021-2022 financial audit. District staff facilitated the audit by providing all requested records and reports, as well as, being available for direct interviews by the audit team. The resulting state of compliance of Fetcher & Company is as follows (excerpt from the Auditor Report pages 61-62):

As part of obtaining reasonable assurance about whether the Los Osos Community Services District's financial statements are free from 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.

Additionally, the auditors did not identify any deficiencies in internal controls that they consider to be material weaknesses and there were no audit findings or issues in need of correction associated with the 2021-2022 audit.

Key Points from 2021-22

The following are the highlights from fiscal year 2021-22:

- The district's financial position strengthened during the 2021/2022 fiscal year as we anticipate large upcoming projects. Looking at Table B on page 8, you'll see the Ending Net Position increased by over \$1.8 million. Factors contributing to this change in Net Position include almost \$300,000 in increased grant revenue (mainly

for Prog C and 8th St Well) and an overall decrease in expenses by \$200,000, primarily consisting of reduced Fire Schedule A expenditures.

- Property tax revenues performed as expected with water sales slightly lower.
- Fire and Water reserves increased by \$188,730 and \$57,000 respectively, Drainage and Parks had no change.
- In April of 2022, the district assumed responsibility for the operation of Solid Waste and added fund 650 – categorized as a franchise asset with debt just under \$1.2 million due over 10 years, interest free. See the proprietary statements pages 18-21 and the note on page 41 for more details.
- The District also began investing Wastewater Assessment funds in US Treasuries during the fiscal year and at year-end had about \$1.5 million invested and another \$400,000 in cash with US Bank, the same bank we were already using for these funds. See pages 35-36 for more details.
- The District should be able to maintain a positive trend with the implementation of timely financial reporting, extensive mid-year reviews and adjustments, and continual monitoring of all funds activities. Completing these processes will help ensure that the District has no going concerns or problems.

FINANCIAL IMPACT

There are no fiscal impacts directly associated with the recommended action. A copy of the complete audit can be found on the District's website at www.lososocsd.org or by contacting the District's office at 805-528-9370.

Attachment

Fechter & Company Independent Auditor's Report
2021/2022 Final Draft Audit

**LOS OSOS
COMMUNITY SERVICES DISTRICT**

**Annual Financial Report
and
Supplementary Information
with
Independent Auditor's Report Thereon**

**For the Fiscal Year Ended
June 30, 2022**

Draft 11-21-22

**LOS OSOS COMMUNITY SERVICES DISTRICT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor’s Report.....	1-3
Management’s Discussion and Analysis.....	4-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20-21
Statement of Fiduciary Assets and Liabilities	22
Notes to Basic Financial Statements	23-53
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	54
Budgetary Comparison Schedule – Fire Fund.....	55
Schedule of Proportionate Share of Net Pension Liability	56
Schedule of Pension Contributions.....	57
Schedule of Changes in Net OPEB Liability.....	58
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds:	
Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	60
OTHER REPORT	
Independent Auditor’s 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	61-62

FINANCIAL SECTION

Draft 11-21-22

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Los Osos Community Services District
Los Osos, California

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Osos Community Services District (District), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 54 and 55, the schedule of proportionate share of net pension liability on page 56, the schedule of pension contributions on page 57, and the schedule of changes in the OPEB liability and related ratios on page 58, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance

Board of Directors
Los Osos Community Services District
Los Osos, California

with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Osos Community Services District's basic financial statements. The combining nonmajor funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor funds financial statements are the responsibility of management and were derived from and relate 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 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 combining nonmajor funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **November xx, 2022**, on our consideration of the Los Osos 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.

Fechter & Company
Certified Public Accountants

Sacramento, California
November xx, 2022

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
June 30, 2022

BACKGROUND

The Los Osos Community Services District (the District), a political subdivision of the State of California, was formed on January 1, 1999, pursuant to Ballot Measure K-98 to provide services previously provided by the County of San Luis Obispo (County) in specific benefit zones of what was formerly County Service Area 9. The District operates pursuant to Section 61000 of the California Government Code, currently authorized to provide Water, Solid Waste, Fire Protection, Drainage, Street Lighting, and Parks and Recreation Services. The District is governed by a five-member Board of Directors with an operations staff headed by a general manager.

As management of the Los Osos Community Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2022.

We encourage readers to consider the information presented here in conjunction with additional information that we furnish in our letter of transmittal and the District's financial statements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The basic financial statements include four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements for non-major governmental funds. The government-wide statements consist of the Statement of Net Position and the Statement of Activities.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused employee vacation balances).

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2022

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the District include fire protection, parks and recreation, drainage, general government and street lighting. The business-type activities of the District include water and solid waste services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are in two categories, namely, governmental and proprietary.

In a few instances where trust accounts are held, trust liability accounts are used in the related fund instead of being held in a separate fiduciary category of funds. The wastewater assessment district fund is treated as a fiduciary category fund for the accounting of the on-going wastewater assessments.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. For the purposes of government funds there are currently no long-term debt obligations.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds organized according to their type: general and special revenue. The District does not currently have debt service or capital projects type funds in the governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund with all other funds presented into an aggregate column. Due to their small size relative to the fire and general funds, individual fund data for each of

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2022

the non-major governmental funds (Bayridge, Vista de Oro, Drainage, and Parks and Recreation) is provided in the form of combining statements found in the other supplementary information section of this report.

A budgetary comparison statement has been provided for the General Fund and the Fire Fund to demonstrate compliance with budgetary laws of the State of California and policies and ordinances approved by the District's Board of Directors. This statement is shown under the required supplementary section of this report. Individual budgetary data for each of the non-major governmental funds (Bayridge, Vista de Oro, Drainage, and Parks and Recreation) is not presented.

Proprietary Funds

There are two types of funds classified as proprietary, namely, enterprise and internal service funds. The District only maintains the enterprise type of proprietary funds. The District currently uses three enterprise funds to account for its water, wastewater, and solid waste activities. These three enterprise funds are presented in individual columns in the fund financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Wastewater operations were eliminated upon the completion of and the implementation the Second Amended Plan for Adjustment of Debts for the Los Osos Community Services District as further amended by non-material modifications as ordered by the Bankruptcy Court effective October 15, 2013. Effective June 30, 2014, the District transferred the remaining activity of the Wastewater Fund to a Wastewater Fiduciary Fund for the reporting of the remainder of the bond payments being collected through the San Luis Obispo County Tax Rolls. Effective April 1, 2022, County of San Luis Obispo transferred the Mission Country Disposal solid waste franchise agreement to the District. Therefore, a new proprietary fund was added to the 2021-2022 financial statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The statements are followed by a section of required supplementary information (RSI) that further explains and supports the information in the financial statements. Comparison of Budget to Actual for major governmental funds is shown under this caption.

Other Supplementary Information

Other supplementary information presents data that, although not required, is necessary to provide the reader of the basic financial statements more details to promote understanding of the statements as a whole. The combining statements for the non-major governmental funds are presented here.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
June 30, 2022

**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

**TABLE A
Statements of Net Position
June 30, 2022**

	June 30, 2022			June 30, 2021			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Assets:								
Current and other assets	\$ 3,946,423	\$ 6,611,519	\$ 10,557,942	\$ 3,814,079	\$ 5,017,428	\$ 8,831,507	\$ 1,726,435	19.5%
Capital assets	1,640,323	6,578,902	8,219,225	1,061,904	6,102,067	7,163,971	1,055,254	14.7%
Total assets	5,586,746	13,190,421	18,777,167	4,875,983	11,119,495	15,995,478	2,781,689	17.4%
Deferred outflows of resources	171,521	276,118	447,639	162,808	249,288	412,096	35,543	8.6%
Liabilities:								
Current liabilities	60,929	580,329	641,258	120,205	344,097	464,302	176,956	38.1%
Long-Term liabilities	371,220	4,488,435	4,859,655	659,159	4,030,324	4,689,483	170,172	3.6%
Total liabilities	432,149	5,068,764	5,500,913	779,364	4,374,421	5,153,785	347,128	6.7%
Deferred inflows of resources	284,661	466,262	750,923	45,919	78,736	124,655	626,268	502.4%
Net Position:								
Invested in capital assets, net of related debt	1,640,323	3,736,790	5,377,113	1,061,904	3,083,912	4,145,816	1,231,297	29.7%
Restricted	3,660,839	-	3,660,839	3,513,926	-	3,513,926	146,913	4.2%
Unrestricted	(259,705)	4,194,723	3,935,018	(362,322)	3,831,714	3,469,392	465,626	13.4%
Total net position	\$ 5,041,457	\$ 7,931,513	\$ 12,972,970	\$ 4,213,508	\$ 6,915,626	\$ 11,129,134	\$ 1,843,836	16.6%

