



## MEETING OF THE FINANCE ADVISORY COMMITTEE

Monday, August 31, 2015 at 5:30 p.m.  
Los Osos Community Services District  
2122 9<sup>th</sup> Street, Suite 102, Los Osos, CA

### COMMITTEE MEMBERS

Jon-Erik Storm, Chairperson  
R. Michael Wright, Vice Chairperson  
Craig Baltimore, Member  
Jeff Edwards, Member  
Lisa Gonzalez, Member  
Gene Heyer, Member  
Gary Orback, Member  
Vacant, Alternate Member

### STAFF

Kathy Kivley, General Manager  
Michael Doyel, District Accountant  
Ann Kudart, Administrative/Accounting Assistant III

## AGENDA

### 1. Opening – 5:30 p.m.

- A. Call to Order
- B. Flag Salute
- C. Roll Call

### 2. Approve FAC Minutes of May 14, 2015

Presented By: Admin/Accounting Assistant Kudart

### 3. Review of Board Item Regarding Warrant Register for August 2015

Presented By: General Manager Kivley

### 4. Review of Board Item Regarding Prior Year Expenditures

Presented By: General Manager Kivley

### 5. Review of Board Item Regarding Fiscal Year 2013/2014 Audit Report

Presented By: General Manager Kivley and District Accountant Doyel

### 6. Review District Investment Policy and Provide Recommendations to the Board Presented By: District Accountant Doyel

### 7. Discuss Potential 2-Year Budget and Provide Recommendations to the Board

Presented By: General Manager Kivley

### 8. Public Comments on Items NOT on this Agenda: At this time, the public may comment on items not on this agenda. Each commenter is limited to 3 minutes and shall address the Chairperson.

### 9. Schedule FAC Meeting – FAC meetings are held quarterly and unless otherwise noted the meeting will be held Monday, November 2, 2015.

### 10. Closing Comments by FAC Committee Members

### 11. Adjournment

**ITEM 2**

**APPROVE FAC MINUTES OF  
MAY 14, 2015**

**Los Osos Community Services District  
DRAFT Minutes of the Finance Advisory Committee Meeting  
May 14, 2015 at 5:30 p.m. at the District Office**

AGENDA ITEM	DISCUSSION	FOLLOW-UP
<p><b>1. Call to Order, Flag Salute and Roll Call</b></p>	<p>Chairperson Storm called the meeting to order at 5:30 p.m. and led the flag salute.</p> <p><u>Roll Call:</u>            Jeff Edwards, Committee Member – Present            Lisa Gonzalez, Committee Member – Arrived 5:48 p.m.            Gene Heyer, Committee Member – Left at 6:40 p.m.            Keith Swanson, Committee Member – Absent            Gary Orback, Committee Member - Present            Michael Wright, Vice Chairperson – Present            Jon-Erik Storm, Chairperson – Present</p> <p><u>Staff:</u>            Kathy Kivley, General Manager            Mike Doyel, District Accountant            Ann Kudart, Administrative/Accounting Assistant III</p>	
<p><b>2. Introduction of New Member(s) to FAC and Review Brown Act Guidelines</b></p>	<p>Chairperson Storm welcomed the committee members and General Manager Kivley reviewed the Brown Act with the committee.</p> <p>Public Comment: None.</p>	
<p><b>3. Approve FAC Minutes of February 2, 2015</b></p>	<p>Public Comment: Richard Margetson and Julie Tacker opposed the format of the minutes.</p> <p><b>Committee Member Edwards made a motion to approve the minutes. The motion was seconded by Committee Member Orback and carried with the following vote:</b></p> <p><b>Ayes: Edwards, Orback, Heyer</b>  <b>Nays: None</b>  <b>Abstain: Baltimore</b>  <b>Absent: Gonzalez</b></p>	<p><b>Action: Receive and File.</b></p>
<p><b>4. Review of Board Item Regarding Fiscal Year 2015/2016 Budget</b></p> <p style="padding-left: 40px;"><b>A: Fund 100</b></p> <p style="padding-left: 40px;"><b>Fund 600</b></p>	<p>General Manager Kivley reported that the total contributions for to Fund 301 sinking fund is \$144,891 as shown on a corrected handout provided to the committee and public.</p> <p>She reported that the Admin Cost Allocation methodology used is the same as that adopted by the Board for FY14/15; unfunded liability; and that Fund 100 will not budget \$25,000 repayment of Improvement Bond Reserve Fund per the bankruptcy order.</p> <p>General Manager Kivley reported a recommended increase of \$12.00 per parcel in the Administrative Charge to allow repayment to the Bond Redemption Reserve account. She reported that the assessment payment of \$30,003.39 per the agreement between the District and Bonaire Investment was never included in any District budget.</p> <p><b>The Committee recommended that the Board research Bonaire Properties Agreement with the District with the possibility of charging the County for the pipes.</b></p>	

AGENDA ITEM	DISCUSSION	FOLLOW-UP
<b>Fund 650</b>	<p>General Manager Kivley reported a Reserve balance and a minor charge for cost allocation.</p> <p>Following discussion, the Committee recommended that the Board consider extinguishing the \$118,033 reserve fund and allocating the funds to Fund 500 or Fund 600 to improve Bond rating.</p> <p>Public Comment on Funds 100, 600, and 650: Julie Tacker, Al Barrow and Richard Margetson spoke.</p>	
<b>B. Fund 301</b>	<p>General Manager Kivley reported that Fund 301 Budget included a 12.6% increase in the Schedule A contract which equates to \$216,783; that property tax revenue projections were prepared using a tax increase rate of 2%; a \$1/hour minimum wage increase in January 1, 2016; and a CalPERS Legacy Reserve Firefighters unfunded liability of \$6,102.</p> <p>Public Comment on Fund 301: Richard Margetson and Al Barrow speak.</p>	
<b>C: Fund 200</b>	<p>General Manager Kivley reported that property tax revenue projects were prepared using the annual property tax increase rate of 2%; that an interfund loan to Fund 200 from Fund 500 Water to cover Phase 1 Maintenance Improvement Projects not to exceed \$125,000; and that Salary and Fringe Benefits allocations are increasing due to increase in staff time to insure an efficient transition to the County.</p>	
<b>Fund 400</b>	<p>Regarding Fund 400, General Manager Kivley reported that the fund will reflect a deficit until the septic system conversion occurs and until the District recoups its prior costs for maintaining the system; that the Board authorized an interfund loan not to exceed \$30,000 for Fiscal Years 2012/2013 thru 2014/2015 to cover operating deficits and will need to amend the loan agreement during FY2015/16 to cover the shortfall; and that Salary and Fringe Benefits allocations are increasing due to increase in staff time to insure an efficient transition to the County.</p>	
<b>Fund 500</b>	<p>She reported on Fund 500 salary and fringe benefit costs and that staff recommended no increase in revenues. She reported on the increase in funding for regulatory fees, to Legal fees relative to finalizing the ISJ, and to brine disposal for the Nitrate Treatment Facility. She reported on funding several Capital Improvement Projects and reserves.</p>	
<b>Fund 800</b>	<p>General Manager Kivley reported revenues exceed expenditures in Fund 800 and that monies had been budgeted to continue chipping events.</p> <p><b>The Committee recommended modification in the District's approach when transitioning Bayridge Estates and Vista de Oro to the County; and consider tearing down the existing facility at the Wateryard and put up a modular building.</b></p> <p>Public Comment on Funds 200, 400, 500 and 800: Richard Margetson, Julie Tacker, and Al Barrow spoke.</p>	

AGENDA ITEM	DISCUSSION	FOLLOW-UP
<p><b>4. Review of Board Item Regarding Fiscal Year 2015/2016 Budget (continue)</b></p>	<p>Committee Member Gonzalez made a motion that the Board accept the Committee’s recommendations to research Bonaire Properties Agreement with the District with the possibility of charging the County for the pipes; recommended modification in the District’s approach when transitioning Bayridge Estates and Vista de Oro to the County; and consider a prefab building instead of renovating the existing building at the Water Yard. The motion was seconded by Committee Member Baltimore and carried with the following vote:</p> <p><b>Ayes: Gonzalez, Baltimore, Heyer, Edwards, Orback</b>  <b>Nays: None</b>  <b>Abstain: None</b>  <b>Absent: None</b></p> <p>Committee Member Orback made a motion that the Board accept the Proposed Fiscal Year Budget for Funds 100, 200, 301, 400, 500, 600, 650, and 800, including committee recommendations. The motion was seconded by Committee Member Edwards and carried with the following vote:</p> <p><b>Ayes: Orback, Edwards, Heyer, Gonzalez, Baltimore</b>  <b>Nays: None</b>  <b>Abstain: None</b>  <b>Absent: None</b></p>	<p>The Committee recommended that the Board accept the Proposed FY15/16 Budget with the following Committee recommendations:</p> <p>1. to research the Bonaire Properties Agreement with the District with the possibility of charging the County for the pipes; 2. consider modification in the District’s approach when transitioning Bayridge Estates and Vista de Oro to the County; and 3. consider a prefab building instead of renovating the existing building at the Water Yard.</p>
<p><b>5. Public Comments on Items Not on the Agenda</b></p>	<p>Al Barrow requested information on moving the Admin Office to 10<sup>th</sup> Street location.</p> <p>Julie Tacker commented on filing claims and recovering damages from the Wastewater Project; supported turning off the Palisades well; opposed Admin Offices moving and requested a cost analysis; Verizon Cell Tower; and opposed moving meetings to Sea Pines.</p> <p>Richard Margetson commented that the Admin Cost Allocation Ad Hoc Committee obligations were not fulfilled.</p>	
<p><b>6. Schedule FAC Meeting</b></p>	<p>The next meeting of the Finance Advisory Committee will be held on Monday, August 3, 2015 at 5:30 p.m. at the District Office.</p>	
<p><b>7. Closing Comments by FAC Committee Members</b></p>	<p>Committee Member Gonzalez requested that answers to public questions be provided at the next meeting if possible.</p> <p>Committee Member Baltimore thanked everyone for their participation.</p> <p>Committee Member Edwards commented on potential interest rate reductions to the SRF loan; requested Palisades well be shut off; and requested the Board request staff to prepare a cost benefit analysis of a move to 10<sup>th</sup> Street.</p> <p>Committee Member Heyer supported Mr. Edward request for a cost benefit analysis; and supported a summary of public comments.</p>	
<p><b>8. Adjournment</b></p>	<p>The meeting adjourned at 8:00 p.m.</p>	

## **ITEM 3**

# **REVIEW OF BOARD ITEM REGARDING WARRANT REGISTER FOR AUGUST 2015**



August 28, 2015

**President**

R. Michael Wright

**Vice President**

Marshall E. Ochylski

**Directors**

Charles L. Cesena  
Jon-Erik G. Storm  
Louis G. Tornatzky

**General Manager**

Kathy A. Kivley

**District Accountant**

Michael L. Doyel

**Fire Chief**

Robert Lewin

**Battalion Chief**

Phill Veneris

**TO:** LOCSD Board of Directors

**FROM:** Ann Kudart, Administrative/Accounting Assistant III

**SUBJECT: Agenda Item 11C – 9/3/2015 Board Meeting**  
Receive Warrant Register for August 2015

**DESCRIPTION**

The attached Warrant Registers, one by vendor and the other by check number, are for all warrants issued from this account for the period August 1, 2015 through August 31, 2015.

**SUMMARY STAFF RECOMMENDATION**

Staff recommends that the Board receive and file the Warrant Register for this report.

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

***Motion: I move that the Board receive and file the Warrants for this report.***

Attachments

**Mailing Address:**

P.O. Box 6064  
Los Osos, CA 93412

**Offices:**

2122 9<sup>th</sup> Street, Suite 102  
Los Osos, CA 93402

**Phone:** 805/528-9370

**FAX:** 805/528-9377

[www.losososcscsd.org](http://www.losososcscsd.org)

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Check/Voucher Register - Warrant Register by Vendor  
From 8/1/2015 Through 8/31/2015

Vendor Name	Check Date	Check Number	Check Amount	Transaction Description
	8/7/2015	PPECSD080215	19,804.15	CSD - Abra Suite Payroll
	8/7/2015	PPESBF080215	3,331.64	SBF - Abra Suite Payroll
	8/21/2015	PPECSD081615	20,398.15	CSD - Abra Suite Payroll
	8/21/2015	PPESBF081615	3,141.27	SBF - Abra Suite Payroll
AFLAC	8/13/2015	25104	282.28	07/01-31/15 Acct#HJ582 EE Elected Insurance
AFLAC	8/25/2015	25147	282.28	08/01-31/15 Acct#HJ582 EE Elected Insurance
AGP VIDEO, INC	8/13/2015	25105	1,225.00	07/01-31/15 CH20 Ops & Mgt/Video Production BOD Mtg/Stream
ALLIED ADMIN - DELTA DENTAL	8/13/2015	25106	913.84	09/01-30/15 ID#07917-7535 Dental Plan
AM SUN SOLAR INC.	8/25/2015	25148	1,000.00	08/06/15 Deposit - Station 15-SB Solar Power Project
ANN KUDART, LOCSO ADMIN PETTY CASH CUSTODIAN	8/13/2015	25130	58.40	06/01-30/15 Reimbursements (mileage/postage)
ANN KUDART, LOCSO ADMIN PETTY CASH CUSTODIAN	8/13/2015		42.84	07/01-31/15 Reimbursements (mileage)
AT&T	8/13/2015	25108	339.19	06/17/15-06/16/15 8055289370540 Telephone Service-Office
AT&T	8/13/2015		17.12	06/17/15-07/16/15 8055282274491 Telemetry Line
AT&T	8/13/2015		17.12	06/17/15-07/16/15 8055282415490 Telemetry Line
AT&T	8/13/2015		17.12	06/17/15-07/16/15 8055282493492 Telemetry Line
AT&T	8/13/2015		17.12	06/17/15-07/16/15 8055283267488 Telemetry Line
AT&T	8/13/2015		179.32	06/17/15-07/16/15 8055284452274 FAX & Telephone Lines
AT&T	8/13/2015		34.10	06/17/15-07/16/15 8055285492363 Telemetry Lines (2)
AT&T	8/13/2015		17.44	06/17/15-07/16/15 8055287329774 Telemetry Line
AT&T	8/13/2015		17.12	06/17/15-07/16/15 8055349623489
AT&T	8/13/2015		17.44	06/17/15-07/16/45 8055349459391 Telemetry Line
AT&T	8/13/2015		195.77	06/20/15-07/19/15 2343718859714 Telephone Service
AT&T	8/13/2015		68.06	06/20/15-07/19/15 2388410199516 Telephone Service
AT&T	8/13/2015	25109	100.86	07/22/15-08/21/15 Acct#134994840 Internet & Tele Service-SB
BARNETT COX & ASSOCIATES	8/25/2015	25149	2,014.01	07/01-31/15 Water Conservation Marketing Campaign Services
BARNETT COX & ASSOCIATES	8/25/2015		1,100.86	07/31/15 Design/Installation - Wrap 2015 Utility Truck Bed
BRIDGELINE DIGITAL, INC.	8/25/2015	25155	162.00	09/01-30/15 #012-LOS002-0001-00 Website Hosting/Application
BROWNSTEIN, HYATT, FARBER, SCHRECK	8/25/2015	25150	803.40	07/31/15 Legal Services - ISJ
BURTON'S FIRE, INC	8/25/2015	25151	36.62	08/11/15 Cover - Fire Engine
CA EMPLOYMENT DEVELOPMENT DEPT	8/7/2015	PD080715_EDD	1,326.45	07/20/15-08/02/15 State Payroll Taxes
CA PUBLIC EMPL RET SYSTEM	8/7/2015	PD080715_PERSR...	4,979.79	07/20/15-08/02/15 Retirement Earned
CA PUBLIC EMPL RET SYSTEM	8/25/2015	PD082115_PERSR...	5,039.73	08/03/15-08/16/15 Retirement Earned
CA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	7/14/2015	CalPERSMed1796...	5,863.70	08/01-31/15 CalPERS Health Plan
CALPERS 457	8/7/2015	PD080715_457	1,445.00	07/20/15-08/02/15 SIP457 Contributions
CALPERS 457	8/25/2015	PD082115_457	1,445.00	08/03/15-08/16/15 SIP457 Contributions
CENTRAL COAST CPR	8/13/2015	25110	960.00	08/02/15 CPR Training (24 students)



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Check/Voucher Register - Warrant Register by Vendor  
From 8/1/2015 Through 8/31/2015