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2022

TABLE B
Statements of Activities
June 30, 2022

	June 30, 2022			June 30, 2021			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Revenues								
Program revenues:								
Charges for services	\$ 107,426	\$ 2,937,427	\$ 3,044,853	\$ 109,131	\$ 2,973,708	\$ 3,082,839	\$ (37,986)	-1.2%
Operating grants and contributions	19,301	293,425	312,726	14,915	-	14,915	297,811	1996.7%
General revenues								
Property taxes	2,582,680	117,546	2,700,226	2,496,507	100,788	2,597,295	102,931	4.0%
Other taxes	731,911	-	731,911	721,588	-	721,588	10,323	1.4%
Investment income	3,667	6,596	10,263	10,606	12,939	23,545	(13,282)	-56.4%
Gain on sale of assets	8,000	-	8,000	5,000	2,000	7,000	1,000	100.0%
Other revenues	96	4,278	4,374	627	10,337	10,964	(6,590)	-60.1%
Total revenues	3,453,081	3,359,272	6,812,353	3,358,374	3,099,772	6,458,146	354,207	5.5%
Expenses								
General government	613,906	-	613,906	524,938	-	524,938	88,968	16.9%
Public safety	2,531,893	-	2,531,893	2,898,214	-	2,898,214	(366,321)	-12.6%
Health and sanitation	50,471	-	50,471	43,108	-	43,108	7,363	17.1%
Street lighting/ septic system maintenance	9,094	-	9,094	8,199	-	8,199	895	10.9%
Parks and recreation	4,851	-	4,851	213	-	213	4,638	2177.5%
Water	-	1,711,132	1,711,132	-	1,795,996	1,795,996	(84,864)	-4.7%
Wastewater treatment	-	15,618	15,618	-	16,190	16,190	(572)	-3.5%
Solid waste	-	31,552	31,552	-	-	-	31,552	-
Total expenses	3,210,215	1,758,302	4,968,517	3,474,672	1,812,186	5,286,858	(318,341)	-6.0%
Increase (decrease) in net position before transfers	242,866	1,600,970	1,843,836	(116,298)	1,287,586	1,171,288	672,548	57.4%
Transfers	585,083	(585,083)	-	571,873	(571,873)	-	-	0.0%
Change in net position	827,949	1,015,887	1,843,836	455,575	715,713	1,171,288	672,548	57.4%
Beginning net position	4,213,508	6,915,626	11,129,134	3,757,933	6,199,913	9,957,846	1,171,288	11.8%
Ending net position	\$ 5,041,457	\$ 7,931,513	\$ 12,972,970	\$ 4,213,508	\$ 6,915,626	\$ 11,129,134	\$ 1,843,836	16.6%

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2022

Analysis of Overall Financial Position and Results of Operations

Statement of Net Position

At the end of fiscal year June 30, 2022, the District is able to report positive balances in both the District as a whole as well as for its separate governmental and business-type activities.

The total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$12,972,970.

The District's net position reflects its investments in capital assets, less any related debt that is still outstanding from what was used to acquire those assets. Although the District's investment in its Capital Assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources. This debt must be provided from other sources since the Capital Assets themselves cannot be used to liquidate the liabilities.

The District should be able to maintain a positive trend with the implementation of timely financial reporting, extensive mid-year reviews and adjustments, and continual monitoring of all funds activities. Completing these processes will help ensure that the District has no going concerns or problems.

Statement of Activities

Overall, the results of operations as shown in the Statement of Activities has an increase in Net Position of \$1,843,836. Total revenues increased over the prior year by \$354,207. Water service fees decreased by \$82,585, grant revenue increased by \$297,811, and property tax revenue increased by \$102,931. This continuing increase in property tax revenue received is in agreement with the trend in the rest of the County.

Overall expenses in Governmental Activities decreased by \$264,457. Total expenses in Business-Type Activities decreased by \$53,884.

Investment Income decreased by \$13,282 over Fiscal Year 2021-2022 because of declining interest rates during the fiscal year.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2022

TABLE C Capital Assets June 30, 2022

	June 30, 2022			June 30, 2021			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Non-Depreciable Assets								
Land and land rights	\$ 57,375	\$ 498,429	\$ 555,804	\$ 57,375	\$ 498,429	\$ 555,804	\$ -	0.0%
Construction in progress	7,543	1,147,660	1,155,203	53,137	410,522	463,659	691,544	149.1%
Depreciable Assets								
Buildings, structures, and improvements	598,871	268,178	867,049	598,871	268,178	867,049	-	0.0%
Infrastructure	378,519	10,091,860	10,470,379	402,519	10,091,860	10,494,379	(24,000)	-0.2%
Equipment and vehicles	2,047,604	587,092	2,634,696	1,300,911	553,406	1,854,317	780,379	42.1%
Total cost	3,089,912	12,593,219	15,683,131	2,412,813	11,822,395	14,235,208	1,447,923	10.2%
Less accumulated depreciation	(1,449,589)	(6,014,317)	(7,463,906)	(1,350,909)	(5,720,328)	(7,071,237)	(392,669)	5.6%
Total	\$ 1,640,323	\$ 6,578,902	\$ 8,219,225	\$ 1,061,904	\$ 6,102,067	\$ 7,163,971	\$ 1,055,254	14.7%

TABLE D Long-Term Liabilities June 30, 2022

	June 30, 2022			June 30, 2021			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Compensated absences	\$ 29,209	\$ 100,393	\$ 129,602	\$ 27,448	\$ 86,339	\$ 113,787	\$ 15,815	13.9%
Other post employment benefits liability	52,393	296,892	349,285	62,194	352,434	414,628	(65,343)	-15.8%
Loan payable - CIEDB loan	-	2,842,112	2,842,112	-	3,018,155	3,018,155	(176,043)	-5.8%
Loan payable - Solid waste	-	1,176,772	1,176,772	-	-	-	1,176,772	-
Net pension liability	296,920	405,081	702,001	576,379	771,025	1,347,404	(645,403)	-47.9%
Total	\$ 378,522	\$ 4,821,250	\$ 5,199,772	\$ 666,021	\$ 4,227,953	\$ 4,893,974	\$ 305,798	6.2%

Long-term debt totals are \$5,199,772, an increase of \$305,798.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2022

Fire and Water Fund Reserves

The District maintains cash reserves in the Fire and Water Funds for various purposes as budgeted annually by the Board of Directors. The reserve balances in each fund as of June 30, 2022 are as follows:

<u>Fire Fund</u>	
General contingency	\$ 403,225
Vehicle, equipment, and fire engine ref	1,199,642
Capital outlay	540,562
Public facilities fee	40,334
Fire mitigation	135,449
Total	<u>\$ 2,319,212</u>
<u>Water Fund</u>	
General contingency	\$ 642,183
Capital outlay	1,999,563
Vehicle and equipment replacement	144,644
Water quality	91,517
Water stabilization	158,456
Basin management	50,031
Water conservation	59,288
Total	<u>\$ 3,145,682</u>
<u>Drainage Fund</u>	
General contingency	\$ 32,238
Capital outlay	202,297
	<u>\$ 234,535</u>
Parks and Recreation Fund	\$ 198,879

Significant Events or Disclosures

On April 1, 2022, the County of San Luis Obispo transferred the Mission Country Disposal solid waste franchise agreement to the District. The result of the transfer is the ability of the District to charge a 10% franchise fee on gross revenues for the collection and disposal of solid waste which is collected on customer bills and paid to the District by Mission Country Disposal. The transfer agreement also stipulated that the District would repay the remainder of a 2013 bankruptcy debt, approximately \$1.2 million, owed to the County over a ten-year period.

More information about the District, its financial condition, policies, governance and management is available on the District website at www.losososcsd.org.

Sincerely,

Ron Munds
General Manager

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Draft 11-21-22

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 3,029,741	\$ 4,412,413	\$ 7,442,154
Accounts receivable, net	569,196	580,928	1,150,124
Grants receivable	-	290,345	290,345
Prepaid items	70,464	101,539	172,003
Deposits	-	10,000	10,000
Inventory	-	48,622	48,622
Other assets	-	900	900
Total current assets	<u>3,669,401</u>	<u>5,444,747</u>	<u>9,114,148</u>
Noncurrent assets:			
Restricted cash and investments	277,022	-	277,022
Franchise asset	-	1,166,772	1,166,772
Capital assets, net	1,640,323	6,578,902	8,219,225
Total noncurrent assets	<u>1,917,345</u>	<u>7,745,674</u>	<u>9,663,019</u>
Total assets	<u>5,586,746</u>	<u>13,190,421</u>	<u>18,777,167</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	160,706	214,830	375,536
Deferred outflows of resources related to OPEB	10,815	61,288	72,103
Total deferred outflow of resources	<u>171,521</u>	<u>276,118</u>	<u>447,639</u>
LIABILITIES			
Current liabilities:			
Accounts payable	18,380	182,184	200,564
Accrued liabilities	35,247	35,725	70,972
Accrued interest payable	-	29,605	29,605
Compensated absences - current portion	7,302	25,098	32,400
Loans payable - current portion	-	307,717	307,717
Total current liabilities	<u>60,929</u>	<u>580,329</u>	<u>641,258</u>
Non-current liabilities:			
Compensated absences	21,907	75,295	97,202
OPEB liability	52,393	296,892	349,285
Loans payable	-	3,711,167	3,711,167
Net pension liability	296,920	405,081	702,001
Total noncurrent liabilities	<u>371,220</u>	<u>4,488,435</u>	<u>4,859,655</u>
Total liabilities	<u>432,149</u>	<u>5,068,764</u>	<u>5,500,913</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	263,472	346,193	609,665
Deferred inflows of resources related to OPEB	21,189	120,069	141,258
Total deferred inflow of resources	<u>284,661</u>	<u>466,262</u>	<u>750,923</u>
NET POSITION			
Net investment in capital assets	1,640,323	3,736,790	5,377,113
Restricted for:			
Fire and emergency services	2,762,739	-	2,762,739
Parks and recreation	276,916	-	276,916
Drainage services	621,184	-	621,184
Unrestricted (deficit)	(259,705)	4,194,723	3,935,018
Total net position	<u>\$ 5,041,457</u>	<u>\$ 7,931,513</u>	<u>\$ 12,972,970</u>

The accompanying notes are an integral part of these financial statements.

**LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activites	Business- Type Activites	
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 613,906	\$ -	\$ -	\$ (613,906)	\$ -	\$ (613,906)
Public safety	2,531,893	79,257	19,301	(2,433,335)	-	(2,433,335)
Health and sanitation	50,471	-	-	(50,471)	-	(50,471)
Street lighting/ septic system maintenance	9,094	28,169	-	19,075	-	19,075
Parks and recreation	4,851	-	-	(4,851)	-	(4,851)
Total governmental activities	<u>3,210,215</u>	<u>107,426</u>	<u>19,301</u>	<u>(3,083,488)</u>	<u>-</u>	<u>(3,083,488)</u>
Business-type activities:						
Water	1,711,132	2,869,605	293,425	-	1,451,898	1,451,898
Wastewater treatment project	15,618	20,111	-	-	4,493	4,493
Solid waste	31,552	47,711	-	-	16,159	16,159
Total business-type activities	<u>1,758,302</u>	<u>2,937,427</u>	<u>293,425</u>	<u>-</u>	<u>1,472,550</u>	<u>1,472,550</u>
Total primary government	<u>\$ 4,968,517</u>	<u>\$ 3,044,853</u>	<u>\$ 312,726</u>	<u>(3,083,488)</u>	<u>1,472,550</u>	<u>(1,610,938)</u>
General revenues:						
Taxes:						
Property taxes				2,582,680	117,546	2,700,226
Special assessments				731,911	-	731,911
Investment income				3,667	6,596	10,263
Gain on sale of assets				8,000	-	8,000
Other general revenues				96	4,278	4,374
Transfers				585,083	(585,083)	-
Total general revenues and transfers				<u>3,911,437</u>	<u>(456,663)</u>	<u>3,454,774</u>
Change in net position				827,949	1,015,887	1,843,836
Net position - beginning				4,213,508	6,915,626	11,129,134
Net position - ending				<u>\$ 5,041,457</u>	<u>\$ 7,931,513</u>	<u>\$ 12,972,970</u>

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

Draft 11-21-22

**LOS OSOS COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General	Fire Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 159,897	\$ 2,215,916	\$ 653,928	\$ 3,029,741
Restricted cash and investments	-	-	277,022	277,022
Accounts receivable	5	565,756	3,435	569,196
Prepaid items	14,740	54,222	1,502	70,464
Due from other funds	1,517	-	-	1,517
TOTAL ASSETS	<u>\$ 176,159</u>	<u>\$ 2,835,894</u>	<u>\$ 935,887</u>	<u>\$ 3,947,940</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,879	\$ 8,360	\$ 2,141	\$ 18,380
Accrued liabilities	24,674	10,573	-	35,247
Due to other funds	-	-	1,517	1,517
Total liabilities	<u>32,553</u>	<u>18,933</u>	<u>3,658</u>	<u>55,144</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	14,740	54,222	1,502	70,464
Restricted				
Fire and emergency services	-	2,762,739	-	2,762,739
Parks and recreation	-	-	276,916	276,916
Bayridge functions	-	-	34,155	34,155
Drainage services	-	-	621,184	621,184
Unassigned	128,866	-	(1,528)	127,338
Total fund balances	<u>143,606</u>	<u>2,816,961</u>	<u>932,229</u>	<u>3,892,796</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 176,159</u>	<u>\$ 2,835,894</u>	<u>\$ 935,887</u>	<u>\$ 3,947,940</u>

The accompanying notes are an integral part of these financial statements.

**LOS OSOS COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balances -governmental funds \$ 3,892,796

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	2,991,232	
Less: Accumulated depreciation	(1,350,909)	
Net		1,640,323

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	(29,209)	
Net pension liability	(296,920)	
Net OPEB liability	(52,393)	
Total		(378,522)

In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred outflows of resources relating:		
to pensions	160,706	
to OPEB	10,815	
Deferred inflows of resources relating:		
to pensions	(263,472)	
to OPEB	(21,189)	
Total		(113,140)

Net position of governmental activities \$ 5,041,457

The accompanying notes are an integral part of these financial statements.

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General	Fire Fund	Nonmajor Governmental Funds	Totals
REVENUES:				
Property taxes	\$ -	\$ 2,523,309	\$ 59,371	\$ 2,582,680
Special taxes and assessments	-	636,743	95,168	731,911
Intergovernmental	-	19,301	-	19,301
Services charges and fees	-	79,257	28,169	107,426
Use of money and property	-	10,374	1,293	11,667
Other revenues	51	-	45	96
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	51	3,268,984	184,046	3,453,081
EXPENDITURES:				
Personnel	388,062	283,462	11,037	682,561
Clothing and uniforms	-	3,645	-	3,645
Contract services	51,262	5,923	-	57,185
Contract services - Schedule A	-	1,988,952	-	1,988,952
Equipment and tools	-	78,746	-	78,746
Financial services	3,306	30	-	3,336
Insurance, licenses, and regulatory fees	46,273	33,151	10,043	89,467
Legal and professional	120,274	1,340	1,458	123,072
Office expenses	14,342	3,674	240	18,256
Other expenses	1,374	1,700	250	3,324
Rent and utilities	43,636	24,572	10,939	79,147
Travel and training	1,063	350	-	1,413
Repairs and maintenance	91	6,771	3,171	10,033
Vehicle maintenance and repairs	-	-	2,970	2,970
Capital outlay	-	701,278	2,558	703,836
Debt service:				
Interest and fiscal charges	-	-	161	161
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	669,683	3,133,594	42,827	3,846,104
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(669,632)	135,390	141,219	(393,023)
Other Financing Sources (Uses):				
Transfers in	677,638	-	-	677,638
Transfers out	-	(66,111)	(26,444)	(92,555)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	677,638	(66,111)	(26,444)	585,083
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses				
	8,006	69,279	114,775	192,060
Fund balances - beginning	135,600	2,747,682	817,454	3,700,736
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 143,606	\$ 2,816,961	\$ 932,229	\$ 3,892,796

The accompanying notes are an integral part of these financial statements.

**LOS OSOS COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balances - total governmental funds		\$ 192,060
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets, infrastructure, and other related capital asset adjustments	701,278	
Less: current year depreciation	<u>(122,859)</u>	
		578,419
<p>Expenditures in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds:</p>		
Change in the liability for compensated absences		(1,761)
Change in net pension liability		63,083
Change in OPEB liability		<u>(3,852)</u>
Change in net position of governmental activities		<u><u>\$ 827,949</u></u>

The accompanying notes are an integral part of these financial statements.

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 4,375,098	\$ 34,056	\$ 3,259	\$ 4,412,413
Accounts receivable, net	562,684	-	7,347	570,031
Accrued revenue receivables	10,897	-	-	10,897
Grants receivable	290,345	-	-	290,345
Deposits	10,000	-	-	10,000
Inventory at cost	48,622	-	-	48,622
Prepays	101,539	-	-	101,539
Other assets	900	-	-	900
Total current assets	<u>5,400,085</u>	<u>34,056</u>	<u>10,606</u>	<u>5,444,747</u>
Non-current assets:				
Franchise asset	-	-	1,166,772	1,166,772
Capital assets, net	6,420,312	158,590	-	6,578,902
Total non-current assets	<u>6,420,312</u>	<u>158,590</u>	<u>1,166,772</u>	<u>7,745,674</u>
TOTAL ASSETS	<u>11,820,397</u>	<u>192,646</u>	<u>1,177,378</u>	<u>13,190,421</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	214,830	-	-	214,830
Deferred outflows of resources related to OPEB	61,288	-	-	61,288
Total deferred outflows of resources	<u>276,118</u>	<u>-</u>	<u>-</u>	<u>276,118</u>
LIABILITIES				
Current liabilities:				
Accounts payable	181,190	20	974	182,184
Accrued liabilities	35,725	-	-	35,725
Accrued interest payable	29,605	-	-	29,605
Compensated absences - current portion	25,098	-	-	25,098
Loans payable - current portion	187,717	-	120,000	307,717
Total current liabilities	<u>459,335</u>	<u>20</u>	<u>120,974</u>	<u>580,329</u>
Non-current liabilities:				
Compensated absences	75,295	-	-	75,295
OPEB liability	296,892	-	-	296,892
Loans payable	2,654,395	-	1,056,772	3,711,167
Net pension liability	405,081	-	-	405,081
Total non-current liabilities	<u>3,431,663</u>	<u>-</u>	<u>1,056,772</u>	<u>4,488,435</u>
TOTAL LIABILITIES	<u>3,890,998</u>	<u>20</u>	<u>1,177,746</u>	<u>5,068,764</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	346,193	-	-	346,193
Deferred inflows of resources related to OPEB	120,069	-	-	120,069
Total deferred inflows of resources	<u>466,262</u>	<u>-</u>	<u>-</u>	<u>466,262</u>
NET POSITION				
Net investment in capital assets	3,578,200	158,590	-	3,736,790
Unrestricted	4,161,055	34,036	(368)	4,194,723
TOTAL NET POSITION	<u>\$ 7,739,255</u>	<u>\$ 192,626</u>	<u>\$ (368)</u>	<u>\$ 7,931,513</u>

The accompanying notes are an integral part of these financial statements.

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
OPERATING REVENUES				
Utility	\$ 2,869,605	20,111	47,711	\$ 2,937,427
Total operating revenues	<u>2,869,605</u>	<u>20,111</u>	<u>47,711</u>	<u>2,937,427</u>
Operating Expenses:				
Personnel	742,760	-	-	742,760
Clothing and uniforms	1,679	-	-	1,679
Contract services	72,556	-	-	72,556
Equipment and tools	15,109	-	-	15,109
Financial services	80	1,650	-	1,730
Insurance, licenses, and regulatory fees	94,204	297	-	94,501
Legal and professional	121,291	13,671	1,412	136,374
Office expenses	77,050	-	-	77,050
Other expenses	13,721	-	140	13,861
Rent and utilities	117,820	-	-	117,820
Travel and training	4,318	-	-	4,318
Repairs and maintenance	43,271	-	-	43,271
Vehicle maintenance and repairs	14,611	-	-	14,611
Depreciation and amortization	293,989	-	30,000	323,989
Total operating expenses	<u>1,612,459</u>	<u>15,618</u>	<u>31,552</u>	<u>1,659,629</u>
Operating income (loss)	1,257,146	4,493	16,159	1,277,798
Non-operating Revenue (Expenses):				
Property taxes and assessments	117,546	-	-	117,546
Investment income	6,596	-	-	6,596
Government grants	293,425	-	-	293,425
Gain on sale of assets	-	-	-	-
Other non-operating revenue	4,278	-	-	4,278
Interest expense and fiscal charges	(98,673)	-	-	(98,673)
Total nonoperating (expenses) revenues	<u>323,172</u>	<u>-</u>	<u>-</u>	<u>323,172</u>
Income before transfers	1,580,318	4,493	16,159	1,600,970
Transfers out	(565,250)	(3,306)	(16,527)	(585,083)
Change in net position	1,015,068	1,187	(368)	1,015,887
Net position - beginning	<u>6,724,187</u>	<u>191,439</u>	<u>-</u>	<u>6,915,626</u>
Net position - ending	<u>\$ 7,739,255</u>	<u>\$ 192,626</u>	<u>\$ (368)</u>	<u>\$ 7,931,513</u>

The accompanying notes are an integral part of these financial statements.

**LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
Cash Flows From Operating Activities:				
Cash collected from customers	\$2,553,152	\$ 20,111	\$ 40,364	\$2,613,627
Cash payments to suppliers for goods and services	(462,677)	(12,995)	(578)	(476,250)
Cash payments for employee services	(785,761)	-	-	(785,761)
Net cash provided by operating activities	<u>1,304,714</u>	<u>7,116</u>	<u>39,786</u>	<u>1,351,616</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(770,824)	-	-	(770,824)
Government grants	293,425	-	-	293,425
Principal paid on debt	(176,043)	-	-	(176,043)
Interest paid on debt	(107,424)	-	-	(107,424)
Net cash used by capital and related financing activities	<u>(760,866)</u>	<u>-</u>	<u>-</u>	<u>(760,866)</u>
Cash Flows From Noncapital Financing Activities:				
Transfers to other funds	(565,250)	(3,306)	(16,527)	(585,083)
Property taxes and assessments	117,546	-	-	117,546
Other non-operating revenue	4,278	-	-	4,278
Amount paid to County for Solid Waste Franchise Agreement loan	-	-	(20,000)	(20,000)
Principal received on interfund debt	6,551	-	-	6,551
Net cash used by noncapital financing activities	<u>(436,875)</u>	<u>(3,306)</u>	<u>(36,527)</u>	<u>(476,708)</u>
Cash Flows from Investing Activities:				
Interest on investments	6,596	-	-	6,596
Net cash provided by investing activities	<u>6,596</u>	<u>-</u>	<u>-</u>	<u>6,596</u>
Net increase in cash and cash equivalents	113,569	3,810	3,259	120,638
Cash and cash equivalents, beginning of year	4,261,529	30,246	-	4,291,775
Cash and cash equivalents, end of year	<u>\$4,375,098</u>	<u>\$ 34,056</u>	<u>\$ 3,259</u>	<u>\$4,412,413</u>

The accompanying notes are an integral part of these financial statements.

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$1,257,146	\$ 4,493	\$ 16,159	\$1,277,798
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization of fixed assets	293,989	-	30,000	323,989
Changes in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:				
Receivables, net	(316,453)	-	(7,347)	(323,800)
Prepays	(11,720)	2,669	-	(9,051)
Inventory	19,619	-	-	19,619
Deferred outflows - pension	(6,776)	-	-	(6,776)
Deferred outflows - OPEB	(20,054)	-	-	(20,054)
Accounts payable	105,134	(46)	974	106,062
Accrued liabilities	3,735	-	-	3,735
Compensated absences	14,054	-	-	14,054
OPEB liability	(55,542)	-	-	(55,542)
Net pension liability	(365,944)	-	-	(365,944)
Deferred inflows - pension	290,115	-	-	290,115
Deferred inflows - OPEB	97,411	-	-	97,411
Net cash provided by operating activities	<u>\$1,304,714</u>	<u>\$ 7,116</u>	<u>\$ 39,786</u>	<u>\$1,351,616</u>

The accompanying notes are an integral part of these financial statements.

**LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2022**

	Wastewater Assessment District No. 1 Fund	Low Income Assistance Fund	Total Agency Funds
ASSETS			
Cash and investments	\$ -	\$ 9,379	\$ 9,379
Cash with fiscal agent	1,906,375	-	1,906,375
Accrued interest receivable	1,128	-	1,128
Accrued property taxes receivable	20,474	-	20,474
Total assets	<u>\$ 1,927,977</u>	<u>\$ 9,379</u>	<u>\$ 1,937,356</u>
LIABILITIES			
Due to bondholders	1,927,977	-	1,927,977
Due to others	-	9,379	9,379
Total liabilities	<u>\$ 1,927,977</u>	<u>\$ 9,379</u>	<u>\$ 1,937,356</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Draft 11-21-22

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The Los Osos Community Services District (District), a political subdivision of the State of California, was formed on January 1, 1999, pursuant to Ballot Measure K-98 to provide services previously provided by San Luis Obispo County (the County) in specific benefits zones of what was formerly County Service Area 9. After formation, the District added solid waste services providing service to all properties in the District. It operates pursuant to Section 61000 of the California Government Code. It is currently authorized to provide Fire Protection, Water, Street Lighting, Drainage, and Parks and Recreation Services. It is governed by a five-member Board of Directors with an operations staff headed by a general manager.

B. Basis of Presentation

Fund Financial Statements:

The fund financial statements provide information about the District's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

All remaining governmental funds are aggregated and reported as non-major funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund, more commonly referred to as the Administrative Fund, is the general operating fund of the District and is always classified as a major fund. It is used to account for all other activities except those legally or administratively required to be accounted for in other funds.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following are Special Revenue Funds:

301 – Fire Fund

200 – Bayridge (a subdivision where lighting and septic system maintenance are provided)

400 – Vista de Oro (a subdivision where lighting and septic system maintenance are provided)

800 – Drainage

900 – Parks and Recreation

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Proprietary Funds are as follows:

500 – Water

600 – Wastewater Treatment Project Fund (This is for the aborted sewer system project and may in the future be reclassified to the governmental category.)

650 – Solid Waste Fund

Fiduciary Funds

The fiduciary funds are accounted for on the accrual basis of accounting because the fund is custodial in nature (assets equal liabilities). A measurement of results of operations is not shown.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains two agency funds - Los Osos Community Services District Wastewater Assessment District No. 1 and the Low Income Assistance Fund.

Major Funds

The District reported the following major governmental funds in the accompanying financial statements:

General Fund – This is the District’s primary operating fund and is more commonly referred to as the Administrative Fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The fund provides for public administration, overall management, occupancy, computer systems, accounting, legal, consulting, communication, and insurance as it pertains to the District as a whole.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire Fund – This fund accounts for activities of Fire Station 15 – South Bay. The fire department provides fire suppression, emergency paramedic services, and fire prevention including public education. Services are provided through a contract with Cal Fire for the entire community. Reserve firefighters and administrative operational costs are paid by the District outside the Cal Fire contract.