Vendor Name	Check Date	Check Number	Check Amount	Transaction Description
CHARTER COMMUNICATIONS	8/25/2015	25152	225.00	08/28/15-09/27/15 Acct#8245101120119577 Internet Service
CRYSTAL SPRINGS WATER	8/13/2015	25112	46.10	07/01-31/15 Acct#057427 Water Delivery
DE LANGE LANDEN FINANCIAL SERVICES	8/25/2015	25160	375.18	08/01-31/15 Acct#630919 Sharp Copier Lease
DE LANGE LANDEN FINANCIAL SERVICES	8/25/2015		110.60	08/15/15 Acct#630919 Property Tax & Admin Fee
DEPARTMENT OF THE TREASURY	8/7/2015	PD080715_IRS	3,905.94	07/20/15-08/02/15 Federal Payroll Taxes
EARTH SYSTEMS PACIFIC	8/13/2015	25113	1,330.50	07/15/15 Compaction Testing Service - Bayridge Project
EARTH SYSTEMS PACIFIC	8/25/2015	25154	1,240.00	07/31/15 Cust#LOOSCOSEDI Soil Compact Testing - Bayridge
ERNEST PACKAGING SOLUTIONS	8/13/2015	25114	308.16	07/29/15 Cust#CAL059 Cleaning & Vehical Maint Supplies
EXECUTIVE JANITORIAL CORP	8/25/2015	25156	302.00	08/01-31/15 Janitorial Services
FERGUSON ENTERPRISES, INC	8/13/2015	25115	1,618.15	08/10/15 Cust#725053 Supplies - Water Service Lines
FORMS 2020	8/13/2015	25116	141.34	07/27/15 Acct#1012 Utility Billing Paper (5000)
FRANK ASUNCION	8/13/2015	25107	175.00	07/24/15 Reimbursement (Asuncion-Safety Boots Allowance)
GE CAPITAL	8/25/2015	25157	93.53	09/03/15-10/02/15 ID#90136374384 Copier Lease/Service Cont
GEORGE CONTENTO	8/25/2015	25153	2,000.00	09/01-30/15 Rent - Admin/Utilities Offices
HUMANA INSURANCE COMPANY	8/25/2015	25158	207.00	09/01-30/15 ID#732930-001 Insurance
ITRON, INC.	8/25/2015	25159	732.75	09/01/15-11/30/15 #SC00001696 Maintenance - HW/SW Handhelds
JACK STEPHENSON	8/25/2015	25172	8.34	08/14/15 Reimbursement - Overpayment Final Water Bill
JASON ZATT	8/13/2015	25142	60.00	07/29/15 Reimbursement (Zatt - D2 Certification)
JASON ZATT	8/13/2015		60.00	07/29/15 Reimbursement (Zatt - T2 Certification)
JEFF COORDT	8/13/2015	25111	72.18	08/13/15 Reimbursement - Overpayment Final Water Bill
JEFFREY LORING	8/25/2015	25161	6.06	08/14/15 Reimbursement - Overpayment Final Water Bill
JEROME WHITE, ARCHITECT	8/25/2015	25177	400.00	08/18/15 Architectural Services - Wateryard
KITZMAN WATER, INC.	8/13/2015	25117	77.50	07/01-31/15 Acct#72975 Softwater Service
L N CURTIS	8/13/2015	25118	664.25	07/20/15 Cust#832 Fire Personal Protection Equipment
L N CURTIS	8/13/2015		413.88	08/04/15 Cust#832 Fire Personal Protection Equipment
LOS OSOS CHEVRON	8/13/2015	25141	1,253.18	07/01-31/15 Gasoline/Diesel - Fleet Vehicles
McAFEE, INC.	8/13/2015	25119	50.00	08/01-31/15 IT Services - MFE SaaS Email Protection
MID COAST FIRE PROTECTION INC	8/25/2015	25162	734.55	08/12/15 Fire Extinguisher Services (26)
MINER'S ACE HARDWARE	8/13/2015	25120	593.72	07/01-31/15 Acct#143640 Supplies/Maint/Equip/Tools/Parts
MINER'S ACE HARDWARE	8/13/2015	25122	341.42	07/01-31/15 Cust#121480 Supplies/Maint/Equip/Tools/Parts
MINER'S ACE HARDWARE	8/13/2015	25123	214.95	07/12/15 Cust#121480 Smoke/CO2 Detectors
MISSION COUNTRY DISPOSAL	8/13/2015	25121	103.00	08/01-31/15 Acct#41305101854 Trash Service
MISSION COUNTRY DISPOSAL	8/13/2015	25124	86.76	08/01-31/15 Acct#41305101023 Trash Service
MISSION LINEN SUPPLY	8/13/2015	25125	18.19	07/06/15 Acct#51205-0 Janitorial Supplies (towel roll/rags)
MISSION LINEN SUPPLY	8/13/2015		18.19	07/23/15 Acct#51205-0 Janitorial Supplies (coveralls/towels)
NATHANIEL PALL	8/13/2015	25143	175.00	08/11/15 Reimbursement (Pall - Safety Boots)
NATIONAL METER & AUTOMATION, INC.	8/13/2015	25126	5,764.68	08/04/15 Cust#2738 LF25 Meters w/ERT (24)

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Check/Voucher Register - Warrant Register by Vendor  
From 8/1/2015 Through 8/31/2015

Vendor Name	Check Date	Check Number	Check Amount	Transaction Description
NICK'S TELECOM	8/25/2015	25163	90.00	08/07/15 Vehicle Repair/Maint (B3411 light)
NOBLE SAW, INC.	8/13/2015	25127	4.65	08/03/15 Cust#7268 Repair & Maint - saw
OASIS EQUIPMENT RENTAL	8/13/2015	25128	3.17	08/04/15 Safety Supplies
OFFICE DEPOT INC	8/25/2015	25164	375.84	07/01-31/15 Acct#28702448 General Office Supplies
PACIFIC DATA MARKETING	8/13/2015	25129	97.50	07/14/15 Remote Support - ABRA Payroll
PACIFIC DATA MARKETING	8/25/2015	25165	243.75	07/27/15-08/06/15 ABRA Payroll Remote Support
PG&E	8/13/2015	25131	7,954.56	06/22/15-07/20/15 Acct#7954162233-2 Electric Service
POSTMASTER	8/13/2015	25132	130.00	09/01/15-08/31/16 PO Box Service Fee
PRP COMPANIES	8/13/2015	25133	790.53	07/30/15 Envelopes - Water Billing (10,000)
PRP COMPANIES	8/25/2015	25166	388.24	08/11/15 Uniform/Gear (Utility Shirts)
SELECT BUSINESS SYSTEMS	8/13/2015	25134	172.72	07/01-31/15 Cust#400356 Contract Overage Charge
SHIPSEY & SEITZ INC	8/13/2015	25146	17,674.60	07/01-31/15 Acct#268M Legal Services
SLO COUNTY DEPARTMENT OF PUBLIC WORKS	8/25/2015	25168	2,322.79	07/31/15 405R979032 Water Quality Testing
SLO COUNTY EMPLOYEES ASSOC	8/13/2015	25135	104.64	07/20/15-08/02/15 SLOCEA Dues
SLO COUNTY EMPLOYEES ASSOC	8/25/2015	25167	105.84	08/03/15-08/16/15 SLOCEA Dues
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT	8/25/2015	25170	2,277.00	07/31/15 Brine Disposal Services - SB Well
SPECIALTY CONSTRUCTION, INC.	8/13/2015	25136	120,621.50	07/24/15 Phase 1 Bayridge Maint - Pmt 01/Proj 215106
SPEED'S OIL TOOL SERVICE, INC	8/13/2015	25137	1,128.00	07/22/15 Brine Disposal Trucking Service - SB Well
SPEED'S OIL TOOL SERVICE, INC	8/25/2015	25169	384.00	07/27/15 Brine Disposal Trucking Service - SB Well
SPEED'S OIL TOOL SERVICE, INC	8/25/2015		384.00	08/07/15 Brine Disposal Trucking Service - SB Well
STANLEY CONVERGENT SECURITY SOLUTIONS	8/25/2015	25171	432.60	09/01/15-11/30/15 Acct#1371001227 Monitoring/Maintenance
TECHXPRESS INC	8/25/2015	25173	1,419.00	09/01-30/15 IT Support/Cloud BURD Service Plan
THE GAS COMPANY	8/13/2015	25138	47.21	06/24/15-07/24/15 Acct#14941522279 Trash Service
UNITED RENTALS, INC.	8/13/2015	25139	1,274.10	07/28/15-07/31/15 Cust#644067 Water Truck Rental-dead end fl
US BANK	8/13/2015	25140	41,600.98	06/30/15 Prepaid Wastewater Assessments
USA BLUE BOOK	8/25/2015	25174	283.07	08/05/15 Cust#922782 Parts (Stenner Pump)
VERIZON WIRELESS	8/25/2015	25175	520.68	07/08/15-08/07/15 Acct#472454582-00001 Cellular Service
VISION SERVICE PLAN	8/25/2015	25176	372.84	08/01/15-09/30/15 Acct#121302260001 Vision Insurance
WALLACE GROUP	8/13/2015	25144	6,085.28	07/01-31/15 Engineering Services (Fire/Bayridge/Drainage/ISJ)
WALLACE GROUP	8/13/2015	25145	21,791.35	07/01-31/15 Engineering Services - Bayridge Sewer Improve
Report Total			329,701.73	

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Check/Voucher Register - Warrant Register by Check Number  
From 8/1/2015 Through 8/31/2015

Check Number	Check Date	Vendor Name	Check Amount	Transaction Description
25104	8/13/2015	AFLAC	282.28	07/01-31/15 Acct#HJ582 EE Elected Insurance
25105	8/13/2015	AGP VIDEO, INC	1,225.00	07/01-31/15 CH20 Ops & Mgt/Video Production BOD Mtg/Stream
25106	8/13/2015	ALLIED ADMIN - DELTA DENTAL	913.84	09/01-30/15 ID#07917-7535 Dental Plan
25107	8/13/2015	FRANK ASUNCION	175.00	07/24/15 Reimbursement (Asuncion-Safety Boots Allowance)
25108	8/13/2015	AT&T	339.19	06/17/15-06/16/15 8055289370540 Telephone Service-Office
	8/13/2015	AT&T	17.12	06/17/15-07/16/15 8055282274491 Telemetry Line
	8/13/2015	AT&T	17.12	06/17/15-07/16/15 8055282415490 Telemetry Line
	8/13/2015	AT&T	17.12	06/17/15-07/16/15 8055282493492 Telemetry Line
	8/13/2015	AT&T	17.12	06/17/15-07/16/15 8055283267488 Telemetry Line
	8/13/2015	AT&T	179.32	06/17/15-07/16/15 8055284452274 FAX & Telephone Lines
	8/13/2015	AT&T	34.10	06/17/15-07/16/15 8055285492363 Telemetry Lines (2)
	8/13/2015	AT&T	17.44	06/17/15-07/16/15 8055287329774 Telemetry Line
	8/13/2015	AT&T	17.12	06/17/15-07/16/15 8055349623489
	8/13/2015	AT&T	17.44	06/17/15-07/16/45 8055349459391 Telemetry Line
	8/13/2015	AT&T	195.77	06/20/15-07/19/15 2343718859714 Telephone Service
	8/13/2015	AT&T	68.06	06/20/15-07/19/15 2388410199516 Telephone Service
25109	8/13/2015	AT&T	100.86	07/22/15-08/21/15 Acct#134994840 Internet & Tele Service-SB
25110	8/13/2015	CENTRAL COAST CPR	960.00	08/02/15 CPR Training (24 students)
25111	8/13/2015	JEFF COORDT	72.18	08/13/15 Reimbursement - Overpayment Final Water Bill
25112	8/13/2015	CRYSTAL SPRINGS WATER	46.10	07/01-31/15 Acct#057427 Water Delivery
25113	8/13/2015	EARTH SYSTEMS PACIFIC	1,330.50	07/15/15 Compaction Testing Service - Bayridge Project
25114	8/13/2015	ERNEST PACKAGING SOLUTIONS	308.16	07/29/15 Cust#CAL059 Cleaning & Vehical Maint Supplies
25115	8/13/2015	FERGUSON ENTERPRISES, INC	1,618.15	08/10/15 Cust#725053 Supplies - Water Service Lines
25116	8/13/2015	FORMS 2020	141.34	07/27/15 Acct#1012 Utility Billing Paper (5000)
25117	8/13/2015	KITZMAN WATER, INC.	77.50	07/01-31/15 Acct#72975 Softwater Service
25118	8/13/2015	L N CURTIS	664.25	07/20/15 Cust#832 Fire Personal Protection Equipment
	8/13/2015	L N CURTIS	413.88	08/04/15 Cust#832 Fire Personal Protection Equipment
25119	8/13/2015	McAFEE, INC.	50.00	08/01-31/15 IT Services - MFE SaaS Email Protection
25120	8/13/2015	MINER'S ACE HARDWARE	593.72	07/01-31/15 Acct#143640 Supplies/Maint/Equip/Tools/Parts
25121	8/13/2015	MISSION COUNTRY DISPOSAL	103.00	08/01-31/15 Acct#41305101854 Trash Service
25122	8/13/2015	MINER'S ACE HARDWARE	341.42	07/01-31/15 Cust#121480 Supplies/Maint/Equip/Tools/Parts
25123	8/13/2015	MINER'S ACE HARDWARE	214.95	07/12/15 Cust#121480 Smoke/CO2 Detectors
25124	8/13/2015	MISSION COUNTRY DISPOSAL	86.76	08/01-31/15 Acct#41305101023 Trash Service
25125	8/13/2015	MISSION LINEN SUPPLY	18.19	07/06/15 Acct#51205-0 Janitorial Supplies (towel roll/rags)

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
 Check/Voucher Register - Warrant Register by Check Number  
 From 8/1/2015 Through 8/31/2015

Check Number	Check Date	Vendor Name	Check Amount	Transaction Description
	8/13/2015	MISSION LINEN SUPPLY	18.19	07/23/15 Acct#51205-0 Janitorial Supplies (coveralls/towels)
25126	8/13/2015	NATIONAL METER & AUTOMATION, INC.	5,764.68	08/04/15 Cust#2738 LF25 Meters w/ERT (24)
25127	8/13/2015	NOBLE SAW, INC.	4.65	08/03/15 Cust#7268 Repair & Maint - saw
25128	8/13/2015	OASIS EQUIPMENT RENTAL	3.17	08/04/15 Safety Supplies
25129	8/13/2015	PACIFIC DATA MARKETING	97.50	07/14/15 Remote Support - ABRA Payroll
25130	8/13/2015	ANN KUDART, LOCS D ADMIN PETTY CASH CUSTODIAN	58.40	06/01-30/15 Reimbursements (mileage/postage)
	8/13/2015	ANN KUDART, LOCS D ADMIN PETTY CASH CUSTODIAN	42.84	07/01-31/15 Reimbursements (mileage)
25131	8/13/2015	PG&E	7,954.56	06/22/15-07/20/15 Acct#7954162233-2 Electric Service
25132	8/13/2015	POSTMASTER	130.00	09/01/15-08/31/16 PO Box Service Fee
25133	8/13/2015	PRP COMPANIES	790.53	07/30/15 Envelopes - Water Billing (10,000)
25134	8/13/2015	SELECT BUSINESS SYSTEMS	172.72	07/01-31/15 Cust#400356 Contract Overage Charge
25135	8/13/2015	SLO COUNTY EMPLOYEES ASSOC	104.64	07/20/15-08/02/15 SLOCEA Dues
25136	8/13/2015	SPECIALTY CONSTRUCTION, INC.	120,621.50	07/24/15 Phase 1 Bayridge Maint - Pmt 01/Proj 215106
25137	8/13/2015	SPEED'S OIL TOOL SERVICE, INC	1,128.00	07/22/15 Brine Disposal Trucking Service - SB Well
25138	8/13/2015	THE GAS COMPANY	47.21	06/24/15-07/24/15 Acct#14941522279 Trash Service
25139	8/13/2015	UNITED RENTALS, INC.	1,274.10	07/28/15-07/31/15 Cust#644067 Water Truck Rental-dead end fl
25140	8/13/2015	US BANK	41,600.98	06/30/15 Prepaid Wastewater Assessments
25141	8/13/2015	LOS OSOS CHEVRON	1,253.18	07/01-31/15 Gasoline/Diesel - Fleet Vehicles
25142	8/13/2015	JASON ZATT	60.00	07/29/15 Reimbursement (Zatt - D2 Certification)
	8/13/2015	JASON ZATT	60.00	07/29/15 Reimbursement (Zatt - T2 Certification)
25143	8/13/2015	NATHANIEL PALL	175.00	08/11/15 Reimbursement (Pall - Safety Boots)
25144	8/13/2015	WALLACE GROUP	6,085.28	07/01-31/15 Engineering Services (Fire/Bayridge/Drainage/ISJ)
25145	8/13/2015	WALLACE GROUP	21,791.35	07/01-31/15 Engineering Services - Bayridge Sewer Improveme
25146	8/13/2015	SHIPSEY & SEITZ INC	17,674.60	07/01-31/15 Acct#268M Legal Services
25147	8/25/2015	AFLAC	282.28	08/01-31/15 Acct#HJ582 EE Elected Insurance
25148	8/25/2015	AM SUN SOLAR INC.	1,000.00	08/06/15 Deposit - Station 15-SB Solar Power Project
25149	8/25/2015	BARNETT COX & ASSOCIATES	2,014.01	07/01-31/15 Water Conservation Marketing Campaign Services
	8/25/2015	BARNETT COX & ASSOCIATES	1,100.86	07/31/15 Design/Installation - Wrap 2015 Utility Truck Bed
25150	8/25/2015	BROWNSTEIN, HYATT, FARBER, SCHRECK	803.40	07/31/15 Legal Services - ISJ
25151	8/25/2015	BURTON'S FIRE, INC	36.62	08/11/15 Cover - Fire Engine
25152	8/25/2015	CHARTER COMMUNICATIONS	225.00	08/28/15-09/27/15 Acct#8245101120119577 Internet Service
25153	8/25/2015	GEORGE CONTENTO	2,000.00	09/01-30/15 Rent - Admin/Utilities Offices

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
 Check/Voucher Register - Warrant Register by Check Number  
 From 8/1/2015 Through 8/31/2015

Check Number	Check Date	Vendor Name	Check Amount	Transaction Description
25154	8/25/2015	EARTH SYSTEMS PACIFIC	1,240.00	07/31/15 Cust#LOOSCOSEDI Soil Compact Testing - Bayridge
25155	8/25/2015	BRIDGELINE DIGITAL, INC.	162.00	09/01-30/15 #012-LOS002-0001-00 Website Hosting/Application
25156	8/25/2015	EXECUTIVE JANITORIAL CORP	302.00	08/01-31/15 Janitorial Services
25157	8/25/2015	GE CAPITAL	93.53	09/03/15-10/02/15 ID#90136374384 Copier Lease/Service Cont
25158	8/25/2015	HUMANA INSURANCE COMPANY	207.00	09/01-30/15 ID#732930-001 Insurance
25159	8/25/2015	ITRON, INC.	732.75	09/01/15-11/30/15 #SC00001696 Maintenance - HW/SW Handhelds
25160	8/25/2015	DE LANGE LANDEN FINANCIAL SERVICES	375.18	08/01-31/15 Acct#630919 Sharp Copier Lease
	8/25/2015	DE LANGE LANDEN FINANCIAL SERVICES	110.60	08/15/15 Acct#630919 Property Tax & Admin Fee
25161	8/25/2015	JEFFREY LORING	6.06	08/14/15 Reimbursement - Overpayment Final Water Bill
25162	8/25/2015	MID COAST FIRE PROTECTION INC	734.55	08/12/15 Fire Extinguisher Services (26)
25163	8/25/2015	NICK'S TELECOM	90.00	08/07/15 Vehicle Repair/Maint (B3411 light)
25164	8/25/2015	OFFICE DEPOT INC	375.84	07/01-31/15 Acct#28702448 General Office Supplies
25165	8/25/2015	PACIFIC DATA MARKETING	243.75	07/27/15-08/06/15 ABRA Payroll Remote Support
25166	8/25/2015	PRP COMPANIES	388.24	08/11/15 Uniform/Gear (Utility Shirts)
25167	8/25/2015	SLO COUNTY EMPLOYEES ASSOC	105.84	08/03/15-08/16/15 SLOCEA Dues
25168	8/25/2015	SLO COUNTY DEPARTMENT OF PUBLIC WORKS	2,322.79	07/31/15 405R979032 Water Quality Testing
25169	8/25/2015	SPEED'S OIL TOOL SERVICE, INC	384.00	07/27/15 Brine Disposal Trucking Service - SB Well
	8/25/2015	SPEED'S OIL TOOL SERVICE, INC	384.00	08/07/15 Brine Disposal Trucking Service - SB Well
25170	8/25/2015	SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT	2,277.00	07/31/15 Brine Disposal Services - SB Well
25171	8/25/2015	STANLEY CONVERGENT SECURITY SOLUTIONS	432.60	09/01/15-11/30/15 Acct#1371001227 Monitoring/Maintenance
25172	8/25/2015	JACK STEPHENSON	8.34	08/14/15 Reimbursement - Overpayment Final Water Bill
25173	8/25/2015	TECHXPRESS INC	1,419.00	09/01-30/15 IT Support/Cloud BURD Service Plan
25174	8/25/2015	USA BLUE BOOK	283.07	08/05/15 Cust#922782 Parts (Stenner Pump)
25175	8/25/2015	VERIZON WIRELESS	520.68	07/08/15-08/07/15 Acct#472454582-00001 Cellular Service
25176	8/25/2015	VISION SERVICE PLAN	372.84	08/01/15-09/30/15 Acct#121302260001 Vision Insurance
25177	8/25/2015	JEROME WHITE, ARCHITECT	400.00	08/18/15 Architectural Services - Wateryard
CalPERSMed1796...	7/14/2015	CA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	5,863.70	08/01-31/15 CalPERS Health Plan
PD080715_457	8/7/2015	CALPERS 457	1,445.00	07/20/15-08/02/15 SIP457 Contributions
PD080715_EDD	8/7/2015	CA EMPLOYMENT DEVELOPMENT DEPT	1,326.45	07/20/15-08/02/15 State Payroll Taxes
PD080715_IRS	8/7/2015	DEPARTMENT OF THE TREASURY	3,905.94	07/20/15-08/02/15 Federal Payroll Taxes
PD080715_PERSR...	8/7/2015	CA PUBLIC EMPL RET SYSTEM	4,979.79	07/20/15-08/02/15 Retirement Earned
PD082115_457	8/25/2015	CALPERS 457	1,445.00	08/03/15-08/16/15 SIP457 Contributions

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
 Check/Voucher Register - Warrant Register by Check Number  
 From 8/1/2015 Through 8/31/2015

<u>Check Number</u>	<u>Check Date</u>	<u>Vendor Name</u>	<u>Check Amount</u>	<u>Transaction Description</u>
PD082115_PERSR...	8/25/2015	CA PUBLIC EMPL RET SYSTEM	5,039.73	08/03/15-08/16/15 Retirement Earned
PPECSD080215	8/7/2015		19,804.15	CSD - Abra Suite Payroll
PPECSD081615	8/21/2015		20,398.15	CSD - Abra Suite Payroll
PPESBF080215	8/7/2015		3,331.64	SBF - Abra Suite Payroll
PPESBF081615	8/21/2015		3,141.27	SBF - Abra Suite Payroll
Report Total			329,701.73	

## **ITEM 4**

# **REVIEW OF BOARD ITEM REGARDING PRIOR YEAR EXPENDITURES**

**RESERVE STATEMENT**  
**Effective June 30, 2015**

Acct Code	Category & Fund	Beginning BALANCE 06/30/2013	Budget FY 2013/2014	Additions (Other uses)	Gain/ (Use) FY 2013/2014	Total FY 2013/2014	Adopted Budget FY 2014/2015	Gain/ (Use) FY 2014/2015	Total FY 2014/2015	Adopted Budget FY 2015/2016	Additions (other uses)	Gain/ (Use) FY 2015/2016	Projected Ending BALANCE
<b>100 - Administration</b>													
3111	General Contingency Reserve	20,918				20,918	(17,947)	75	3,047				3,047
3164	Information Technology Reserve	28,741				28,741		175	28,916				28,916
3166	Septic Maintenance Reserve (Fire Station)	15,801				15,801		1,500	17,300				17,300
	<b>Total - 100 - Administration</b>	<b>\$65,460</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$65,460</b>	<b>(\$17,947)</b>	<b>\$1,750</b>	<b>\$49,263</b>				<b>49,263</b>
<b>200 - Bayridge Estates</b>													
3109	Septic System Decommission Reserve	0	\$8,000			\$8,000	\$8,000	31	\$16,031	8,000			24,031
<b>301 - Fire</b>													
3110	Replacement Reserve - Vehicle, Equip & Fire Engines	247,962	109,099		35,792	392,853	92,206	645	485,703	53,334			539,037
3111	General Contingency Reserve	61,381				61,381		1,942	63,323				63,323
3115	Public Facilities Fee Reserve	51,193				51,193		153	51,346	12,718			64,064
3160	Capital Outlay Reserve	613,873				613,873		837	614,710	38,152			652,862
	<b>Total - 301 - Fire</b>	<b>\$974,409</b>	<b>\$109,099</b>	<b>\$0</b>	<b>\$35,792</b>	<b>\$1,119,300</b>	<b>\$92,206</b>	<b>\$3,576</b>	<b>\$1,215,082</b>				<b>1,319,286</b>
<b>400 - Vista de Oro</b>													
3193	Reserve - Internal Loan	1,517.00	2 \$30,000	(\$1,567)	(\$15,151)	\$14,799		(\$11,432)	\$3,367				3,367
<b>500 - Water</b>													
3050	Water Quality Trust Reserve	91,517				91,517			91,517				91,517
3110	Replacement Reserve - Vehicle, Equip & Fire Engines	42,197				42,197		(42,197)	0				0
3111	General Contingency Reserve	178,783	25,000	30,000	(30,000)	203,783	25,000	(31,801)	196,982	25,000			221,982
3160	Capital Outlay Reserve	493,407	65,000		665	559,072	65,000	(57,258)	566,814	65,000		(125,000)	506,814
3163	Water Stabilization Reserve	128,856	32,000			160,856	32,000		192,856	32,000			224,856
3165	Basin Management Plan Reserve	39,288				39,288			39,288				39,288
3167	Water Conservation Reserve	25,031				25,031		(20,000)	5,031				5,031
	<b>Total - 500 - Water</b>	<b>\$999,079</b>	<b>\$122,000</b>	<b>\$30,000</b>	<b>(\$29,335)</b>	<b>\$1,121,744</b>	<b>\$122,000</b>	<b>(\$151,256)</b>	<b>\$1,092,488</b>				<b>1,089,488</b>
<b>600 - Wastewater Enterprise</b>													
3191	Restricted Funds-SRF	1,407,913		(9,439)	(1,405,977)	1,936	(1,935)		0				0



**RESERVE STATEMENT**  
**Effective June 30, 2015**

Acct Code	Category & Fund	Beginning BALANCE 06/30/2013	Budget FY 2013/2014	Additions (Other uses)	Gain/ (Use) FY 2013/2014	Total FY 2013/2014	Adopted Budget FY 2014/2015	Gain/ (Use) FY 2014/2015	Total FY 2014/2015	Adopted Budget FY 2015/2016	Additions (other uses)	Gain/ (Use) FY 2015/2016	Projected Ending BALANCE
<b>602 - Wastewater Fiduciary</b>													
3091	Restricted-2002 Bond Redemption Reserve	726,664	1 25,000		6,435	758,100	4,000	99,066	861,166				861,166
3120	LOCSD Community Fund	0	4		173,995	173,995		(2,147)	171,848				171,848
3159	Prepaid Assessment Reserve					142,670	(6,192)	166	136,643			2,946	139,589
3161	Disputed Reserve Fund				103,103	103,103		(100)	103,003				103,003
	<b>Total - 602 - WW Fiduciary</b>	<b>\$726,664</b>	<b>\$25,000</b>	<b>\$0</b>	<b>\$283,533</b>	<b>\$1,177,868</b>	<b>(\$2,192)</b>	<b>\$96,985</b>	<b>\$1,272,661</b>				<b>1,275,607</b>
<b>650 - Solid Waste</b>													
3111	General Contingency Reserve	\$186,052	7	\$16,479	\$246	\$202,777	(\$37,914)	\$542	\$165,405				165,405
<b>800 - Drainage</b>													
3111	General Contingency Reserve	27,238	5,000			32,238	5,000	553	37,791	5,000			42,791
3160	Capital Outlay Reserve	184,995	10,000		60	195,055	10,000	276	205,331	10,000			215,331
	<b>Total - 800 - Drainage</b>	<b>\$212,233</b>	<b>\$15,000</b>	<b>\$0</b>	<b>\$60</b>	<b>\$227,293</b>	<b>\$15,000</b>	<b>\$829</b>	<b>\$243,123</b>				<b>258,123</b>
<b>900 - Parks &amp; Recreation</b>													
3090	Restricted Pool Funds	\$303,838	5	\$0	\$918	\$304,756	\$0	\$577	\$305,333				305,333
						<b>\$4,241,999</b>			<b>\$4,362,753</b>				<b>\$4,489,903</b>

- 1 Managed by US Bank**
- 2 Internal Loan from Water Reserves**
- 3 CD Matures 03/18/2016**
- 4 Managed by Community Foundation**
- 5 Beginning Balance adjusted based on LAIF**
- 6 Authorized use: \$60,000; interest: \$2,742**
- 7 Reserve adjustment from FY 2011/2012 & FY 2013/2014**
- 8 Authorized use: \$32,803; interest: \$1,002**
- 9 Bank Analysis Fee Charge**
- 10 Loss on investment**

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
<b>Revenues</b>				
Property Taxes				
Total Property Taxes	<u>1,762,613</u>	<u>1,839,726</u>	<u>1,832,969</u>	<u>1,911,078</u>
Grant Revenue				
Total Grant Revenue	<u>653,980</u>	<u>48,915</u>	<u>1,500</u>	<u>592,272</u>
Service Charges & Fees				
Total Service Charges & Fees	<u>1,924,100</u>	<u>2,172,872</u>	<u>1,926,400</u>	<u>1,771,756</u>
Special Taxes & Assessments				
Total Special Taxes & Assessments	<u>1,842,683</u>	<u>659,149</u>	<u>1,843,555</u>	<u>1,871,155</u>
Other Revenues				
Total Other Revenues	<u>3,729,562</u>	<u>928,591</u>	<u>78,834</u>	<u>90,322</u>
Use of Money & Property				
Total Revenues	<u>9,988,143</u>	<u>(10,699,593)</u>	<u>5,686,226</u>	<u>6,251,390</u>
<b>Expenditures</b>				
Personnel				
Salaries/Wages	745,798	705,909	772,086	769,208
Payroll Taxes & Benefits	229,083	227,275	231,554	238,689
Employment Services	24,333	26,330	46,334	43,370
Total Personnel	<u>999,214</u>	<u>959,514</u>	<u>1,049,974</u>	<u>1,051,267</u>
Services and Supplies				
Clothing & Uniform	5,800	5,737	7,700	5,857
Contract Services	1,795,152	1,756,064	1,859,986	1,821,065
Equipment & Tools	61,794	63,450	55,258	124,160
Financial Services	15,440	22,069	6,400	23,193
Insurance, Licenses & Regulatory Fees	115,415	114,071	132,445	102,196
Legal & Professional	5,333,104	269,828	365,755	404,963

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Office/Operations	70,550	66,431	77,940	76,303
Other Expense	41,150	22,817	6,400	30,698
Rent & Utilities	242,311	183,649	263,530	184,548
Repairs & Maintenance	105,818	75,685	138,014	103,247
Travel & Training	13,150	10,863	12,750	8,702
Vehicle Maintenance & Repair	<u>23,265</u>	<u>20,100</u>	<u>24,550</u>	<u>16,921</u>
Total Services and Supplies	7,822,949	2,610,764	2,950,728	2,901,855
Capital Outlay				
	<u>359,756</u>	<u>113,042</u>	<u>460,274</u>	<u>326,500</u>
Total Capital Outlay	359,756	113,042	460,274	326,500
Debt Service				
	<u>1,413,935</u>	<u>138,549</u>	<u>1,456,762</u>	<u>1,453,828</u>
Total Debt Service	1,413,935	138,549	1,456,762	1,453,828
Reserves				
	<u>254,099</u>	<u>254,099</u>	<u>237,206</u>	<u>219,206</u>
Total Reserves	254,099	254,099	237,206	219,206
Transfers				
	<u>(1,405,977)</u>	<u>0</u>	<u>(70,481)</u>	<u>(192,506)</u>
Total Transfers	(1,405,977)	0	(70,481)	(192,506)
Total Expenditures	<u>9,443,976</u>	<u>4,075,968</u>	<u>6,084,462</u>	<u>5,760,151</u>
Net Revenues over Expenditures	<u>544,167</u>	<u>(14,775,562)</u>	<u>(398,236)</u>	<u>491,239</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

100 - 100 - Administration

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
<b>Revenues</b>				
Grant Revenue				
4944	0	(656)	0	0
	0	(656)	0	0
Service Charges & Fees				
4005	0	110	0	12
	0	110	0	12
Other Revenues				
4989	0	32	0	0
	0	32	0	0
	0	(515)	0	12
<b>Expenditures</b>				
Personnel				
Salaries/Wages				
7322	16,000	12,900	15,000	5,750
8018	0	7,828	0	9,013
8035	0	3,152	0	0
8045	9,600	11,406	7,503	3,928
8050	0	5,211	0	5,380
8051	0	1,724	0	2,260
8054	216,800	175,114	200,177	168,009
8056	0	343	0	551
8060	0	9,534	0	5,776
8081	0	21,705	0	12,178
	242,400	248,917	222,680	212,844
Payroll Taxes & Benefits				
5020	5,700	2,814	1,054	350
5030	2,000	1,724	1,670	2,186
5050	3,875	3,884	3,992	3,358
5060	16,100	17,011	24,000	23,544
5070	12,800	13,057	21,788	7,937

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

100 - 100 - Administration

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
5071 Retirement ER - Addl Pick-up	6,000	5,768	0	2,599
5075 Retirees Medical - ER	2,760	2,394	2,070	3,227
5102 CA Training Tax- ER	280	0	0	0
5120 Workers Comp Insurance - ER	4,300	2,588	7,805	5,486
5124 Retirement - ER - Tier 2	0	3,983	0	10,358
8511 Car Allowance	3,400	3,400	4,800	4,800
8530 Moving and Temp Living	7,000	7,000	0	0
Total Payroll Taxes & Benefits	<u>64,215</u>	<u>63,622</u>	<u>67,179</u>	<u>63,845</u>
Employment Services				
5100 Unemployment Insurance - ER	3,500	3,411	3,500	2,086
6200 Hiring, Advertising & Other Costs	1,500	1,573	500	521
6230 Medical Exam	220	220	220	140
6250 Temporary Agency Help	0	2,448	24,659	24,659
7347 Pension Services Expense	0	0	175	0
Total Employment Services	<u>5,220</u>	<u>7,651</u>	<u>29,054</u>	<u>27,406</u>
Total Personnel	311,835	320,191	318,913	304,095
Services & Supplies				
Contract Services				
6100 Labor & Support-IT Services	20,000	24,969	5,000	7,259
6110 IT Purchased Services	12,000	21,938	15,000	17,780
7100 Copier Contract-Maint & Usage	12,000	7,105	12,000	5,800
7255 Security Services	750	942	750	1,613
7321 Janitorial Cleaning & Supplies	1,900	1,781	2,200	2,156
7342 Public Meeting Recordings	14,500	14,155	13,500	14,435
Total Contract Services	<u>61,150</u>	<u>70,891</u>	<u>48,450</u>	<u>49,043</u>
Financial Services				
7309 Late Fees	0	30	0	0
7310 Bank Service Charges	100	8,218	100	0
Total Financial Services	<u>100</u>	<u>8,248</u>	<u>100</u>	<u>0</u>
Insurance, Licenses & Regulatory Fees				
6120 Computer Licenses	3,779	2,842	6,000	90
6340 Misc Fees	3,200	3,121	3,200	200