The District reported the following major proprietary funds in the accompanying financial statements:

Water Fund – This fund accounts for the operation and maintenance of the District’s water distribution system. The water department is responsible for the operation and maintenance of five groundwater supply wells providing treatment, monitoring, and distribution services.

Wastewater Treatment Project Fund – This fund originally accounted for projects relating to the District’s wastewater treatment project. Since the wastewater treatment project was stopped, this fund now mainly reflects functions relative to bankruptcy proceedings and assessment costs on the aborted sewer project.

Solid Waste Fund - This fund provides trash cleanup and recycling services for the community through a franchise agreement with a private company.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business type activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a “current financial resources” measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or non-current) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type 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 economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District defines available to be within 60 days of fiscal year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent that they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest, and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The District’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

All proprietary funds utilize 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 economic asset is used. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The fiduciary funds are accounted for on the accrual basis of accounting. Because the fund is custodial in nature (assets equal liabilities), a measurement of results of operations is not shown.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes

The County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid). The County remits tax monies to the District on a monthly basis. The final amount which is “teetered” is remitted in August each year.

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

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

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

E. Cash and Investments

The District pools the cash of all funds, except for monies deposited with fiscal agent in accordance with related bond indentures. The cash and investments balance in each fund represents that fund’s equity share of the District’s cash and investment pool.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on month-end balances. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC) registered securities exchanges or NASDAQ dealers. Local Agency Investment Fund (LAIF) determines the fair value of their portfolio quarterly and reports a factor to the District. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the District has defined cash and cash equivalents to be change and petty cash funds, equity in the District's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

F. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at fiscal year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities may include sales taxes, property taxes, grants; and other fees, if any. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds may include revenue accruals such as franchise tax, grants, service charges and other similar intergovernmental revenues that are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned, if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at fiscal year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. The fiduciary funds receivable primarily consists of tax assessments.

G. Prepaid Expenses and Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method. The cost is recorded as an expenditure/expense in the funds at the time individual inventory items are purchased rather than when consumed. This is then adjusted by physical inventory at fiscal year-end. Inventory in the enterprise funds consist principally of materials and supplies for utility operations.

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted Assets

Funds that are under the control of external parties are restricted.

I. Capital Assets

The accounting treatment of property, plant, and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations. The presentation and recording of governmental assets are described below.

Government-Wide Statements

In the government-wide financial statements, capital assets with a historical cost of \$5,000 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, if any, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the *majority* of the assets.

With the implementation of GASB Statement No. 34, the District has recorded all its public domain (infrastructure) capital assets on the government-wide statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	5-25 years
Infrastructure	5-60 years
Equipment and systems	5-30 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are capitalized when purchased.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave, sick leave, and compensatory time off, which are accrued as earned. Vacation can be accrued to a maximum of 40 days or 320 hours for the regular employees or 440 hours for the non-exempt employees. At termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. Sick leave can be accrued up to 180 days or 1,440 hours. Only half of accumulated sick leave hours can be paid on termination to eligible employees. Employees become eligible for sick leave pay-off after completing five years of service. Payments are based on the pay rate at the time of termination. The District's liability for the current and long-term portions of compensated absences is shown in the government-wide Statement of Net Position for both governmental funds and proprietary funds. Only proprietary funds reflect the long-term portion in the fund financials report, Statement of Net Position. The short-term portion is reflected for both governmental and proprietary funds in the fund financial statements. Computation was based on rates in effect as of the fiscal year-end.

K. Long-Term Liabilities

In the government-wide financial statements, long-term liabilities are presented for both governmental and proprietary fund types. In the fund financial statements, only the proprietary funds show long-term liabilities.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Los Osos Community Services District California Public Employees' Retirement System (CalPERS) Miscellaneous, Miscellaneous PEPRAs, Safety Fire, and Safety Fire PEPRAs Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category, refer to Note 7 and Note 8 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 7 and Note 8 for a detailed listing of the deferred inflows of resources the District has recognized.

O. Interfund Transactions

The following is a description of the three basic types of interfund transactions that can be made during the fiscal year and the related accounting policies:

1. Interfund services provided and used – transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) – transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Transfers – all interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as transfers in and out.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Equity Classifications

Government-Wide Statements

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.

Net position that is *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 portion of the net position that has external constraints placed on it 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 investments in capital assets or restricted net position.

Q. Future Accounting Pronouncements

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

Statement No. 91	“Conduit Debt Obligations”	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 94	“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	“Subscription-Based Information Technology Arrangements”	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 99	“Omnibus 2022”	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No.100	“Accounting Changes and Error Corrections”	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No.101	“Compensated Absences”	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

R. Use of Estimates

The financial statements have been prepared in accordance with principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from these amounts.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 2 – CASH AND INVESTMENTS

The District’s cash and investments at June 30, 2022 consisted of the following:

Cash and Investments:

Cash on hand	\$	900
Deposits with Financial Institutions		2,479,859
Deposits with Financial Institutions - held by trustees		9,379
Investments:		
Local agency investment fund		684,986
Money market funds		4,553,431
U. S. Treasuries - held by trustees		1,503,806
Money market funds/cash - held by trustees		402,569
Subtotal - investments		7,144,792
Total Cash and Investments	\$	9,634,930

The composition of cash and investments as of June 30, 2022, by fund type and restriction is as follows:

	Available for Operations	Restricted	Total
General Fund	\$ 159,897	\$ -	\$ 159,897
Special Revenue Funds	2,869,844	277,022	3,146,866
Proprietary Funds	4,412,413	-	4,412,413
Fiduciary Funds	-	1,915,754	1,915,754
	\$ 7,442,154	\$ 2,192,776	\$ 9,634,930

Investments

Investments of the District are governed by the California Government Code and by the District’s investment policy. The General Manager of the District acts as the District Finance Officer and Treasurer who is tasked to perform investment functions in accordance with the investment policy. The objectives of the policy are safety, liquidity, yield, and compliance with State and Federal laws and regulations.

Classification

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. These principles recognize a three-tiered fair value hierarchy. 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 State Investment Pool, and money market funds, however, these external pools or deposits measured at cost are not required to be measured under Level 1, 2 or 3.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments of the District as of June 30, 2022

The table below identifies the investment types the District has that are authorized for the District by the California Government Code or the District’s investment policy, where more restrictive, that addresses interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Boards	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reserve Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	15%	10%
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	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
Local Agency Investment Fund	5 years	None	None

Disclosure 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 is, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the District’s interest rate risk is mitigated 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.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosure Relating to Interest Rate Risk (continued)

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustees) to market rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2022:

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End		
			AAA	Aa	Not Rated
LAIF	\$ 684,986	N/A	\$ -	\$ -	\$ 684,986
Money market funds	4,553,431	N/A	-	-	4,553,431
Held by bond trustees:					
U. S. Treasuries	1,503,806	N/A	798,844	-	704,962
Money market funds/cash	402,569	N/A	-	-	402,569
	<u>\$7,144,792</u>		<u>\$ 798,844</u>	<u>\$ -</u>	<u>\$6,345,948</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

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 nationally recognized statistical rating organizations. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year ended June 30, 2022 for each investment type.

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
LAIF	\$ 684,986	\$ 684,986	\$ -	\$ -	\$ -
Money market funds	4,553,431	4,553,431	-	-	-
Held by bond trustees:					
U. S. Treasuries	1,503,806	704,962	294,142	504,702	-
Money market funds/cash	402,569	402,569	-	-	-
	<u>\$ 7,144,792</u>	<u>\$ 6,345,948</u>	<u>\$ 294,142</u>	<u>\$ 504,702</u>	<u>\$ -</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District minimizes its credit risk by investing only in the safest types of securities or investments.

The biggest investment of the District is in money market funds, comprising 64% of all investments. This is managed by the District's bank. This investment is indexed to earn ten basis points above that earned monthly by the State Investment Pool. These are collateralized up to 110%, in compliance with State law, with the collaterals held by a separate trustee bank.

The next major investment of the District, not considering those held by bond trustees, is investment in the State Investment Pool, more commonly known as LAIF. Investment in LAIF comprises 10% of all invested funds. This fund is not registered with the Securities and State Commission as an investment company but is required to invest according to California State Code. The fund is under the oversight of the Treasurer of the State of California through the Local Investment Advisory Board that consists of five members as designated by statute. Market valuation is conducted quarterly by the State Treasurer's office. In addition, it also conducts a monthly fair market valuation of all securities held against carrying costs. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value of the entire portfolio net of any amortized costs as provided by LAIF.

Investment of funds held by bond trustees is governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the District's investment policy. The current agreement of the District with bond trustee directs the trustee to invest in money market funds and US Treasuries, duly registered under the Federal Securities Act of 1933 and under the Investment Company Act of 1940, and having a rating by Standard and Poor's (S&P) of AAAM-G or AAAM or in any other investment acceptable to the bond insurer.

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 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 government 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 District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Deposits are insured up to \$250,000.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The investment in the State Investment Pool is not required to be collateralized. The fair value of securities in the pool is based on quoted market prices. The State Treasurer’s Office performs a monthly fair market valuation of all securities held against carrying costs. Reports of valuations and financial statements are available to participants on the State Treasurer’s website.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund activity during the fiscal year ended June 30, 2022, was as follows:

Interfund Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Funds</u>		
General	\$ 677,638	\$ -
Fire	-	66,111
<u>Nonmajor Governmental Funds</u>		
Bayridge	-	3,305
Vista de Oro	-	3,306
Drainage	-	13,222
Parks and Recreation	-	6,611
<u>Proprietary Funds</u>		
Water	-	565,250
Wastewater Treatment Plan	-	3,306
Solid Waste	-	16,527
	<u>\$ 677,638</u>	<u>\$ 677,638</u>

Due To/Due From:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>Major Governmental Funds</u>		
General	\$ 1,517	\$ -
<u>Nonmajor Governmental Funds</u>		
Vista de Oro	-	1,517
	<u>\$ 1,517</u>	<u>\$ 1,517</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 4 – CAPITAL ASSETS

Government-Type Activities	Balance at July 1, 2021	Additions	Dispositions	Transfers/ Adjustments	Balance at June 30, 2022
Capital assets not being depreciated:					
Land	\$ 57,375	\$ -	\$ -	\$ -	\$ 57,375
Construction in progress	53,137	701,278	-	(746,872)	7,543
Total capital assets not being depreciated	<u>\$ 110,512</u>	<u>\$ 701,278</u>	<u>\$ -</u>	<u>\$ (746,872)</u>	<u>\$ 64,918</u>
Capital assets being depreciated:					
Buildings, structures, and improvements	598,871	-	-	-	598,871
Infrastructure	402,519	-	(24,000)	-	378,519
Plant and equipment	1,300,732	-	-	746,872	2,047,604
Total capital assets being depreciated	<u>2,302,122</u>	<u>-</u>	<u>(24,000)</u>	<u>746,872</u>	<u>3,024,994</u>
Less: accumulated depreciation					
Buildings, structures, and improvements	(508,488)	(12,813)	-	-	(521,301)
Infrastructure	(177,867)	(21,589)	24,000	-	(175,456)
Plant and equipment	(664,375)	(88,457)	-	-	(752,832)
Total accumulated depreciation	<u>(1,350,730)</u>	<u>(122,859)</u>	<u>24,000</u>	<u>-</u>	<u>(1,449,589)</u>
Net capital assets being depreciated	<u>951,392</u>	<u>(122,859)</u>	<u>-</u>	<u>746,872</u>	<u>1,575,405</u>
Governmental-type activity capital assets, net	<u>\$ 1,061,904</u>	<u>\$ 578,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,640,323</u>
Business-Type Activities					
Business-Type Activities	Balance at July 1, 2021	Additions	Dispositions	Transfers/ Adjustments	Balance at June 30, 2022
Capital assets not being depreciated:					
Land	\$ 498,429	\$ -	\$ -	\$ -	\$ 498,429
Construction in progress	410,522	737,138	-	-	1,147,660
Total capital assets not being depreciated	<u>\$ 908,951</u>	<u>\$ 737,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,646,089</u>
Capital assets being depreciated:					
Building and improvements	268,178	-	-	-	268,178
Infrastructure	10,091,860	-	-	-	10,091,860
Plant and equipment	553,406	33,686	-	-	587,092
Total capital assets being depreciated	<u>10,913,444</u>	<u>33,686</u>	<u>-</u>	<u>-</u>	<u>10,947,130</u>
Less: accumulated depreciation					
Building and improvements	(5,000)	(12,428)	-	-	(17,428)
Infrastructure	(5,302,146)	(225,572)	-	-	(5,527,718)
Plant and equipment	(413,182)	(55,989)	-	-	(469,171)
Total accumulated depreciation	<u>(5,720,328)</u>	<u>(293,989)</u>	<u>-</u>	<u>-</u>	<u>(6,014,317)</u>
Net capital assets being depreciated	<u>5,193,116</u>	<u>(260,303)</u>	<u>-</u>	<u>-</u>	<u>4,932,813</u>
Business-type activity, capital assets, net	<u>\$ 6,102,067</u>	<u>\$ 476,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,578,902</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2022

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:

General administration	\$ 1,693
Public safety	99,577
Health and sanitation	19,504
Parks and recreation	2,085
Total governmental activities depreciation expense	\$ 122,859

Business-Type Activities:

Water services	\$ 293,989
Total business-type activities depreciation expense	\$ 293,989

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the fiscal year ended June 30, 2022:

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022	Current Portion	Non-Current Portion
Governmental Activities:						
Compensated absences	\$ 27,448	\$ 17,416	\$ (15,655)	\$ 29,209	\$ 7,302	\$ 21,907
Other post employment benefits liability	62,194	-	(9,801)	52,393	-	52,393
Net pension liability	576,379	-	(279,459)	296,920	-	296,920
Total Governmental Activities	\$ 666,021	\$ 17,416	\$ (304,915)	\$ 378,522	\$ 7,302	\$ 371,220
Business-Type Activities:						
Compensated absences	\$ 86,339	\$ 33,694	\$ (19,640)	\$ 100,393	\$ 25,098	\$ 75,295
Other post employment benefits liability	352,434	-	(55,542)	296,892	-	296,892
Water Fund:						
Loan payable - Direct borrowing	3,018,155	-	(176,043)	2,842,112	187,717	2,654,395
Solid Waste Fund						
Loan payable	-	1,196,772	(20,000)	1,176,772	120,000	1,056,772
Net pension liability	771,025	-	(365,944)	405,081	-	405,081
Total Business-Type Activities	\$ 4,227,953	\$ 1,230,466	\$ (637,169)	\$ 4,821,250	\$ 332,815	\$ 4,488,435

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 6 – LOANS PAYABLE

California Infrastructure and Economic Development Bank – Direct Borrowing

On December 6, 2004, the District entered into a direct borrowing loan agreement with the California Infrastructure and Economic Development Bank (CIEDB) for a principal amount of \$5 million for the purpose of constructing and upgrading water delivery facilities. The loan is for a term of thirty years ending on August 1, 2034, with an interest rate of 3.05% per annum. The loan was modified on October 1, 2021, to a rate of 2.50% per annum and the same expiration date of August 1, 2034. Debt service payments are due in August and February each year. Net water system revenues were pledged to guarantee the loan. All projects covered by the loan were completed and closed out in January 2009. The outstanding principal balance of the loan at June 30, 2022, was \$2,842,112. In the event of a default, all unpaid principal and accrued interest would come due immediately in full with overdue installment payments accruing interest at the lesser of 12% per annum or the maximum rate permitted by law.

Future annual repayment requirements for this debt are as follows:

Fiscal Year Ended June 30	Principal	Interest	Annual Administrative Fee	Total
2023	\$ 187,717	\$ 68,706	\$ 8,526	\$ 264,949
2024	192,409	63,955	7,963	264,327
2025	197,220	59,084	7,386	263,690
2026	202,150	54,092	6,794	263,036
2027	207,204	48,975	6,188	262,367
2028-2032	1,116,360	163,532	21,298	1,301,190
2033-2035	739,052	28,019	4,471	771,542
Total	\$ 2,842,112	\$ 486,363	\$ 62,626	\$ 3,391,101

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 6 – LOANS PAYABLE (CONTINUED)

Solid Waste Collection Franchise Agreement

Effective April 1, 2022, the District entered into an agreement with the County of San Luis Obispo to accept the assignment of a Franchise Agreement for solid waste collection. In consideration of the assignment of the Franchise Agreement by the County, the District agreed to pay the County \$1,196,772 over a 120-month period, interest-free, with monthly payments of \$10,000. The offset to this new debt has been reported as a franchise asset which will be amortized over a 120-month period.

Future payments to the County under this agreement are as follows:

Fiscal Year	
Ended June 30	
2023	\$ 120,000
2024	120,000
2025	120,000
2026	120,000
2027	120,000
2028-2032	<u>576,772</u>
Total	<u>\$ 1,176,772</u>

NOTE 7 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety and Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Miscellaneous Classic Plan and all Safety Plan members with five years of total service are eligible to retire at age 50 and new Miscellaneous members/PEPRA Plan members with five years of total service are eligible to retire at age 52, with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Pre-Retirement Option Settlement. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Contribution rates are based on the Actuarial Valuation Report as of June 30, 2021. The Plans’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Hired Prior to January 1, 2013*	Hired on or After January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 63	52 - 67
Required employee contribution rates	7.00%	7.25%
Required employer contribution rates	11.60% + \$69,957	7.73% + \$3,397
	Safety	
	Hired Prior to January 1, 2013*	Hired on or After January 1, 2013
Hire Date		
Benefit formula	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 57
Required employee contribution rates	9.00%	13.75%
Required employer contribution rates	19.88% + \$54,514	13.98% + \$762

* A new employee may transfer into the Classic Member formula if he/she comes from another agency participating in the CalPERS or reciprocal retirement system and did not have more than six-month break in service.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$57,869 for the Safety Plan and \$154,527 for the Miscellaneous Plan for the fiscal year ended June 30, 2022.