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

100 - 100 - Administration

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
6341 LAFCO Fees	18,256	18,256	29,977	18,928
6343 Lien & Notary Fees	0	0	0	30
7325 Insurance	<u>21,355</u>	<u>21,355</u>	<u>19,800</u>	<u>5,503</u>
Total Insurance, Licenses & Regulatory Fees	46,590	45,574	58,977	24,751
Legal & Professional				
7305 Auditing Services	16,400	16,450	17,900	13,000
7320 Professional & Consulting Services	0	0	0	2,857
7326 Legal Services	75,000	50,335	85,000	40,786
7340 Legal Notifications & Mandated Advertising	500	846	500	1,513
7343 Election Expense	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>10,594</u>
Total Legal & Professional	91,900	67,632	118,400	68,751
Office/Operations				
6121 IT-Supplies & Miscellaneous	500	0	500	280
6130 Computer Hardware	0	0	2,000	1,288
6140 Computer Software	0	0	0	90
7110 Copier Supplies	0	(2)	0	0
7140 General Supplies & Minor Equipment	5,000	7,827	6,000	5,166
7160 Postage, Shipping & Mail Supplies	4,000	3,951	4,000	1,836
7165 Office Supplies	100	0	0	0
7226 Membership & Dues	5,680	5,124	5,400	5,363
7230 Misc Small Parts & Supplies	100	0	0	20
7249 Safety Supplies	0	0	0	28
7332 Office Supplies	<u>0</u>	<u>596</u>	<u>0</u>	<u>0</u>
Total Office/Operations	15,380	17,496	17,900	14,070
Other Expense				
7025 Significant Value Purchase-General Use	1,000	917	0	0
7348 Water Conservation Program	0	35	0	0
8735 Misc Department Admin	<u>300</u>	<u>729</u>	<u>500</u>	<u>378</u>
Total Other Expense	1,300	1,681	500	378
Rent & Utilities				
6025 Telephone	4,300	4,261	4,300	3,180
7350 Rent - Meetings	6,000	6,582	6,000	4,296

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

100 - 100 - Administration

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015	
7352	Rent - Offices & Other Structures	15,000	13,440	14,880	12,000
8610	Electric	3,000	2,925	3,600	2,230
8620	Gas Service	250	161	240	86
8630	Trash Services	0	270	0	0
	Total Rent & Utilities	<u>28,550</u>	<u>27,640</u>	<u>29,020</u>	<u>21,791</u>
	Repairs & Maintenance				
6405	R & M - Extinguishers	100	80	100	34
6750	R & M - Minor Tools & Equipment	100	95	200	0
6900	R & M - Buildings & Structures	0	95	0	0
7130	Fax Maintenance	0	13	0	0
	Total Repairs & Maintenance	<u>200</u>	<u>282</u>	<u>300</u>	<u>34</u>
	Travel & Training				
7323	Books, Publications & Subscriptions	200	199	0	1,375
7324	Education & Training Fees	1,300	138	1,000	248
7334	Seminar & Conference Fees	500	0	0	350
8510	Lodging & Meals - Local	1,000	585	1,000	0
8512	Lodging & Meals - Out of County	1,000	351	0	0
8539	Meals	200	166	1,000	1,418
8541	Meals- Local Area - DIR	800	884	0	0
8550	Mileage Reimbursement & Parking	750	619	750	383
8551	Mileage Reimbursement & Parking- DIR	500	152	0	0
	Total Travel & Training	<u>6,250</u>	<u>3,093</u>	<u>3,750</u>	<u>3,774</u>
	Total Services & Supplies	<u>251,420</u>	<u>242,537</u>	<u>277,397</u>	<u>182,592</u>
	Capital Outlay				
9059	Vehicles, Equipment, & Fixtures	14,517	13,861	5,000	4,145
	Total Capital Outlay	<u>14,517</u>	<u>13,861</u>	<u>5,000</u>	<u>4,145</u>
	Transfers				
9410	Transfer In	(705,597)	(705,597)	(626,310)	(482,260)
9511	Interfund Transfer Out	25,000	25,000	4,000	4,000
	Total Transfers	<u>(680,597)</u>	<u>(680,597)</u>	<u>(622,310)</u>	<u>(478,260)</u>
	Total Expenditures	<u>(102,825)</u>	<u>(104,008)</u>	<u>(21,000)</u>	<u>12,571</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

100 - 100 - Administration

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Net Revenues over Expenditures	<u>102,825</u>	<u>103,494</u>	<u>21,000</u>	<u>(12,559)</u>



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

200 - 200 - Bayridge

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Revenues				
Property Taxes				
4035	6,688	7,412	7,227	7,676
	6,688	7,412	7,227	7,676
Special Taxes & Assessments				
4550	54,831	56,331	54,831	54,831
	54,831	56,331	54,831	54,831
Other Revenues				
4930	0	0	0	50
	0	0	0	50
Use of Money & Property				
4505	0	0	0	58
	0	0	0	58
	61,519	63,743	62,058	62,615
Expenditures				
Personnel				
Salaries/Wages				
8054	6,200	8,393	8,400	12,904
	6,200	8,393	8,400	12,904
Payroll Taxes & Benefits				
5010	2,480	2,971	2,500	4,494
	2,480	2,971	2,500	4,494
	8,680	11,364	10,900	17,398
Services & Supplies				
Contract Services				
7250	750	165	850	135
	750	165	850	135
Equipment & Tools				
7242	0	111	100	0
7253	0	0	0	53
	0	111	100	53

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

200 - 200 - Bayridge

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Insurance, Licenses & Regulatory Fees				
6342	1,000	970	1,044	1,044
6345	260	260	260	262
7325	<u>0</u>	<u>0</u>	<u>0</u>	<u>310</u>
	Total Insurance, Licenses & Regulatory Fees	1,230	1,304	1,616
Legal & Professional				
7320	500	1,250	500	3,004
7326	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,014</u>
	Total Legal & Professional	1,250	500	5,018
Office/Operations				
7160	64	0	70	0
7249	<u>0</u>	<u>30</u>	<u>0</u>	<u>26</u>
	Total Office/Operations	30	70	26
Rent & Utilities				
6000	160	129	160	179
8610	3,200	2,550	2,500	2,247
8645	12,000	6,240	12,000	7,180
8670	<u>6,100</u>	<u>4,704</u>	<u>6,100</u>	<u>4,807</u>
	Total Rent & Utilities	13,623	20,760	14,413
Repairs & Maintenance				
6405	12	18	12	10
6640	0	100	150	0
6750	30	51	100	1
6800	7,000	0	11,000	5,859
6900	<u>3,000</u>	<u>457</u>	<u>4,000</u>	<u>3,926</u>
	Total Repairs & Maintenance	626	15,262	9,795
Vehicle Maintenance & Repairs				
7211	400	504	500	411
7220	<u>700</u>	<u>648</u>	<u>800</u>	<u>507</u>
	Total Vehicle Maintenance & Repairs	1,152	1,300	918
	Total Services & Supplies	18,186	40,146	31,975

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

200 - 200 - Bavridqe

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Capital Outlay				
9006     Infrastructures & Improvements	0	0	7,700	12,468
Total Capital Outlay	0	0	7,700	12,468
Reserves				
9982     *Septic System Decommision Reserve	8,000	8,000	8,000	0
Total Reserves	8,000	8,000	8,000	0
Transfers				
9511     Interfund Transfer Out	6,798	6,798	5,407	4,272
Total Transfers	6,798	6,798	5,407	4,272
Total Expenditures	58,654	44,348	72,153	66,113
Net Revenues over Expenditures	2,865	19,395	(10,095)	(3,498)

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
<b>Revenues</b>				
Property Taxes				
4035	1,575,925	1,625,572	1,620,321	1,684,154
	Total Property Taxes	1,575,925	1,620,321	1,684,154
Grant Revenue				
4955	8,000	7,549	1,500	3,525
	Total Grant Revenue	8,000	1,500	3,525
Special Taxes & Assessments				
4015	22,500	0	22,500	22,500
4050	498,910	488,606	506,710	535,760
	Total Special Taxes & Assessments	521,410	529,210	558,260
Other Revenues				
4000	65,818	66,031	67,134	67,258
4055	10,000	8,700	4,000	0
4655	1,000	1,000	0	0
4929	0	0	0	1,716
4935	135	62	0	0
4989	0	2,849	0	0
	Total Other Revenues	76,953	71,134	68,973
Use of Money & Property				
4501	5	(23)	5	0
4505	0	0	1,963	13,086
4934	72,000	72,000	0	0
	Total Use of Money & Property	72,005	1,968	13,086
	Total Revenues	2,254,293	2,224,133	2,327,998
<b>Expenditures</b>				
Personnel				
Salaries/Wages				
8290	450	0	450	0
8295	3,000	8,360	3,330	7,721
8310	7,000	8,728	7,770	4,656

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

		Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
8330	Resv FF- Mutual Aid Coverage	100	241	100	0
8340	Resv FF-Shift Coverage	73,859	26,315	88,000	89,582
8345	Resv FF-Special Projects	3,500	3,925	3,500	4,505
8355	Resv FF- Training & Drills	14,359	16,014	12,000	10,322
8360	Resv FF-Weed Abatement	1,500	1,353	1,500	972
	Total Salaries/Wages	103,768	64,935	116,650	117,758
	Payroll Taxes & Benefits				
5021	FICA - Fire - ER	6,323	5,215	7,590	5,441
5030	Life Insurance - ER	2,950	0	3,000	2,173
5031	Disability Insurance	0	0	200	95
5051	Medicare - Reserves - ER	1,479	1,607	1,775	1,708
5120	Workers Comp Insurance - ER	7,200	4,837	5,720	4,418
5124	Retirement - ER - Tier 2	0	0	4,284	1,344
	Total Payroll Taxes & Benefits	17,952	11,659	22,569	15,178
	Employment Services				
5000	Medical Exams & Procedures	145	145	1,300	763
5101	Unemp. Costs - Reserves	8,680	6,439	8,680	6,684
6200	Hiring, Advertising & Other Costs	300	69	0	0
6230	Medical Exam	4,100	4,218	4,400	4,621
	Total Employment Services	13,225	10,871	14,380	12,068
	Total Personnel	134,945	87,465	153,599	145,003
	Services & Supplies				
	Clothing & Uniform				
7246	Uniform & Gear	2,000	2,212	2,500	2,556
7248	Uniform Safety Boots	1,000	1,159	2,000	2,000
	Total Clothing & Uniform	3,000	3,371	4,500	4,556
	Contract Services				
6100	Labor & Support-IT Services	0	0	0	158
6110	IT Purchased Services	0	977	1,200	2,589
7100	Copier Contract-Maint & Usage	1,700	1,700	1,380	1,641
7202	Building Alarms & Security	450	334	450	445
7204	Cleaning Supplies, Laundry & Towel Service	2,500	2,594	2,700	2,633

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
7222 Hazardous Materials CW JPA Cost	1,050	0	1,050	1,000
7500 Schedule A Charges	<u>1,647,499</u>	<u>1,625,286</u>	<u>1,709,966</u>	<u>1,709,966</u>
Total Contract Services	1,653,199	1,630,890	1,716,746	1,718,432
Equipment & Tools				
6055 Radios -Non Capital	4,070	2,111	1,750	1,743
6440 Fire Personal Protection Equipment	10,394	10,281	14,198	14,058
6460 Self-Contained Breathing Apparatus	4,500	2,507	5,500	4,764
6610 Rescue - Extrication Equipment	1,500	2,068	1,500	1,485
6630 Rope & Climbing Equipment	1,000	542	500	500
7234 Oxygen Supplies & Cylinder Rent	4,600	4,866	1,300	951
7238 Paramedic & EMT Small Tools & Supplies	11,500	12,428	14,860	14,858
7242 Minor Tools, Accessories & Field Machines	1,000	930	1,000	825
7252 Misc Hardware	0	0	8,200	7,916
7307 Office Tools, Accessories & Machines	<u>135</u>	<u>135</u>	<u>0</u>	<u>0</u>
Total Equipment & Tools	38,699	35,867	48,808	47,100
Financial Services				
7310 Bank Service Charges	100	0	100	14
8734 Commissions & Other Sales Expenses	<u>5,040</u>	<u>5,040</u>	<u>0</u>	<u>0</u>
Total Financial Services	5,140	5,040	100	14
Insurance, Licenses & Regulatory Fees				
6120 Computer Licenses	1,880	1,637	2,000	110
6340 Misc Fees	100	0	600	100
6345 Property Taxes & Assessments Costs	2,400	1,408	2,400	1,408
7325 Insurance	<u>21,000</u>	<u>20,354</u>	<u>21,000</u>	<u>21,749</u>
Total Insurance, Licenses & Regulatory Fees	25,380	23,400	26,000	23,367
Legal & Professional				
7320 Professional & Consulting Services	1,220	2,720	200	750
7326 Legal Services	1,800	1,654	1,800	2,477
7340 Legal Notifications & Mandated Advertising	<u>440</u>	<u>438</u>	<u>440</u>	<u>0</u>
Total Legal & Professional	3,460	4,812	2,440	3,227
Office/Operations				
6130 Computer Hardware	0	0	0	1,337

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

		Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
7140	General Supplies & Minor Equipment	2,356	2,493	3,620	3,412
7160	Postage, Shipping & Mail Supplies	400	578	400	435
7200	Batteries - Common Sizes	600	544	800	804
7216	Fire Prevention Education Materials	800	677	1,200	908
7226	Membership & Dues	1,300	1,175	100	100
7230	Misc Small Parts & Supplies	1,500	669	1,500	1,203
7240	Propane	650	330	650	298
	Total Office/Operations	<u>7,606</u>	<u>6,467</u>	<u>8,270</u>	<u>8,498</u>
	Other Expense				
7016	Significant Value Purchase-Field Use	1,951	1,951	0	0
7025	Significant Value Purchase-General Use	3,349	3,481	0	0
7201	White Goods & Accessories - bedding, towels	500	469	500	478
7209	District Operating Center Expense	450	407	450	184
7218	Cooking Products - Food, Drinks & Staples	350	161	350	255
7224	Kitchen Cookware & Utensils	500	11	500	450
7345	Outreach- Program Give-away Items	100	91	0	0
8735	Misc Department Admin	1,050	1,550	0	0
9072	AFG Grant 5% Match	0	0	2,700	0
	Total Other Expense	<u>8,250</u>	<u>8,122</u>	<u>4,500</u>	<u>1,366</u>
	Rent & Utilities				
6000	Cell Phones	3,000	2,308	2,500	2,235
6025	Telephone	4,800	3,606	3,800	3,537
8610	Electric	6,300	4,248	6,000	4,025
8620	Gas Service	1,600	1,045	1,600	784
8630	Trash Services	1,100	1,021	1,100	1,036
8640	Water and Water Services	1,800	3,237	3,300	3,318
8670	Street Lighting	100	124	100	128
	Total Rent & Utilities	<u>18,700</u>	<u>15,588</u>	<u>18,400</u>	<u>15,063</u>
	Repairs & Maintenance				
6400	R & M - Air Compressors	500	337	140	0
6405	R & M - Extinguishers	400	393	400	283
6422	R & M - Hydrants	150	0	0	0

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
6640 R & M - Equip & Other Non-Structural Fixed Assets	1,000	7,482	3,000	3,017
6750 R & M - Minor Tools & Equipment	2,100	1,861	2,100	2,103
6775 R & M -Operation/Field Equipment	800	765	800	765
6800 R & M - Grounds & Collection Systems	700	223	700	505
6900 R & M - Buildings & Structures	5,000	8,289	5,000	4,832
Total Repairs & Maintenance	10,650	19,349	12,140	11,505
Travel & Training				
6300 DMV Driv Lic Class B	200	0	200	0
7141 CERT Training Supplies	300	0	300	300
7323 Books, Publications & Subscriptions	300	215	300	290
7324 Education & Training Fees	800	434	800	448
8405 Reserve FF Training Costs	2,500	5,479	5,000	1,891
8410 Certifications	400	726	400	474
8510 Lodging & Meals - Local	300	0	300	0
Total Travel & Training	4,800	6,854	7,300	3,403
Vehicle Maintenance & Repairs				
7017 Routine Maintenance	0	162	0	0
Total Vehicle Maintenance & Repairs	0	162	0	0
Total Services & Supplies	1,778,884	1,759,922	1,849,204	1,836,530
Capital Outlay				
9000 Building, Structures & Improvements	0	0	0	4,753
9074 Fire Engine Purchase	6,072	1,353	0	0
9076 Capital Equipment & Accessories	35,000	35,661	20,000	19,329
9086 Fire Engine Equipment & Accessories	0	4,174	0	0
Total Capital Outlay	41,072	41,188	20,000	24,081
Reserves				
9504 *Vehicle Replacement Reserve	109,099	109,099	92,206	92,206
Total Reserves	109,099	109,099	92,206	92,206
Transfers				
9511 Interfund Transfer Out	103,158	103,158	109,124	86,216
Total Transfers	103,158	103,158	109,124	86,216



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Total Expenditures	<u>2,167,158</u>	<u>2,100,833</u>	<u>2,224,133</u>	<u>2,184,036</u>
Net Revenues over Expenditures	<u>87,135</u>	<u>171,511</u>	<u>0</u>	<u>143,961</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

400 - 400 - Vista de Oro

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Revenues				
Special Taxes & Assessments				
4550	15,768	16,531	15,768	15,768
	15,768	16,531	15,768	15,768
Other Revenues				
9500	0	0	0	11,432
	0	0	0	11,432
	15,768	16,531	15,768	27,200
Expenditures				
Personnel				
Salaries/Wages				
8054	2,500	9,339	9,330	7,821
	2,500	9,339	9,330	7,821
Payroll Taxes & Benefits				
5010	900	3,336	3,300	2,691
	900	3,336	3,300	2,691
	3,400	12,674	12,630	10,512
Services & Supplies				
Contract Services				
7250	730	165	840	135
7342	200	100	0	0
	930	265	840	135
Equipment & Tools				
7242	120	111	50	0
	120	111	50	0
Insurance, Licenses & Regulatory Fees				
6342	1,000	970	1,044	1,044
6345	20	18	20	18
7325	0	0	0	127
	1,020	988	1,064	1,189
Legal & Professional				

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

400 - 400 - Vista de Oro

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
7320 Professional & Consulting Services	500	200	500	1,202
7326 Legal Services	0	0	0	71
Total Legal & Professional	500	200	500	1,273
Office/Operations				
7249 Safety Supplies	0	30	0	0
Total Office/Operations	0	30	0	0
Rent & Utilities				
6000 Cell Phones	155	129	200	179
8610 Electric	300	326	300	328
8645 Septage Handling	6,600	4,690	7,500	4,990
8670 Street Lighting	1,680	1,840	2,000	1,910
Total Rent & Utilities	8,735	6,985	10,000	7,407
Repairs & Maintenance				
6405 R & M - Extinguishers	12	18	12	10
6750 R & M - Minor Tools & Equipment	0	6	0	0
6800 R & M - Grounds & Collection Systems	3,000	25	3,000	1,925
Total Repairs & Maintenance	3,012	50	3,012	1,935
Vehicle Maintenance & Repairs				
7211 Misc Fuel & Diesel	240	252	300	206
7220 Gasoline	300	324	700	254
Total Vehicle Maintenance & Repairs	540	576	1,000	459
Total Services & Supplies	14,857	9,204	16,466	12,399
Debt Service				
9807 Interfund Loan Proceeds	(10,430)	0	0	0
Total Debt Service	(10,430)	0	0	0
Transfers				
9505 Transfers In - Other Funds	0	(30,000)	0	0
9511 Interfund Transfer Out	9,502	9,502	5,428	4,289
Total Transfers	9,502	(20,498)	5,428	4,289
Total Expenditures	17,329	1,380	34,524	27,200
Net Revenues over Expenditures	(1,561)	15,151	(18,756)	0

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

		Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues					
Property Taxes					
4035	Property Taxes	180,000	188,431	187,249	200,087
	Total Property Taxes	180,000	188,431	187,249	200,087
Service Charges & Fees					
4020	Fees	0	0	0	575
4030	Residential Single Family	1,820,000	1,921,231	1,850,000	1,364,333
4102	Residential- Multi -Family-Water Sales	0	35,515	0	98,012
4103	Commercial, Home Care, Retail-Water Sales	0	94,640	0	211,816
4104	Irrigation- Water Sales	0	3,482	0	22,931
4111	Water Meter-Service Line Upgrade	1,000	891	1,000	117
4112	Back flow installation Permit/Inspection	2,000	1,625	0	0
4114	Water Other Service Revenues	35,000	44,587	0	(200)
4931	Water Activation Fees	14,000	9,085	14,000	9,450
4932	Penalties	36,000	36,275	35,000	24,080
4933	Door Hangers/Lockout Notices	1,400	10,320	5,400	19,195
4937	NSF Fees	0	410	0	435
	Total Service Charges & Fees	1,909,400	2,158,062	1,905,400	1,750,744
Other Revenues					
4925	Insurance Claim Reimbursement	0	0	0	8,335
4928	Lien Fees Recoveries	200	0	300	0
4929	Settlements & Recoveries	0	0	0	6,125
4930	Other Revenue	5,000	514	5,000	5,036
4935	Sale-Specs/Plans & Non_Capital Items	100	58	100	0
4936	Water Delinquencies via Tax roll	2,000	2,828	2,000	1,437
9500	Transfer from Reserves	0	0	0	155,000
	Total Other Revenues	7,300	3,400	7,400	175,934
Use of Money & Property					
4500	Investment Income on Oper Funds	1,000	0	0	0
4501	Interest-Undistributed Taxes	200	150	0	0
4505	HO Prop Tax Relief	0	0	0	1,512
4934	Gain on Sale of Fixed Assets	2,000	(190)	1,000	0

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Total Use of Money & Property	<u>3,200</u>	<u>(40)</u>	<u>1,000</u>	<u>1,512</u>
Total Revenues	<u>2,099,900</u>	<u>2,349,853</u>	<u>2,101,049</u>	<u>2,128,277</u>
Expenditures				
Personnel				
Salaries/Wages				
8012	1,000	138	1,000	0
8018	0	15,276	0	16,746
8027	0	0	0	257
8045	6,690	4,072	17,728	4,922
8051	0	2,213	0	3,424
8054	355,110	280,452	365,852	295,820
8056	0	348	0	8,421
8060	0	13,028	0	14,126
8063	17,330	17,254	17,446	17,060
8066	0	15,267	0	18,966
8081	0	13,086	0	24,381
Total Salaries/Wages	380,130	361,133	402,026	404,123
Payroll Taxes & Benefits				
5010	(7,680)	(10,886)	(10,300)	(11,727)
5020	0	0	0	6
5030	5,064	5,418	5,061	6,233
5050	6,682	5,609	5,050	6,334
5060	61,844	58,913	73,500	72,000
5070	38,700	39,621	43,642	44,390
5071	15,000	17,143	0	16,396
5075	3,966	3,295	690	1,446
5102	490	0	0	0
5120	13,170	18,213	13,863	7,941
5124	2,000	3,782	0	4,920
Total Payroll Taxes & Benefits	139,236	141,108	131,506	147,939
Employment Services				

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
5100 Unemployment Insurance - ER	3,038	5,216	0	3,896
6200 Hiring, Advertising & Other Costs	50	0	100	0
6230 Medical Exam	300	270	200	0
6250 Temporary Agency Help	2,500	2,321	2,500	0
7347 Pension Services Expense	0	0	100	0
Total Employment Services	<u>5,888</u>	<u>7,807</u>	<u>2,900</u>	<u>3,896</u>
Total Personnel	525,254	510,048	536,432	555,959
Services & Supplies				
Clothing & Uniform				
7246 Uniform & Gear	2,600	2,366	3,000	1,301
Total Clothing & Uniform	<u>2,600</u>	<u>2,366</u>	<u>3,000</u>	<u>1,301</u>
Contract Services				
6100 Labor & Support-IT Services	10,023	6,370	10,000	158
6110 IT Purchased Services	5,000	3,453	12,000	9,088
7100 Copier Contract-Maint & Usage	0	0	0	1,124
7204 Cleaning Supplies, Laundry & Towel Service	300	46	300	0
7250 Water Quality Testing	42,000	37,021	50,000	33,934
7255 Security Services	9,000	4,907	9,000	6,236
7301 Contract Maint Services	10,000	0	10,000	0
7321 Janitorial Cleaning & Supplies	2,200	2,057	1,800	2,263
7342 Public Meeting Recordings	600	0	0	0
Total Contract Services	<u>79,123</u>	<u>53,853</u>	<u>93,100</u>	<u>52,802</u>
Equipment & Tools				
7242 Minor Tools, Accessories & Field Machines	1,500	1,478	3,000	2,321
7253 Rent - Equipment	3,000	2,190	3,000	30
7256 Meter Purchases & Replacements	18,200	23,457	0	74,552
Total Equipment & Tools	<u>22,700</u>	<u>27,125</u>	<u>6,000</u>	<u>76,903</u>
Financial Services				
7310 Bank Service Charges	100	0	200	2,144
7401 Discounts Taken	0	(224)	0	(163)
9153 Bad Debt Expense	3,000	2,368	3,000	0
Total Financial Services	<u>3,100</u>	<u>2,144</u>	<u>3,200</u>	<u>1,981</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Insurance, Licenses & Regulatory Fees				
6120	5,050	6,408	5,000	0
6340	3,000	0	3,000	2,311
6342	6,000	12,294	6,000	10,903
6343	100	(9)	100	0
6345	2,300	2,144	3,000	2,152
7325	<u>18,500</u>	<u>16,148</u>	<u>20,000</u>	<u>28,880</u>
	Total Insurance, Licenses & Regulatory Fees	34,950	36,985	44,245
Legal & Professional				
7318	15,000	4,305	28,000	24,255
7319	11,000	2,375	15,000	6,974
7320	44,678	42,916	45,000	94,649
7326	12,000	10,947	30,000	30,102
7336	8,000	41,674	0	109,040
7340	500	0	1,000	681
9155	<u>40,000</u>	<u>29,782</u>	<u>45,000</u>	<u>24,374</u>
	Total Legal & Professional	131,178	131,999	290,075
Office/Operations				
6121	500	0	1,000	0
6130	2,000	369	3,200	4,065
6140	1,200	336	2,000	5,457
7140	2,700	2,764	3,000	4,109
7160	16,000	15,884	15,000	20,397
7170	0	0	0	504
7180	500	431	1,000	844
7226	250	80	200	413
7230	4,000	2,921	4,200	265
7237	5,000	5,375	6,000	10,328
7239	13,000	10,640	13,000	5,818
7249	<u>2,100</u>	<u>3,452</u>	<u>3,000</u>	<u>1,139</u>
	Total Office/Operations	47,250	51,600	53,339
Other Expense				

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
7330 Misc Operating Expenses	300	0	100	0
7348 Water Conservation Program	30,000	11,996	0	28,407
7349 Water Conservation Fixtures	0	0	0	14,216
8735 Misc Department Admin	<u>1,000</u>	<u>768</u>	<u>1,000</u>	<u>0</u>
Total Other Expense	31,300	12,765	1,100	42,623
Rent & Utilities				
6000 Cell Phones	1,700	1,546	1,700	2,017
6025 Telephone	6,000	6,558	6,000	7,966
7352 Rent - Offices & Other Structures	7,200	8,880	12,000	12,000
8610 Electric	112,000	96,675	130,000	85,568
8620 Gas Service	450	202	400	287
8630 Trash Services	1,200	1,212	1,500	1,224
8644 Disposal Services	31,316	375	30,000	13,095
8670 Street Lighting	<u>350</u>	<u>295</u>	<u>650</u>	<u>344</u>
Total Rent & Utilities	160,216	115,744	182,250	122,501
Repairs & Maintenance				
6405 R & M - Extinguishers	400	328	400	301
6422 R & M - Hydrants	0	57	100	2,635
6640 R & M - Equip & Other Non-Structural Fixed Assets	15,000	6,107	20,000	653
6641 R & M - Wells	43,394	29,976	60,000	59,631
6750 R & M - Minor Tools & Equipment	1,000	510	2,000	291
6800 R & M - Grounds & Collection Systems	1,800	2,085	2,000	1,368
6900 R & M - Buildings & Structures	9,000	2,116	10,000	3,788
7241 R & M - Water Distribution System	<u>10,000</u>	<u>12,829</u>	<u>12,000</u>	<u>10,692</u>
Total Repairs & Maintenance	80,594	54,008	106,500	79,358
Travel & Training				
7323 Books, Publications & Subscriptions	0	50	150	206
7324 Education & Training Fees	500	114	500	0
8410 Certifications	500	265	500	214
8510 Lodging & Meals - Local	500	0	0	20
8539 Meals	0	52	0	14



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
8541 Meals- Local Area - DIR	0	21	0	0
8550 Mileage Reimbursement & Parking	500	402	500	1,005
Total Travel & Training	2,000	903	1,650	1,458
Vehicle Maintenance & Repairs				
7211 Misc Fuel & Diesel	5,000	3,378	5,500	2,755
7220 Gasoline	5,500	4,509	6,000	3,397
7228 Markings & Other Misc Services	1,500	1,590	1,000	935
7232 Vehicle Repairs - Parts, Tires & Lubricants	7,500	6,659	7,500	6,587
Total Vehicle Maintenance & Repairs	19,500	16,136	20,000	13,674
Total Services & Supplies	614,511	496,279	669,500	780,261
Capital Outlay				
9000 Building, Structures & Improvements	3,000	2,850	10,000	13,406
9006 Infrastructures & Improvements	0	0	90,000	0
9058 System & Software - Capital	23,390	21,285	0	0
9059 Vehicles, Equipment, & Fixtures	25,500	33,857	75,000	70,152
Total Capital Outlay	51,890	57,992	175,000	83,558
Debt Service				
9022 Debt Service - Principal	138,432	0	142,655	142,654
9023 Debt Service - Interest & Annual Fee	140,308	138,549	135,607	135,607
Total Debt Service	278,740	138,549	278,262	278,261
Reserves				
9571 *Capital Outlay Reserve	65,000	65,000	65,000	65,000
9572 *General Contingency (Operations) Reserve	25,000	25,000	25,000	25,000
9988 *Water Rate Stabilization Reserve	32,000	32,000	32,000	32,000
Total Reserves	122,000	122,000	122,000	122,000
Transfers				
9505 Transfers In - Other Funds	10,000	10,000	0	0
9511 Interfund Transfer Out	452,758	908,407	383,406	302,919
Total Transfers	462,758	918,407	383,406	302,919
Total Expenditures	2,055,153	2,243,276	2,164,600	2,122,958
Net Revenues over Expenditures	44,747	106,576	(63,551)	5,319

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

550 - 550 - CDPH-Nitrate Removal

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Revenues				
Grant Revenue				
4949	645,980	42,023	0	588,747
	645,980	42,023	0	588,747
	645,980	42,023	0	588,747
Expenditures				
Services & Supplies				
Legal & Professional				
7319	70,415	0	70,415	22,074
	70,415	0	70,415	22,074
	70,415	0	70,415	22,074
Capital Outlay				
9000	252,277	0	252,574	202,248
	252,277	0	252,574	202,248
Transfers				
9505	(10,000)	(25,649)	0	0
	(10,000)	(25,649)	0	0
	312,692	(25,649)	322,989	224,323
	333,288	67,672	(322,989)	364,425

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

600 - 600 - Wastewater

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Revenues				
Service Charges & Fees				
4062	14,700	14,700	21,000	21,000
	14,700	14,700	21,000	21,000
Special Taxes & Assessments				
4061	1,148,185	0	1,148,322	1,146,840
4063	7,065	0	0	0
	1,155,250	0	1,148,322	1,146,840
Other Revenues				
4350	0	26,839	0	0
4928	30	30	0	60
4958	3,572,029	772,029	0	0
9500	0	0	24,139	26,074
	3,572,059	798,898	24,139	26,134
Use of Money & Property				
4501	0	0	0	4
4504	0	8,456	0	0
	0	8,456	0	4
	4,742,009	822,054	1,193,462	1,193,979
Expenditures				
Services & Supplies				
Financial Services				
7310	7,000	6,637	3,000	6,526
	7,000	6,637	3,000	6,526
Insurance, Licenses & Regulatory Fees				
6341	0	0	500	0
6343	30	30	0	0
6345	261	0	0	262
	291	30	500	262
Legal & Professional				
7317	4,994,712	0	0	0

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

600 - 600 - Wastewater

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
7320 Professional & Consulting Services	7,439	35,657	500	3,693
7326 Legal Services	30,000	11,266	3,000	1,756
8705 Attorney Costs - Bankruptcy	<u>0</u>	<u>13,378</u>	<u>0</u>	<u>0</u>
Total Legal & Professional	5,032,151	60,301	3,500	5,449
Office/Operations				
7160 Postage, Shipping & Mail Supplies	<u>50</u>	<u>20</u>	<u>0</u>	<u>0</u>
Total Office/Operations	50	20	0	0
Travel & Training				
8550 Mileage Reimbursement & Parking	<u>0</u>	<u>0</u>	<u>0</u>	<u>16</u>
Total Travel & Training	0	0	0	16
Total Services & Supplies	5,039,492	66,988	7,000	12,253
Debt Service				
9022 Debt Service - Principal	415,000	0	455,000	455,000
9023 Debt Service - Interest & Annual Fee	730,625	0	692,308	689,375
9079 Prepaid Assessment Payment	0	0	6,192	6,192
9805 Repayment Bond Reserve	0	0	21,000	21,000
9806 Internal Loan	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>4,000</u>
Total Debt Service	1,145,625	0	1,178,500	1,175,567
Transfers				
9505 Transfers In - Other Funds	(27,971)	(27,971)	0	0
9511 Interfund Transfer Out	48,592	48,592	31,719	19,147
9512 Transfer In	<u>(1,430,977)</u>	<u>(3,235,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>
Total Transfers	(1,410,356)	(3,214,379)	27,719	15,147
Total Expenditures	<u>4,774,761</u>	<u>(3,147,391)</u>	<u>1,213,219</u>	<u>1,202,967</u>
Net Revenues over Expenditures	<u>(32,752)</u>	<u>3,969,445</u>	<u>(19,757)</u>	<u>(8,988)</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
650 - 650 - Solid Waste

(In Whole Numbers)

		Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Revenues					
Other Revenues					
4600	Other Revenue	0	1,597	0	0
4800	Franchise Revenues	73,000	45,432	0	0
4928	Lien Fees Recoveries	0	366	0	0
9500	Transfer from Reserves	0	0	37,914	0
	Total Other Revenues	73,000	47,395	37,914	0
Use of Money & Property					
4750	Proceeds from Sale of Franchise	0	2,800,000	0	0
	Total Use of Money & Property	0	2,800,000	0	0
	Total Revenues	73,000	2,847,395	37,914	0
Expenditures					
Services & Supplies					
Financial Services					
7310	Bank Service Charges	50	0	0	0
	Total Financial Services	50	0	0	0
Insurance, Licenses & Regulatory Fees					
6343	Lien & Notary Fees	0	0	0	15
	Total Insurance, Licenses & Regulatory Fees	0	0	0	15
Legal & Professional					
7326	Legal Services	0	0	0	1,034
	Total Legal & Professional	0	0	0	1,034
Rent & Utilities					
7352	Rent - Offices & Other Structures	2,000	1,680	0	0
	Total Rent & Utilities	2,000	1,680	0	0
	Total Services & Supplies	2,050	1,680	0	1,049
Transfers					
9505	Transfers In - Other Funds	27,971	0	0	0
9511	Interfund Transfer Out	39,349	2,867,320	46,660	36,865
	Total Transfers	67,320	2,867,320	46,660	36,865
	Total Expenditures	69,370	2,869,000	46,660	37,914

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

650 - 650 - Solid Waste

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Net Revenues over Expenditures	<u>3,630</u>	<u>(21,605)</u>	<u>(8,746)</u>	<u>(37,914)</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

800 - 800 - Drainage

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Revenues				
Property Taxes				
4035	0	18,310	18,172	19,161
	0	18,310	18,172	19,161
Special Taxes & Assessments				
4400	95,424	97,681	95,424	95,456
	95,424	97,681	95,424	95,456
Other Revenues				
4935	250	226	300	305
	250	226	300	305
Use of Money & Property				
4505	0	0	0	147
	0	0	0	147
	95,674	116,217	113,896	115,069
Expenditures				
Personnel				
Salaries/Wages				
8045	0	287	0	0
8054	10,800	12,905	13,000	13,758
	10,800	13,192	13,000	13,758
Payroll Taxes & Benefits				
5010	4,300	4,580	4,500	4,542
	4,300	4,580	4,500	4,542
	15,100	17,771	17,500	18,300
Services & Supplies				
Clothing & Uniform				
7246	200	0	200	0
	200	0	200	0
Contract Services				
6110	0	0	0	519
	0	0	0	519

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

800 - 800 - Drainage

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Equipment & Tools				
7242	275	236	300	104
	275	236	300	104
Financial Services				
7310	50	0	0	0
	50	0	0	0
Insurance, Licenses & Regulatory Fees				
6120	525	519	500	0
6342	5,279	5,244	6,000	6,218
6345	120	101	1,000	102
7325	0	0	0	430
	5,924	5,864	7,500	6,750
Legal & Professional				
7320	3,000	3,633	6,000	8,061
	3,000	3,633	6,000	8,061
Office/Operations				
7226	0	0	0	155
7230	200	83	100	0
7249	0	55	0	0
8660	0	0	0	215
	200	138	100	370
Other Expense				
7330	300	250	300	298
7346	0	0	0	250
7349	0	0	0	456
	300	250	300	1,004
Rent & Utilities				
6000	1,000	773	1,000	1,076
6025	200	197	200	382
8610	1,000	872	1,000	1,084
8670	450	549	900	831
	2,650	2,390	3,100	3,373



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

800 - 800 - Drainage

(In Whole Numbers)

	Total Revised Budget FY 2013/2014	Actuals FY 2013/2014	Total Revised Budget FY 2014/2015	Unaudited Actuals FY 2014/2015
Repairs & Maintenance				
6640	300	262	300	118
6750	300	97	300	434
6800	100	408	100	68
6900	620	603	100	0
	<u>1,320</u>	<u>1,370</u>	<u>800</u>	<u>620</u>
Travel & Training				
8550	100	13	50	52
	<u>100</u>	<u>13</u>	<u>50</u>	<u>52</u>
Vehicle Maintenance & Repairs				
7211	1,000	908	1,000	957
7220	1,125	1,166	1,250	913
	<u>2,125</u>	<u>2,074</u>	<u>2,250</u>	<u>1,870</u>
	<u>16,144</u>	<u>15,968</u>	<u>20,600</u>	<u>22,723</u>
Reserves				
9571	10,000	10,000	10,000	10,000
9572	5,000	5,000	5,000	(5,000)
	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>5,000</u>
Transfers				
9511	45,440	45,440	36,138	28,552
	<u>45,440</u>	<u>45,440</u>	<u>36,138</u>	<u>28,552</u>
	<u>91,684</u>	<u>94,179</u>	<u>89,238</u>	<u>74,575</u>
	<u>3,990</u>	<u>22,038</u>	<u>24,658</u>	<u>40,494</u>

## **ITEM 5**

# **REVIEW OF BOARD ITEM REGARDING FISCAL YEAR 2013/2014 AUDIT REPORT**



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MOSS, LEVY & HARTZHEIM LLP

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CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
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August 26, 2015

To the Board of Directors of the  
Los Osos Community Services District

We were engaged audited 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 as of and for the fiscal year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 26, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Los Osos Community Services District are described in Note 1 to the financial statements. As discussed in note 1 to basic financial statements effective July 1, 2013, the Los Osos Community Services District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Management's estimate of the other postemployment benefits (OPEB) expense is based on the actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the other postemployment benefits (OPEB) expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosure of the Contingencies and Commitments related to the bankruptcy in Note 12 to the financial statements.

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

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

### *Difficulties Encountered in Performing the Audit*

The turnover in management and accounting staff whom were performing the accounting function of the District during the period audited resulted in a loss of some institutional knowledge such as when a compensated absences report had to be run and saved as well as a time delay in the audit procedures as the general ledger required significant cleanup and journal entries. The large amount of correcting and adjusting journal entries were the result of weakening of the internal controls in place.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 26, 2015.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

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

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

Very truly yours,

*Moss, Renz & Hartgrain LLP*

Santa Maria, California

**LOS OSOS COMMUNITY SERVICES DISTRICT  
FINANCIAL STATEMENTS**

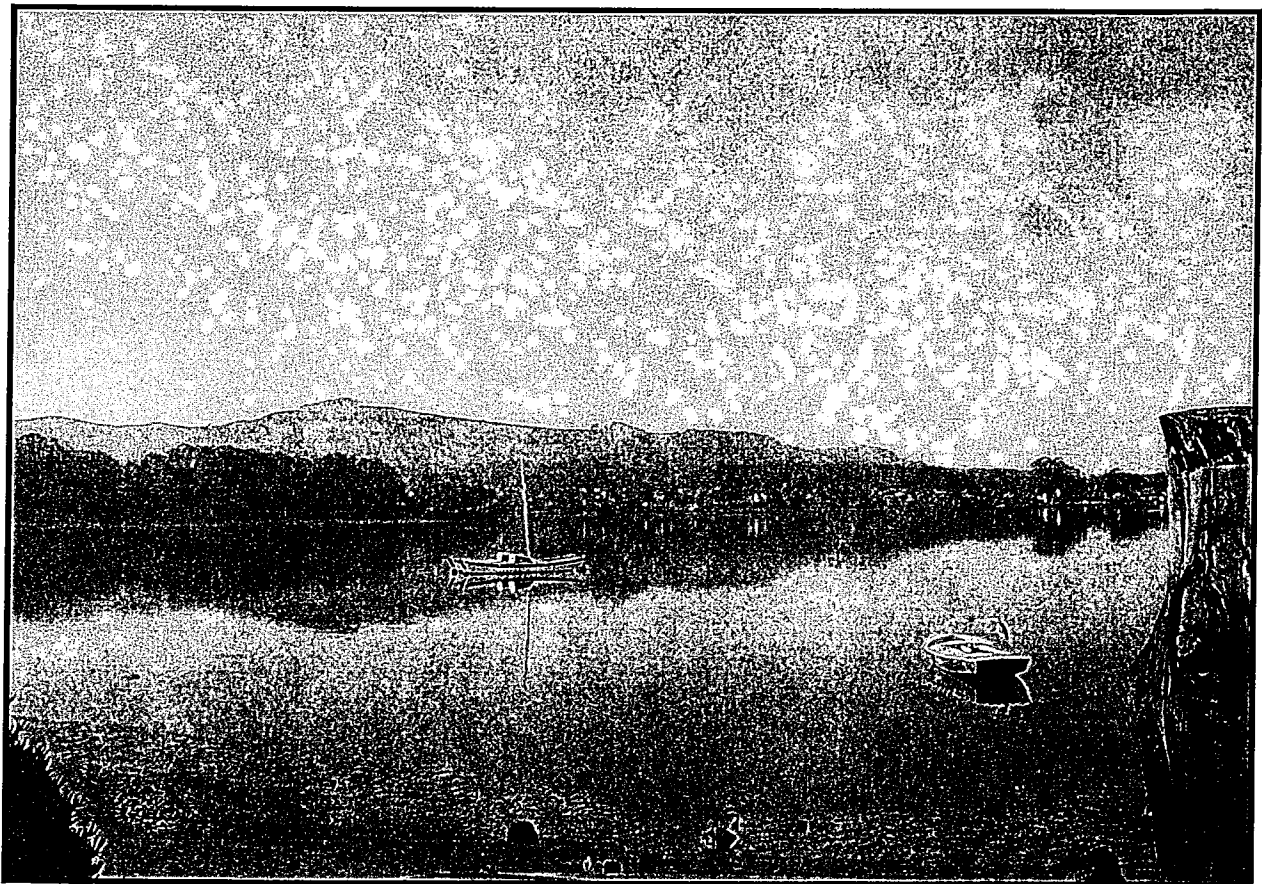
**FOR THE YEAR ENDED  
JUNE 30, 2014**

# LOS OSOS COMMUNITY SERVICES DISTRICT

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2014

WITH INDEPENDENT AUDITOR'S REPORT  
AND  
SUPPLEMENTARY INFORMATION



**LOS OSOS COMMUNITY SERVICES DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2014**

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## INTRODUCTORY SECTION



**LOS OSOS COMMUNITY SERVICE DISTRICT  
FOR THE YEAR ENDING JUNE 30, 2014**

**THE DISTRICT**

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. The District was formed to provide services previously provided by San Luis Obispo County (County) in specific benefit zones of what was formerly County Service Area 9. After formation, the District added solid waste service providing service to all properties in the District. The District operates pursuant to Section 61000 of the California Government Code. The District's powers include Fire Protection, Water, Street Lighting, Drainage, Solid Waste and Parks and Recreation Services. Governed by a five-member elected at large Board of Directors, its operations are staffed and managed by a general manager. The District comprises an area of approximately 3,443 acres or 5.38 square miles. The area is more commonly known as the communities of Los Osos and Baywood Park. It is located by a coastline adjoining the Montana de Oro State Park on its southwesterly boundary and the Morro Bay Nation Estuary and the Morro Bay State Park at its northern boundary. With such an idyllic location, the community has some exposure to tourism. However, absent extensive accommodations and other facilities in the District that cater to the tourism industry, the District receives no significant economic benefit from tourism. The adjoining communities such as the cities of Morro Bay and San Luis Obispo, have structures that fill the void.

**STATISTICAL INFORMATION**

Zip Code: 93402 Los Osos, California

	<u>Los Osos</u>	<u>California</u>
Current Population:	13,785	39.88M
Median Age:	49 Years	35 Years
Median Household Income:	\$72,563	\$59,859
Average Household Net Worth:	\$703,736	\$667,573
Average Home Price:	\$478,026	\$401,525
Los Osos Rental Market: 4 BR	\$4,250 <i>(\$3,566 SLO County)</i>	\$5,805
Education Statistics:	11% of residents 18 and over graduated from High School and 41% completed a Bachelor's degree or higher, which is 6% higher than that of SLO County	

\*Sourced from Realtor.com

Income data and Education statistics sourced from census, 2015

**FUNDS MAINTAINED BY THE DISTRICT**

**Fund 100 – Administration (General Fund)**

The Administration Fund provides centralized inter-fund services to all the other funds of the District. The Administration Fund provides overall management, human resources functions, payroll services, computer systems hardware and software, financial accounting, legal, consulting services, website management and other services as it pertains to the District as a whole. This fund expenses items that are attributed to these operations, however, this Department receives no direct funding, general revenue or generates revenues.

**Fund 200 – Bayridge**

Bayridge is a subdivision in the District that has a dedicated residential community septic system. There are 147 parcels in this subdivision. The fund provides septic management, storm water drainage, streetlight, and open space management. The key source of funding is assessments for service charges on property owners and General Property Taxes grandfathered into the Prop 13 allocation.

**Fund 301 – Fire and Emergency Services**

The District contracts for Fire and Emergency Services through a Cooperative Fire Protection Agreement with CAL FIRE for the entire community. Cal Fire staff and District Reserve Firefighters provide fire protection and life safety services for all lands and properties within the District boundaries as well as participating in automatic and mutual aid with other agencies. All personnel from CAL Fire and South Bay Fire Reserves are trained as a member of a fire

crew to respond effectively to protect life and property during emergencies that can range from structural firefighting, wildland firefighting, vehicle accidents, first-air medical response (or higher), hazardous materials spills and surf and trench rescue.

#### **Fund 400 – Vista de Oro**

Vista de Oro is a subdivision in Los Osos that has a dedicated residential community septic system. There are 73 parcels in this subdivision. The fund provides septic management, storm water drainage, street and open space management. The key source of funding is assessments for lighting and septic services received through the tax rolls on a per parcel basis.

#### **Fund 500 – Water**

The Water Utility Department is responsible for the management, operation and maintenance of the water system serving approximately half of the community in Los Osos and all of Baywood Park. Water operators are responsible for treatment of five groundwater supply wells, two of which employ full filtration technology for iron/manganese removal. Crews are responsible for water quality monitoring, water quality sampling, distribution system repair/maintenance, customer service, meter reading, water meter change outs, water audits, leak detection, flushing lines, and regulatory reporting compliance. The delivery of water to the District's water customers is conveyed through a network of over 27 miles of water mainlines utilizing three (3) water storage tanks and a booster pump station. Approximately 2,755 water service lines and meters serving residences and commercial businesses are connected to the distribution system. Included in the domestic water service infrastructure are 162 fire hydrants with some 585 main line valves that require periodic maintenance and inspection. This is an enterprise fund.

#### **Fund 600 – Wastewater**

This fund was used to account for the construction of a sewage treatment plant which was halted. Under special legislation Assembly Bill (AB) 2701, the project was transferred to the County of San Luis Obispo (County). The County officially accepted the project on March 15, 2011. This fund functioned to serve the debt associated with the aborted project. Previously the fund was used to account for the expenses related to the District's bankruptcy filing which resulted from the aborted project.

#### **Fund 650 – Solid Waste**

Solid Waste fund provided trash, cleanup and recycling services to the community. Trash and recycling services are provided by Mission Country Disposal and the District receives a Franchise Fee. The District provided additional recycling opportunities to the community through Chipping Days. The operation was transferred along with the franchise fee effective December 31, 2013 per the final amended Debt Adjustment Plan as ordered by the bankruptcy court on October 15, 2013. At this time the District maintains the Reserve Funds.

#### **Fund 800 – Drainage**

This fund provides drainage for the community of Los Osos. The District's primary responsibility is the operation and maintenance of four (4) pump station sites and five (5) drainage basins within the community. The District monitors and mitigates as necessary the impact of storm run offs and clearing channels from obstructions. Revenues supporting the operations are collected through property taxes and assessments.

#### **Fund 900 – Park and Recreation**

The long-term function of this fund is to provide recreation opportunities for the community of Los Osos/Baywood Park. At this time the fund is not actively providing any recreational activities. Before the creation of the District, the County collected assessments for a pool and recreational activities. A subsequent vote to continue these assessments failed to pass. These assessments were turned over by the County to the District. The funds are invested. Discussion continues regarding the potential use of the funds.

Fiduciary Fund - Los Osos Community Services District Wastewater Assessment District No. 1. This fund is used to account for the assets held by the District in a trustee capacity which are received from the Assessment District's property owners and collected on the County tax roll in order to pay the 2002 Wastewater Improvement Bonds debt service.

#### **Current Status of the bankruptcy filing**

In 2010 the District filed its Plan for Adjustment of Debts dated October 22, 2010 (Plan). On August 8, 2011, the Bankruptcy Court entered an Order Confirming the LOCSO Debt Adjustment Plan. On April 22, 2012, the favorable decision of the Bankruptcy Court was upheld by the U.S. District Court on the first appeal. On May 9, 2012, the same creditor filed a second appeal before the U.S. Court of Appeals, Ninth circuit. The Ninth Circuit Court of Appeals required court-ordered mediation. As a result of the mediation, the parties agreed to and executed a Settlement Agreement and Mutual Release on May 14, 2013 (Settlement Agreement). The Plan and Settlement Agreement as confirmed resolved all the claims under the jurisdiction of the Bankruptcy Court which included approximately \$12.2 million in general unsecured creditor claims. On July 19, 2013, the district filed its Second Amended Plan for Adjustment of Debts as further Amended by non-material modifications consistent with the terms of the Settlement Agreement. On October 15, 2013, the Honorable Robin L. Riblet, Judge, United States Bankruptcy Court, Central District of California, Northern Division issued an order granting the motion for approval of the Second Amended Plan

for Adjustment of Debts (Amended Plan). The Amended Plan as stipulated to by all the parties resolves all the lawsuits and claims arising from the District's former Wastewater Project. On December 23, 2013, the District received funding from the County of San Luis Obispo to assist with prorated payment amounts due to the general unsecured Class 8 creditors. On February 7, 2014, the District made payments to the same Class 8 creditors totaling \$4,994,711.65 or forty-one percent (41%) of their claim. On April 3, 2014, Judge Robin L. Riblet entered an Order Closing Chapter 9 Case.