B. Pension Liabilities, Pension Expenses and Deferred Outflow/inflows of Resources Related to Pensions

At June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net position liability of each plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 392,379
Safety	309,622
	<u>\$ 702,001</u>

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2022, the District’s proportionate share of the net pension liability for each Plan as of June 30, 2021 and June 30, 2022 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2021	0.02010%	0.00750%	0.01238%
Proportion - June 30, 2022	<u>0.02066%</u>	<u>0.00882%</u>	<u>0.01298%</u>
Change - Increase (Decrease)	<u>0.00057%</u>	<u>0.00132%</u>	<u>0.00060%</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

A. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$66,709. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ -
Differences between actual and expected experience	96,900	-
Net differences between projected and actual earnings on pension plan investments	-	526,810
Differences between employer's contributions and proportionate share of contributions	-	82,855
Change in employer's proportion	66,240	-
District contributions subsequent to the measurement date	212,396	-
Total	\$ 375,536	\$ 609,665

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$212,396 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
2023	\$ (90,929)
2024	(97,384)
2025	(112,845)
2026	<u>(145,367)</u>
Total	<u>\$ (446,525)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15% Net Pension Plan Investment and Administrative Expenses; Includes Inflation
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit	Contract COLA up to 2.50% until

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table please refer to the 2017 experience study report that can be found on the CalPERS website.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each *major* asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 944,610	\$ 566,117
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 392,379	\$ 309,622
1% Increase	8.15%	8.15%
Net Pension (Asset) Liability	\$ (64,141)	\$ 98,942

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

B. Payable to the Pension Plan

At June 30, 2022, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2022.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Plan administration. The District provides post-retirement medical coverage through CalPERS under the Public Employees Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health.

Benefits provided. The District offers the same medical plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages offered under PEMHCA.

Employees become eligible to retire and receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The District's contribution on behalf of retirees is the same as for active employees – 100% of the PEMHCA premium for retiree and covered dependents, but not to exceed \$149 per month in 2022. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses for PERS annuitants who elect pension options with survivor benefits.

The District pays a 0.25% of premium administrative fee on behalf of employees and retirees.

Employees Covered

As of June 30, 2021, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active plan members	10
Inactive plan members or beneficiaries current receiving benefits	2
Total	<u>12</u>

Contributions

The District currently finances benefits on a pay-as-you-go basis. No assets are held in trust.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability

The District’s Net OPEB Liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2021. Standard actuarial update procedures were used to project discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Inflation rate	2.75%
Healthcare cost trend rate	5.50% for 2021 and 2022, 5.30% for 2023, 5.20% for 2024-2069, and 4.00% for 2070 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

Discount rate. For OPEB plans that are not administered through trusts that meet the criteria in Paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the District’s Total OPEB liability is based on the following information:

<u>Reporting Date</u>	<u>Measurement Date</u>	<u>Fidelity GO AA 20 Years Municipal Index</u>	<u>Discount Rate</u>
June 30, 2021	June 30, 2020	2.45%	2.45%
June 30, 2022	June 30, 2021	1.92%	1.92%

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2022

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Changes in OPEB Liability

	<u>Net OPEB Liability</u>
Balance at June 30, 2021 (Valuation Date June 30, 2020)	\$ 414,628
Changes recognized for the measurement period:	
Service cost	30,439
Interest	10,847
Difference between expected and actual experience	(143,682)
Changes of assumptions	41,751
Contributions - employer	<u>(4,698)</u>
Net Changes	<u>(65,343)</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	<u>\$ 349,285</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.92 percent) or 1-percentage-point higher (2.92 percent) than the current discount rate:

	<u>1% Decrease 0.92%</u>	<u>Discount Rate 1.92%</u>	<u>1% Increase 2.92%</u>
Net OPEB Liability	\$ 414,858	\$ 349,285	\$ 297,438

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 292,340	\$ 349,285	\$ 422,576

OPEB Expense and Deferred Outflows and inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$28,750. As of the fiscal year ended June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 134,520
Changes in assumptions	72,103	6,738
Total	<u>\$ 72,103</u>	<u>\$ 141,258</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2023	\$ (10,921)
2024	(9,781)
2025	(7,094)
2026	(13,288)
2027	(14,772)
2028	<u>(13,299)</u>
Total	<u>\$ (69,155)</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 9 – OPERATING LEASES

The District has commitments to lease certain office equipment and facilities. The District entered into a 57-month lease for office space which began on February 1, 2019, and extends through October 31, 2023, for \$3,000 per month. The District also leases a copier at \$385 a month. This lease is renewable annually at the District’s option in September each year.

For the year ended June 30, 2022, the District opted not to implement GASB Statement No. 87 – Leases, due to the minimal impact that the new standard would have on the District’s financial statements.

Future lease commitments for the District as of June 30, 2022, are as follows:

Fiscal Year	Amount
<u>Ended June 30</u>	<u>Amount</u>
2023	\$ 36,770
2024	12,000
	<u>\$ 48,770</u>

NOTE 10 – FUND DEFICITS

As of June 30, 2022, the following funds had fund deficits:

Vista de Oro Fund	\$ 1,528
Solid Waste Fund	368

NOTE 11 – FIDUCIARY BONDED DEBT – NON-DISTRICT DEBT

This debt is held in a trustee capacity for the homeowners of the Wastewater Assessment District No. 1 where the assessments are received from the Assessment District’s property owners as collected on the County tax roll in order to pay the 2002 Wastewater Improvement Bonds debt service payments. The 2002 bonds were refunded on February 14, 2019, for a total savings of \$1,211,139.

Fiscal Year	Wastewater Improvement Refunding Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ended June 30</u>			
2023	\$ 625,000	\$ 385,125	\$ 1,010,125
2024	645,000	359,725	1,004,725
2025	675,000	329,950	1,004,950
2026	705,000	295,450	1,000,450
2027	740,000	259,325	999,325
2028-2032	4,285,000	723,719	5,008,719
2033-2034	1,945,000	63,019	2,008,019
Total	<u>\$ 9,620,000</u>	<u>\$ 2,416,313</u>	<u>\$ 12,036,313</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property loss and damage, errors and omissions, and employee injury. The District carries all its insurance coverage over these risks and also for Workers' Compensation through the Special Districts Risk Management Authority (SDRMA). This agency is a Joint Powers Authority (JPA) consisting of special districts in the State of California. It is governed by a seven-member Board of Directors. All seven are elected at large from the membership to serve four-year terms. It has about 507 public agencies participating in the Property/Liability program and 447 agencies in its Workers' Compensation program. SDRMA's audit report for the fiscal year 2020-21 shows it had Net Position of about \$66.3 million.

The District has never incurred any uninsured losses since its inception.

NOTE 13 – CONTINGENCIES AND COMMITMENTS

Interlocutory Stipulated Judgment

In September 2007, the District entered into an Interlocutory Stipulated Judgment (ISJ) with three other water purveyors in the community. The judgment was intended to provide a coordinated effort of all parties to manage the water basin by first preparing a comprehensive plan to address deficiencies that threaten the long-term viability of the water basin. The judgment provided for an equitable sharing of costs. The District's share is thirty-nine percent (39%). The District is current on this commitment which is funded in its annual budget.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through **November XX, 2022**, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Draft 11-21-22

**LOS OSOS COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ -	\$ 51	\$ 51
Total revenues	-	-	51	51
EXPENDITURES:				
Personnel	368,866	368,866	388,062	(19,196)
Clothing and uniforms	200	200	-	200
Contract services	55,620	55,620	51,262	4,358
Financial services	6,600	6,600	3,306	3,294
Insurance, licenses, and regulatory fees	47,570	47,570	46,273	1,297
Legal and professional	114,700	114,700	120,274	(5,574)
Office expenses	18,950	18,950	14,342	4,608
Other expenses	100	100	1,374	(1,274)
Rent and utilities	45,080	45,080	43,636	1,444
Travel and training	3,325	3,325	1,063	2,262
Repairs and maintenance	100	100	91	9
Total expenditures	661,111	661,111	669,683	(8,572)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(661,111)	(661,111)	(669,632)	(8,521)
Other Financing Sources (Uses):				
Transfers in	661,111	661,111	677,638	16,527
Total other financing sources (uses)	661,111	661,111	677,638	16,527
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	-	-	8,006	8,006
Fund balances - beginning	135,600	135,600	135,600	-
Fund balances - ending	\$ 135,600	\$ 135,600	\$ 143,606	\$ 8,006

The accompanying notes are an integral part of these financial statements.