Under the Amended Plan, the County of San Luis Obispo pays in full over time the holders of the bonds issued in connection with the former wastewater project. The bond holders are secured by the assessment on the real property of those District residents living in the Prohibition Zone (Zone K). The assessments are collected through the County Tax Rolls and the County transmits the payments directly to US Bank. The District has an obligation to pay the California Infrastructure & Development Bank and continues to make its semi-annual debt service and interest payments per the terms of the amortization schedule for the improvements to the District's water system.

Under the Amended Plan the District was not obligated to pay the claim for the Regional Water Quality Control Board for fines assessed against the District. The fines were assessed for failure to complete the construction of a community sewer system by August 30, 2004. The claim was subordinated and conditioned: 1) Plan approval; 2) County proceeds with the wastewater project; 3) District provides a draft water conservation plan. All three conditions were met. The claim by the State Water Resources Control Board arises from a loan the Board made to the District to build the former wastewater project. With the approval of the Amended Plan and the County financing the current Wastewater Treatment Facility with State Revolving Funds, the Control Board did not receive distribution.

The Class 5 Secured Claim of MBIA Insurance Corp. arose out of the bonds that were issued by District to fund part of the old Wastewater Treatment Facility. MBIA was the insurer of those bonds. The Bond indenture required the District to maintain certain bond proceeds in reserve and segregate them (\$1,158,500) to a Debt Service Reserve Fund. The Amended Plan requires the District make \$25,000 payments per year as reimbursement to the Bond Redemption Reserve from the Administrative Charge allowed by the bond documents. The order stated the fund shall be paid \$25,000 per year from the annual assessment overhead charges collect by the County until the Claim is paid in full without interest. Each annual payment will be made by the County at the time the County collects the assessments and makes payments to US Bank. This allows the District to repay according to the Amended Plan the balance of the claim of \$450,000 as of October 15, 2013. Analysis and reconciliation in cooperation with US Bank Trustee since that date and to present, revealed the balance owed by the District as of June 30, 2015 is \$296,834.

#### **Status of Wastewater Recycling Facility (sewer project)**

On January 1, 2007, AB 2701 became effective. This special legislation (codified as Government Code Sections 25825.5 and 61105) transferred the responsibility for constructing a wastewater collection and treatment facility to the County of San Luis Obispo. It provides that after the County completes a due diligence review of the various aspects of the project, the County has to adopt a resolution declaring its intention to proceed or not to proceed with the construction and operation of a project. After several exhaustive proceedings that spanned over a number of years and included several hearings and appeals process before the California Coastal Commission to obtain a development permit, the County passed a resolution on March 15, 2011, to proceed with the project. After completion, the Wastewater Recycling Facility will be operated by the County for a minimum of five years before considering alternatives contingent upon approval from various funding agencies.

The County's project is actively proceeding. Contractors started digging in late October 2012. The infrastructure for the collection system was installed in the roads throughout the District. The system is anticipated to be operable by spring of 2016.

#### **Impact on the Assets**

AB 2701 dictated that all assets acquired by the District intended for the Wastewater Recycling project be transferred to the County when requested for use in the County's successor project without any financial remuneration. In addition, any assets so acquired by the District in the aborted project could not be disposed of without the County's approval. The District's Capital Assets were adjusted in the financial statements for this fiscal year. This adjustment was necessary because the Class 8 General Unsecured Creditors were paid on February 7, 2014. The bankruptcy was officially discharged by entering an Order Closing Chapter 9 Case on April 3, 2014.

The Bankruptcy Court order as part of the findings that the District create a Disputed Reserve Bank Account. This fund is where the District is required to deposit any monies surrendered by various creditors. This court order requires the District keep the money in a separate account and on deposit until February 7, 2016. At that time any and all funds remaining are the property of the District.

The final settlement amount was \$4,994,711.65. The funds were comprised of the remaining SRF Loan balance of \$1,394,711.65, County of San Luis Obispo transfer of Franchise Agreement of \$2.8 million, County of San Luis Obispo funding of \$772,029 and LOCSD monies of \$27,971.

### Impact on Liabilities

Allowed claims of the Class 8 General Unsecured creditors against the District totals in excess of \$12 million. Below is the final list of creditors and the amounts paid to each creditor as per the Amended Plan. The District did not pay the claims of the Regional Water Quality Control Board and State Water Resources Board. Additionally the District is paying the claim of MBIA as ordered by the court to US Bank.

Name of Creditor	Final Claim Amount	Distribution Rate	Payment
AGP Video	3,870.00	0.41002419	1,587
<b>Airgas West</b>	<b>126.71</b>	<b>0.41002419</b>	<b>52</b>
Al's Septic	4,442.06	0.41002419	1,821
<b>Allstar Fire Equipment</b>	<b>1,598.46</b>	<b>0.41002419</b>	<b>655</b>
American Compressor	2,727.17	0.41002419	1,118
<b>Associated Backflow</b>	<b>55.00</b>	<b>0.41002419</b>	<b>23</b>
Barnard Construction Company	5,540,314.00	0.41002419	2,271,663 **
<b>Basic Chemical Solutions</b>	<b>419.50</b>	<b>0.41002419</b>	<b>172</b>
Bridges Lock & Key	68.73	0.41002419	28
<b>Citibank South Dakota dba Conoco</b>	<b>749.70</b>	<b>0.41002419</b>	<b>307</b>
Cleath & Associates	10,053.73	0.41002419	4,122
<b>Coast Electronics</b>	<b>26.80</b>	<b>0.41002419</b>	<b>11</b>
Copy Spot & More	54.02	0.41002419	22
<b>Dell Financial Services</b>	<b>750.75</b>	<b>0.41002419</b>	<b>308</b>
Depart of Health Drinking Water Program	2,521.22	0.41002419	1,034
<b>Ferguson Enterprises Inc</b>	<b>144.79</b>	<b>0.41002419</b>	<b>59</b>
Forms 2020-Acct Office & Sales	106.08	0.41002419	43
<b>Gentry, Lenora O</b>	<b>3,299.06</b>	<b>0.41002419</b>	<b>1,353</b>
Law Offices of Gary J Grimm	252.00	0.41002419	103
<b>Hawley, Cynthia, Esq.</b>	<b>78,000.00</b>	<b>0.41002419</b>	<b>31,982</b>
Info Technology Dept. Business Services	155.23	0.41002419	64
<b>IRS</b>	<b>140,303.00</b>	<b>0.41002419</b>	<b>57,528</b>
IRS	42.57	0.41002419	17
<b>Langfeldt, Pamela &amp; Hans</b>	<b>3,299.06</b>	<b>0.41002419</b>	<b>1,353</b>
Life Assist, Inc.	791.03	0.41002419	324
<b>McNeil, John &amp; Vivian</b>	<b>6,395.48</b>	<b>0.41002419</b>	<b>2,622</b>
Merrill, Frank	4,950.93	0.41002419	2,030
<b>Miners Ace Hardware</b>	<b>676.71</b>	<b>0.41002419</b>	<b>277</b>
<b>Monterey Mechanical</b>	<b>4,600,000.00</b>	<b>0.41002419</b>	<b>1,886,111 *</b>
<b>Morro Bay Tire &amp; Auto</b>	<b>108.27</b>	<b>0.41002419</b>	<b>44</b>
Mussey, Mr. & Mrs. C.D.	3,299.06	0.41002419	1,353
<b>Noble Saw, Inc</b>	<b>91.67</b>	<b>0.41002419</b>	<b>38</b>
Oasis Equipment Rental	43.20	0.41002419	18
<b>Office Depot</b>	<b>602.07</b>	<b>0.41002419</b>	<b>247</b>
PG&E	22,300.62	0.41002419	9,144
<b>Platinum Plus for Business</b>	<b>2,444.34</b>	<b>0.41002419</b>	<b>1,002</b>
Poor Richards Press	807.59	0.41002419	331
<b>Premium Assignment Corp</b>	<b>49,462.24</b>	<b>0.41002419</b>	<b>20,281</b>
Raminha Construction	37,417.00	0.41002419	15,342
<b>Ripley Pacific Company</b>	<b>80,274.65</b>	<b>0.41002419</b>	<b>32,915</b>
San Luis Obispo County Environmental Health	32.50	0.41002419	13
<b>San Luis Obispo Newspapers</b>	<b>38.88</b>	<b>0.41002419</b>	<b>16</b>
Select Business Systems	1,800.50	0.41002419	738
<b>Shipsey &amp; Seitz</b>	<b>7,749.00</b>	<b>0.41002419</b>	<b>3,177</b>
SLO Public Works Department	39,572.26	0.41002419	16,226

Software Optimization Specialists	5,280.00	0.41002419	2,165
South Bay Community Center	1,946.25	0.41002419	798
Staley, Richard & Paulette	3,464.01	0.41002419	1,420
State Water Resources Control Board	872.00	0.41002419	358
Tutt Tree & Crane Services	300.00	0.41002419	123
Local 76 Phillips 66 Conoco 76	957.82	0.41002419	393
Van Blarcom Leibold McClendon & Mann	23,515.39	0.41002419	9,642
Wallace Group	14,863.57	0.41002419	6,094
Whitaker Contractors, Inc	1,287,500.00	0.41002419	527,906
Willdan	91,257.41	0.41002419	37,418
Wilvert, Cal & Rosemary	3,299.06	0.41002419	1,353
WRA & Associates	96,011.80	0.41002419	39,367
	<b>Total</b>		<b>4,994,711.65</b>
	Calcs based on formula		12,181,504.95
	Dollars Available		4,994,711.65
	<b>Difference</b>	<b>0.00</b>	<b>0.00</b>
<b>Notes:</b>			
	*Bank of the West (shared claim)		1,639,783.00
	*Monterey Mechanical Co (shared claim)		246,328
	**Claim assigned to Monterey Mechanical Co		2,271,663

#### District's Future Financial Viability

The Bankruptcy Court approved the Amended Plan on October 9, 2013 and issued the order on October 15, 2013. This plan allowed the District to pay off its creditors and debtors according to the approved plan and the calculations as shown above. With the Bankruptcy settlement, the District stability continues to improve. Through hard work and persistence, the District succeeded in getting all parties to agree on the Amended Plan.

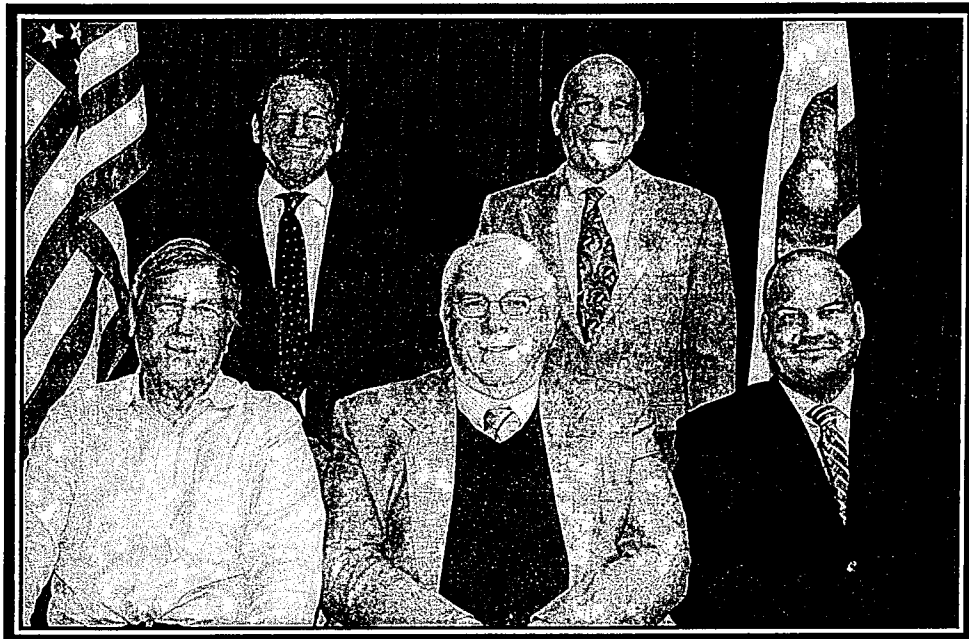
The District in cooperation with the other ISJ participants released the Draft Basin Management Plan in August 2013. This release is an important first step in resolving the remaining legal battle still faced by the District. This Draft Plan was the final requirement of the Regional Water Quality Control Board in an effort to conclude the bankruptcy. The District received two grants. One from Public Education from the County for \$30,000 and one from Proposition 84 for \$645,980.

The Public Education Grant from the County was for equipment that enhanced the PEG channel in Los Osos. This Grant was spent over a two year period for the improvements. The Proposition 84 grant in the amount of \$645,980 is for a nitrate removal project at the South Bay Upper Aquifer well site which is a requirement by the State. The District is fortunate to receive these funds. The Board of Directors awarded the contract to Joh Madonna Construction Company and the District anticipates completion during FY 2014-2015.

The District Board and management are confident the financial stability of the agency can be kept in good condition and the overall credit rating of the agency improved to allow for the construction of future projects.



LOS OSOS COMMUNITY SERVICES DISTRICT

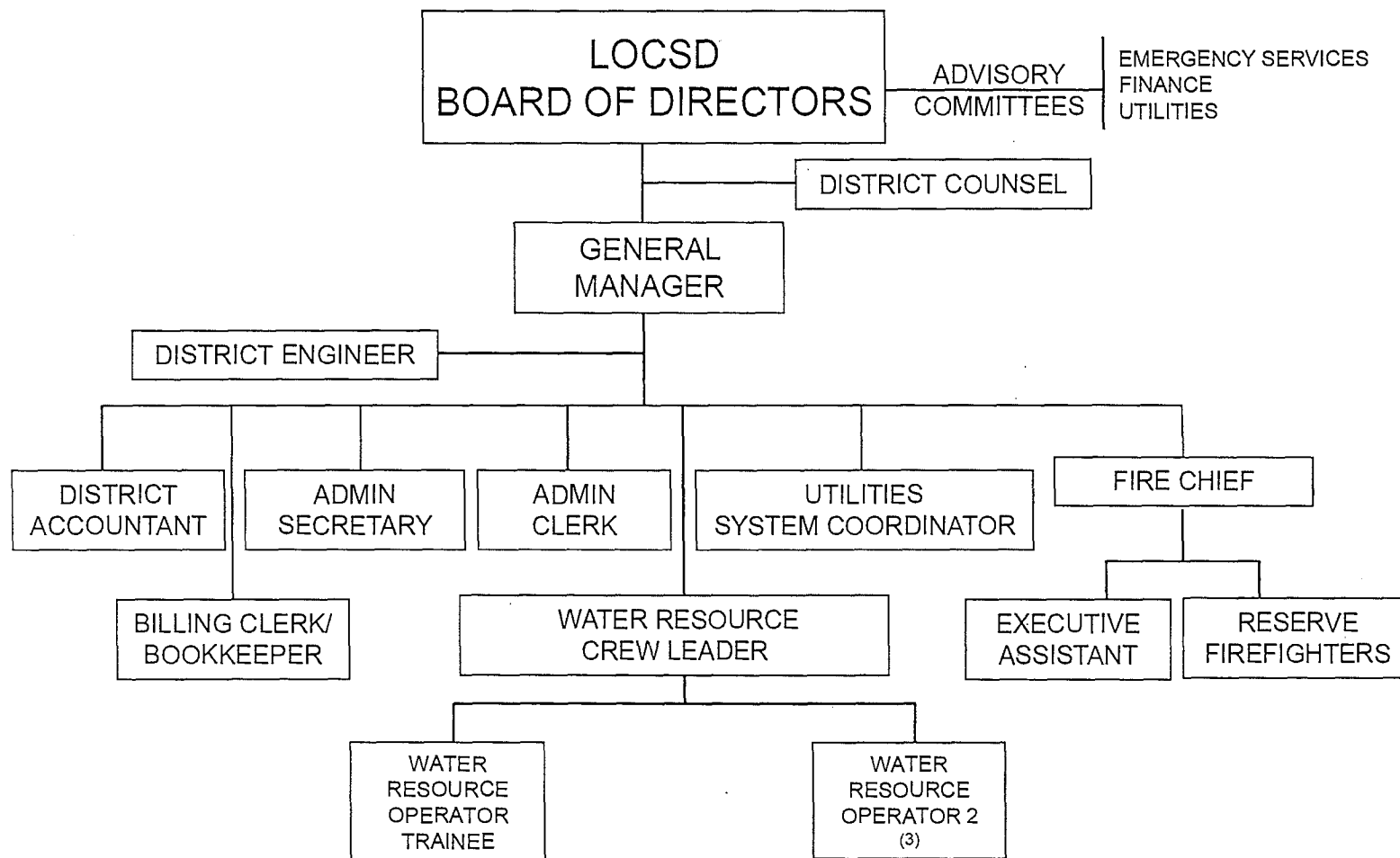


DIRECTORS

R. Michael Wright, President  
Marshall E. Ochylski, Vice President  
Charles L. Cesena, Director  
Jon-Erik G. Storm, Director  
Louis G. Tornatzky, Director



**LOS OSOS COMMUNITY SERVICES DISTRICT  
ORGANIZATIONAL CHART**



LOS OSOS COMMUNITY SERVICES DISTRICT  
2012 ORGANIZATIONAL CHART  
REVISED 9/10/2012

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**FINANCIAL SECTION**





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
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## INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Osos Community Services District (District), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Because of the matter described in the following paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

### *Basis for Disclaimer of Opinion*

The District lacked complete accounting records of compensated absences and had weak internal controls due to the excessive amount of journal entries that were made to correct account balances. Accordingly, it was not practicable for us to extend our audit beyond the amounts recorded.