**LOS OSOS COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 2,473,074	\$ 2,473,074	\$ 2,523,309	\$ 50,235
Special taxes and assessments	636,743	636,743	636,743	-
Intergovernmental	15,689	15,689	19,301	3,612
Services charges and fees	67,134	67,134	79,257	12,123
Use of money and property	7,000	7,000	10,374	3,374
Total revenues	3,199,640	3,199,640	3,268,984	69,344
EXPENDITURES:				
Personnel	273,514	273,514	283,462	(9,948)
Clothing and uniforms	5,000	5,000	3,645	1,355
Contract services	10,725	10,725	5,923	4,802
Contract services - Schedule A	2,465,234	2,465,234	1,988,952	476,282
Equipment and tools	48,750	56,750	78,746	(21,996)
Financial services	80	80	30	50
Insurance, licenses, and regulatory fees	40,936	41,890	33,151	8,739
Legal and professional	4,850	4,850	1,340	3,510
Office expenses	6,700	6,700	3,674	3,026
Other expenses	2,800	2,800	1,700	1,100
Rent and utilities	17,835	24,869	24,572	297
Travel and training	1,300	1,300	350	950
Repairs and maintenance	17,300	17,300	6,771	10,529
Capital outlay	174,076	174,076	701,278	(527,202)
Contingency	90,000	90,000	-	90,000
Total expenditures	3,159,100	3,175,088	3,133,594	41,494
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	40,540	24,552	135,390	110,838
Other Financing Sources (Uses):				
Transfers out	(66,111)	(66,111)	(66,111)	-
Total other financing sources (uses)	(66,111)	(66,111)	(66,111)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	(25,571)	(41,559)	69,279	110,838
Fund balances - beginning	2,747,682	2,747,682	2,747,682	-
Fund balances - ending	\$ 2,722,111	\$ 2,706,123	\$ 2,816,961	\$ 110,838

The accompanying notes are an integral part of these financial statements.

LOS OSOS COMMUNITY SERVICES DISTRICT
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
June 30, 2022

The following table provides required supplementary information regarding the District's Pension Plan.

Last 10 Fiscal years*

Measurement Date	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Proportion of the net pension liability	0.00998%	0.00994%	0.01108%	0.01131%	0.01150%
Proportionate share of the net pension liability	621,010	682,047	958,726	1,121,683	1,108,225
Covered payroll	413,539	619,826	655,035	554,757	557,148
Proportionate share of the net pension liability as a percentage of its covered payroll	150.17%	110.04%	146.36%	202.19%	198.91%
Plan's total pension liability (\$ in millions)	30,830	31,771	33,359	37,161	38,945
Plan Fiduciary net position (\$ in millions)	24,608	24,907	24,706	27,244	29,309
Plan Fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%	73.31%	75.26%
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>		
Proportion of the net pension liability	0.01192%	0.01238%	0.01298%		
Proportionate share of the net pension liability	1,221,783	1,347,404	702,001		
Covered payroll	647,852	885,730	791,876		
Proportionate share of the net pension liability as a percentage of its covered payroll	188.59%	152.12%	88.65%		
Plan's total pension liability (\$ in millions)	41,426	43,703	46,175		
Plan Fiduciary net position (\$ in millions)	31,179	32,823	40,767		
Plan Fiduciary net position as a percentage of the total pension liability	75.26%	75.10%	88.29%		

* Fiscal year ended June 30, 2015 was the first year of implementation.
Additional years will be presented as they become
available.

LOS OSOS COMMUNITY SERVICES DISTRICT
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2022

The following table provides required supplementary information regarding the District's Pension Plan.

Last 10 Fiscal Years*

Measurement Date	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 95,817	\$ 109,190	\$ 89,855	\$ 97,967	\$ 124,126
Contributions in relation to the actuarially determined contribution	<u>95,817</u>	<u>109,190</u>	<u>89,855</u>	<u>97,967</u>	<u>124,126</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 413,539	\$ 619,826	\$ 655,035	\$ 554,757	\$ 557,148
Contributions as a percentage of covered payroll	23.17%	17.62%	13.72%	17.66%	22.28%

Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Actuarially determined contribution	\$ 132,010	\$ 182,935	\$ 212,396
Contributions in relation to the actuarially determined contribution	<u>132,010</u>	<u>182,935</u>	<u>212,396</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 647,852	\$ 885,730	\$ 791,876
Contributions as a percentage of covered payroll	20.38%	20.65%	26.82%

* Fiscal year ended June 30, 2015 was the first year of implementation. Additional years will be presented as they become available.

LOS OSOS COMMUNITY SERVICES DISTRICT

Required Supplementary Information
Schedule of Changes in Net OPEB Liability
June 30, 2022

Last 10 Fiscal years*

	2018	2019	2020	2021	2022
Net OPEB liability					
Service cost	\$ 16,079	\$ 16,561	\$ 17,904	\$ 20,634	\$ 30,439
Interest	9,870	10,271	12,311	11,519	10,847
Differences between expected and actual experience	-	-	(24,615)	-	(143,682)
Change in assumptions	-	(22,494)	26,747	38,564	41,751
Benefit payments	(13,190)	(13,120)	(7,433)	(6,872)	(4,698)
Net change in Net OPEB liability	12,759	(8,782)	24,914	63,845	(65,343)
Net OPEB liability - beginning	321,892	334,651	325,869	350,783	414,628
Net OPEB liability - ending	\$ 334,651	\$ 325,869	\$ 350,783	\$ 414,628	\$ 349,285
Covered payroll	\$ 430,762	\$ 567,108	\$ 815,856	\$ 775,403	\$ 809,885
Net OPEB liability (asset) as a percentage of covered payroll	77.7%	57.5%	43.0%	53.5%	43.1%
Plan fiduciary net position as a percentage of the total	0.00%	0.00%	0.00%	0.00%	0.00%

As of June 30, 2022, the plan is not administered through a qualified trust. Therefore there is no Actuarially Determined Contribution (ADC).

* Fiscal year ended June 30, 2018 was the first year of implementation. Additional years will be presented as they become available.

SUPPLEMENTARY INFORMATION

Draft 11-21-22

**LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Bayridge	Vista de Oro	Drainage	Parks and Recreation	Total
ASSETS					
Cash and investments	\$ 34,650	\$ 448	\$ 618,830	\$ -	\$ 653,928
Restricted cash and investments	-	-	-	277,022	277,022
Accounts receivable	216	-	3,219	-	3,435
Prepaid items	-	-	1,502	-	1,502
TOTAL ASSETS	\$ 34,866	\$ 448	\$ 623,551	\$ 277,022	\$ 935,887
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 711	\$ 459	\$ 865	\$ 106	\$ 2,141
Loan from Water Fund	-	-	-	-	-
Due to other funds	-	1,517	-	-	1,517
Total liabilities	711	1,976	865	106	3,658
FUND BALANCES					
Nonspendable:					
Prepaid items	-	-	1,502	-	1,502
Restricted	34,155	-	621,184	276,916	932,255
Unassigned	-	(1,528)	-	-	(1,528)
Total fund balances	34,155	(1,528)	622,686	276,916	932,229
TOTAL LIABILITIES AND FUND BALANCES	\$ 34,866	\$ 448	\$ 623,551	\$ 277,022	\$ 935,887

The accompanying notes are an integral part of these financial statements.

LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Bayridge	Vista de Oro	Drainage	Parks and Recreation	Total
REVENUES:					
Property taxes	\$ -	\$ -	\$ 38,971	\$ 20,400	\$ 59,371
Special taxes and assessments	-	-	95,168	-	95,168
Services charges and fees	12,401	15,768	-	-	28,169
Use of money and property	-	-	667	626	1,293
Other revenues	-	-	45	-	45
Total revenues	<u>12,401</u>	<u>15,768</u>	<u>134,851</u>	<u>21,026</u>	<u>184,046</u>
EXPENDITURES:					
Personnel	-	-	11,037	-	11,037
Insurance, licenses, and regulatory fees	718	382	8,943	-	10,043
Legal and professional	221	514	515	208	1,458
Office expenses	-	-	240	-	240
Other expenses	-	-	250	-	250
Rent and utilities	4,876	1,928	4,135	-	10,939
Repairs and maintenance	-	-	3,171	-	3,171
Vehicle maintenance and repairs	294	-	2,676	-	2,970
Capital outlay	-	-	-	2,558	2,558
Debt service:					
Interest and fiscal charges	-	161	-	-	161
Total expenditures	<u>6,109</u>	<u>2,985</u>	<u>30,967</u>	<u>2,766</u>	<u>42,827</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,292	12,783	103,884	18,260	141,219
Other Financing Sources (Uses):					
Transfers out	(3,305)	(3,306)	(13,222)	(6,611)	(26,444)
Total other financing sources (uses)	<u>(3,305)</u>	<u>(3,306)</u>	<u>(13,222)</u>	<u>(6,611)</u>	<u>(26,444)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	2,987	9,477	90,662	11,649	114,775
Fund balances - beginning	31,168	(11,005)	532,024	265,267	817,454
Fund balances - ending	<u>\$ 34,155</u>	<u>\$ (1,528)</u>	<u>\$ 622,686</u>	<u>\$ 276,916</u>	<u>\$ 932,229</u>

The accompanying notes are an integral part of these financial statements.

OTHER REPORT

Draft 11-21-22

**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
Los Osos Community Services District
Los Osos, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Osos Community Services District (the District), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Los Osos Community Services District's basic financial statements and have issued our report thereon dated **November xx, 2022**.

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 any deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies.

Board of Directors
Los Osos Community Services District
Los Osos, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Los Osos Community Services District's financial statements are free from 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.

Fechter & Company
Certified Public Accountants

Sacramento, California
November XX, 2021