### *Disclaimer of Opinion*

Because of the significance of the matters discussed in the preceding paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on these basic financial statements.

### ***Emphasis of Matter***

As discussed in note 1 to the basic financial statements effective July 1, 2013, the Los Osos Community Services District adopted Governmental Accounting Standards Board (GASB) Statement No. No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 through 34 and the schedule of funding progress for postemployment benefits on page 35 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 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 inquires, 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.

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

#### ***Other Information***

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

The combining nonmajor fund 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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.

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2015, 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.

*Moss, Reny & Haugheim LLP*

Santa Maria, California  
August 26, 2015

LOS OSOS COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,341,713	\$ 2,315,596	\$ 4,657,309
Accounts receivable, net		347,107	347,107
Interest receivable	540		540
Inventory		31,919	31,919
Restricted assets-			
Cash and investments	356,378		356,378
Prepaid CalPERS side fund	34,177		34,177
Capital assets:			
Non Depreciable:			
Land	57,375	498,429	555,804
Construction in progress		390,567	390,567
Depreciable:			
Buildings, structures, and improvements	515,116	5,000	520,116
Infrastructure	237,756	8,578,174	8,815,930
Plant and equipment	1,466,215	434,172	1,900,387
Accumulated depreciation	(1,405,611)	(4,132,787)	(5,538,398)
Total assets	<u>3,603,659</u>	<u>8,468,177</u>	<u>12,071,836</u>
<b>LIABILITIES</b>			
Accounts payable	37,047	391,415	428,462
Accrued liabilities	3,140	31,332	34,472
Accrued interest payable		52,268	52,268
Deposits		3,510	3,510
Noncurrent liabilities:			
Due within one year	6,540	194,659	201,199
Due in more than one year	31,277	4,238,689	4,269,966
Total liabilities	<u>78,004</u>	<u>4,911,873</u>	<u>4,989,877</u>
<b>NET POSITION</b>			
Net investment in capital assets	870,851	1,660,660	2,531,511
Restricted for:			
Fire and emergency services	304,752		304,752
Equipment replacement	444,045		444,045
Capital outlay	918,838		918,838
Bayridge functions	28,586		28,586
Vista de Oro functions	17,387		17,387
Drainage services	260,705		260,705
Unrestricted	680,491	1,895,644	2,576,135
Total net position	<u>\$ 3,525,655</u>	<u>\$ 3,556,304</u>	<u>\$ 7,081,959</u>

The notes to basic financial statements are an integral part of this statement.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

	Expenses	Charges for Services	Program Revenues Operating Contributions and Grants
Governmental activities:			
General government	\$ 581,522	\$ 110	\$
Public safety	1,997,973	77,641	7,549
Health and sanitation	87,864	65,645	
Street lighting	7,217	7,217	
Total governmental activities	2,674,576	150,613	7,549
Business-type activities:			
Water	1,409,252	2,158,062	42,023
Refuse	1,680	45,432	
Wastewater treatment project	66,988		
Total business-type activities	1,477,920	2,203,494	42,023
Total	\$ 4,152,496	\$ 2,354,107	\$ 49,572

General Revenues:

Taxes:

Property  
Special  
Other

Investment income  
Other general revenues  
Sale of franchise

Extraordinary Item:

Gain (loss) from debt restructuring adjustment

Transfers

Total general revenues, extraordinary item, and transfers

Change in net position

Net position - beginning of fiscal year

Prior period adjustments

Net position - end of fiscal year, restated

Net position - end of fiscal year

The notes to basic financial statements are an integral part of this statement.



Capital Contributions and Grants	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (581,412)	\$ -	\$ (581,412)
	(1,912,783)		(1,912,783)
	(22,219)		(22,219)
	(2,516,414)		(2,516,414)
		790,833	790,833
		43,752	43,752
		(66,988)	(66,988)
		767,597	767,597
\$ -	(2,516,414)	767,597	(1,748,817)
	1,651,294	188,431	1,839,725
	586,287		586,287
		14,700	14,700
	2,024	9,584	11,608
	72,602	32,012	104,614
		2,800,000	2,800,000
	688,167	(19,145,379)	(18,457,212)
	545,699	(545,699)	
	3,546,073	(16,646,351)	(13,100,278)
	1,029,659	(15,878,754)	(14,849,095)
	2,376,247	6,707,427	9,083,674
	119,749	12,727,631	12,847,380
	2,495,996	19,435,058	21,931,054
\$	\$ 3,525,655	\$ 3,556,304	\$ 7,081,959

LOS OSOS COMMUNITY SERVICES DISTRICT  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET  
 June 30, 2014

	General Fund	Fire Fund	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and investments	\$ 700,663	\$ 1,329,376	\$ 311,674	\$ 2,341,713
Restricted cash and investments		51,622	304,756	356,378
Interest receivable		540		540
Due from other funds	1,517			1,517
<b>Total assets</b>	<b>\$ 702,180</b>	<b>\$ 1,381,538</b>	<b>\$ 616,430</b>	<b>\$ 2,700,148</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 16,778	\$ 16,999	\$ 3,270	\$ 37,047
Accrued liabilities	1,271	1,869		3,140
Accrued compensated absences	6,540			6,540
Due to other funds			1,517	1,517
<b>Total liabilities</b>	<b>24,589</b>	<b>18,868</b>	<b>4,787</b>	<b>48,244</b>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Fire and emergency services		304,752		304,752
Equipment replacement		444,045		444,045
Capital outlay		613,873	304,965	918,838
Bayridge functions			28,586	28,586
Vista de Oro functions			17,387	17,387
Drainage services			260,705	260,705
<b>Assigned:</b>				
Information technology	28,741			28,741
Septic tank maintenance	15,801			15,801
Unassigned	633,049			633,049
<b>Total fund balances</b>	<b>677,591</b>	<b>1,362,670</b>	<b>611,643</b>	<b>2,651,904</b>
<b>Total liabilities and fund balances</b>	<b>\$ 702,180</b>	<b>\$ 1,381,538</b>	<b>\$ 616,430</b>	<b>\$ 2,700,148</b>

The notes to basic financial statements are an integral part of this statement.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2014

Total fund balances - governmental funds		\$ 2,651,904
CalPERS side-fund asset: In governmental funds only current assets are reported.		34,177
In the statement of net position, all assets are reporting including the CalPERS side-fund asset which is the net of the safety plan asset of \$127,053 and the miscellaneous plan liability of \$92,876.		
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	\$ 2,276,462	
Accumulated depreciation	<u>(1,405,611)</u>	
Net		870,851
Long-term liabilities: 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 payable	\$ 24,766	
Other post employment benefits obligation	<u>6,511</u>	
Total		<u>(31,277)</u>
Total net position - governmental activities		<u><u>\$ 3,525,655</u></u>

The notes to basic financial statements are an integral part of this statement.

**LOS OSOS COMMUNITY SERVICES DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the Fiscal Year Ended June 30, 2014

	General Fund	Fire Fund	Other Governmental Funds	Totals
<b>Revenues:</b>				
Property taxes	\$ -	\$ 1,625,572	\$ 25,722	\$ 1,651,294
Special taxes and assessments		488,606	97,681	586,287
Intergovernmental	(656)	7,549		6,893
Service charges and fees	110		72,862	72,972
Public services fees		66,031		66,031
Use of money and property		1,231	793	2,024
Other	32	12,610	226	12,868
<b>Total revenues</b>	<b>(514)</b>	<b>2,201,599</b>	<b>197,284</b>	<b>2,398,369</b>
<b>Expenditures:</b>				
Personnel	320,191	87,465	41,809	449,465
Clothing and uniforms		3,371		3,371
Contract services	70,891	1,630,890	430	1,702,211
Equipment and tools		35,867	458	36,325
Financial services	8,248	5,040		13,288
Insurance, licenses and regulatory fees	45,574	23,400	8,082	77,056
Legal and professional	67,632	4,812	5,083	77,527
Office expenses	17,496	6,467	198	24,161
Other expenses	1,681	8,122	250	10,053
Rent and utilities	27,640	15,588	22,998	66,226
Repairs and maintenance	14,143	28,050	2,045	44,238
Travel and training	3,093	6,854	13	9,960
Vehicle maintenance and repairs		162	3,802	3,964
Capital outlay		32,487		32,487
<b>Total expenditures</b>	<b>576,589</b>	<b>1,888,575</b>	<b>85,168</b>	<b>2,550,332</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(577,103)</b>	<b>313,024</b>	<b>112,116</b>	<b>(151,963)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of capital assets		72,000		72,000
Transfers in	705,597		20,498	726,095
Transfers out	(25,000)	(103,158)	(52,238)	(180,396)
<b>Total other financing sources (uses)</b>	<b>680,597</b>	<b>(31,158)</b>	<b>(31,740)</b>	<b>617,699</b>
<b>Extraordinary Item:</b>				
Gain (loss) from debt restructuring adjustment	685,171	2,996		688,167
<b>Net change in fund balances</b>	<b>788,665</b>	<b>284,862</b>	<b>80,376</b>	<b>1,153,903</b>
Fund balances - July 1	(103,625)	1,077,808	531,267	1,505,450
Prior period adjustments	(7,449)			(7,449)
Fund balances - July 1, restated	(111,074)	1,077,808	531,267	1,498,001
<b>Fund balances - June 30</b>	<b>\$ 677,591</b>	<b>\$ 1,362,670</b>	<b>\$ 611,643</b>	<b>\$ 2,651,904</b>

The notes to basic financial statements are an integral part of this statement.

**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 Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental funds	\$ 1,153,903
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$32,487 is less than depreciation expense \$(116,485) in the period.	(83,998)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(41,822)
In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, benefits used was more than the amounts earned by \$1,859.	(1,859)
In governmental funds, the repayments of the PERS side fund debt is reported as a retirement expense. In the government-wide statements, repayments are reported as a decrease in the long-term liabilities for the miscellaneous plan and amortization of the asset of the Safety plan. This fiscal year, the amortization of the Safety Plan's asset exceeded the decrease in the Miscellaneous Plan's liability by \$3,435.	<u>3,435</u>
Changes in net position - governmental activities	<u>\$ 1,029,659</u>

The notes to basic financial statements are an integral part of this statement.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Water Fund	Refuse Fund	Wastewater Treatment Project Fund	Totals
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 2,024,163	\$ 197,049	\$ 94,384	\$ 2,315,596
Accounts receivable, net	347,107			347,107
Inventory at cost	31,919			31,919
Total current assets	<u>2,403,189</u>	<u>197,049</u>	<u>94,384</u>	<u>2,694,622</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	<u>5,614,965</u>		<u>158,590</u>	<u>5,773,555</u>
Total noncurrent assets	<u>5,614,965</u>		<u>158,590</u>	<u>5,773,555</u>
Total assets	<u>8,018,154</u>	<u>197,049</u>	<u>252,974</u>	<u>8,468,177</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	379,284	2,829	9,302	391,415
Accrued liabilities	31,332			31,332
Accrued interest payable	52,268			52,268
Deposits payable	3,150	360		3,510
Compensated absences - current portion	12,305			12,305
Loan payables - current portion	<u>142,654</u>		<u>39,700</u>	<u>182,354</u>
Total current liabilities	<u>620,993</u>	<u>3,189</u>	<u>49,002</u>	<u>673,184</u>
Noncurrent liabilities:				
Compensated absences	16,901			16,901
OPEB payable	12,244			12,244
Loans payable	<u>3,970,241</u>		<u>239,303</u>	<u>4,209,544</u>
Total noncurrent liabilities	<u>3,999,386</u>		<u>239,303</u>	<u>4,238,689</u>
Total liabilities	<u>4,620,379</u>	<u>3,189</u>	<u>288,305</u>	<u>4,911,873</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,502,070		158,590	1,660,660
Unrestricted (deficit)	<u>1,895,705</u>	<u>193,860</u>	<u>(193,921)</u>	<u>1,895,644</u>
Total net position	<u>\$ 3,397,775</u>	<u>\$ 193,860</u>	<u>\$ (35,331)</u>	<u>\$ 3,556,304</u>

The notes to basic financial statements are an integral part of this statement.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended June 30, 2014

	Water Fund	Refuse Fund	Wastewater Treatment Project Fund	Totals
<b>Operating Revenues:</b>				
Utility	\$ 2,158,062	\$ -	\$ -	\$ 2,158,062
Franchise		45,432		45,432
Total operating revenues	<u>2,158,062</u>	<u>45,432</u>		<u>2,203,494</u>
<b>Operating Expenses:</b>				
Personnel	510,048			510,048
Clothing and uniforms	2,366			2,366
Contract services	53,853			53,853
Equipment and tools	27,125			27,125
Financial services	2,144		6,637	8,781
Insurance, licenses and regulatory fees	36,985		30	37,015
Legal and professional	131,999		60,301	192,300
Office expenses	42,251		20	42,271
Other expenses	12,765			12,765
Rent and utilities	115,744	1,680		117,424
Repairs and maintenance	54,008			54,008
Travel and training	903			903
Vehicle maintenance and repairs	16,136			16,136
Non-capitalized equipment	57,992			57,992
Depreciation	206,384			206,384
Total operating expenses	<u>1,270,703</u>	<u>1,680</u>	<u>66,988</u>	<u>1,339,371</u>
Operating income (loss)	<u>887,359</u>	<u>43,752</u>	<u>(66,988)</u>	<u>864,123</u>
<b>Non-Operating Revenues (Expenses):</b>				
Property taxes and assessments	188,431		14,700	203,131
Investment income	815	283	8,486	9,584
Other non-operating revenue	3,400	1,963	26,839	32,202
Intergovernmental revenues	42,023			42,023
Proceeds from sale of franchise		2,800,000		2,800,000
Loss on disposal of capital assets	(190)			(190)
Interest expense	(138,549)			(138,549)
Total non-operating revenues (expenses)	<u>95,930</u>	<u>2,802,246</u>	<u>50,025</u>	<u>2,948,201</u>
Income (loss) before transfers and extraordinary items	983,289	2,845,998	(16,963)	3,812,324
Transfers in (out)	(892,758)	(2,867,320)	3,214,379	(545,699)
Extraordinary item				
Gain (loss) from debt restructuring adjustment	47,079		(19,192,458)	(19,145,379)
Change in net position	<u>137,610</u>	<u>(21,322)</u>	<u>(15,995,042)</u>	<u>(15,878,754)</u>
Net position - July 1	3,290,705	215,182	3,201,540	6,707,427
Prior period adjustments	(30,540)		12,758,171	12,727,631
Net position - July 1, restated	<u>3,260,165</u>	<u>215,182</u>	<u>15,959,711</u>	<u>19,435,058</u>
Net position - June 30	<u>\$ 3,397,775</u>	<u>\$ 193,860</u>	<u>\$ (35,331)</u>	<u>\$ 3,556,304</u>

The notes to basic financial statements are an integral part of this statement.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2014

	Water Fund	Refuse Fund	Wastewater Treatment Project Fund	Totals
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 2,139,053	\$ 50,851	\$ 6,558	\$ 2,194,667
Payments to suppliers	(520,482)	(366)	(91,473)	(610,526)
Payments to employees	(489,603)			(489,603)
Net cash provided (used) by operating activities	<u>1,128,968</u>	<u>50,485</u>	<u>(84,915)</u>	<u>1,094,538</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(39,730)			(39,730)
Principal paid on capital debt	(138,432)			(138,432)
Interest paid on capital debt	(140,308)			(140,308)
Net cash provided (used) by capital and related financing activities	<u>(318,470)</u>			<u>(318,470)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) other funds	(482,758)	(2,867,320)	2,804,379	(545,699)
Property taxes and assessments	193,013		14,700	207,713
Intergovernmental revenues	42,023			42,023
Proceeds from sale of franchise		2,800,000		2,800,000
Debt payment			(14,700)	(14,700)
Other revenue	3,400	1,963	26,839	32,202
Settlement payment			(4,222,683)	(4,222,683)
Net cash provided (used) by noncapital financing activities	<u>(244,322)</u>	<u>(65,357)</u>	<u>(1,391,465)</u>	<u>(1,701,144)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest income	815	283	8,486	9,584
Net cash provided (used) by investing activities	<u>815</u>	<u>283</u>	<u>8,486</u>	<u>9,584</u>
Net increase (decrease) in cash and cash equivalents	<u>566,991</u>	<u>(14,589)</u>	<u>(1,467,894)</u>	<u>(915,492)</u>
Cash and cash equivalents - July 1	1,457,172	211,638	3,167,038	4,835,848
Prior period adjustments			(1,604,760)	(1,604,760)
Cash and cash equivalents - July 1, restated	<u>1,457,172</u>	<u>211,638</u>	<u>1,562,278</u>	<u>3,231,088</u>
Cash and cash equivalents - June 30	<u>\$ 2,024,163</u>	<u>\$ 197,049</u>	<u>\$ 94,384</u>	<u>\$ 2,315,596</u>

The notes to basic financial statements are an integral part of this statement.



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
 For the Fiscal Year Ended June 30, 2014

	Water Fund	Refuse Fund	Wastewater Treatment Project Fund	Totals
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 887,359	\$ 43,752	\$ (66,988)	\$ 864,123
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	206,384			206,384
Change in assets and liabilities:				
Receivables, net	(1,666)	5,419	6,558	10,311
Prepaid expense	6,329	280		6,609
Accounts payable	27,460	2,829	(24,485)	5,804
Accrued liabilities	15,073			15,073
Deposits	(17,343)	(1,795)		(19,138)
OPEB payable	5,372			5,372
Net cash provided (used) by operating activities	<u>\$ 1,128,968</u>	<u>\$ 50,485</u>	<u>\$ (84,915)</u>	<u>\$ 1,094,538</u>

The notes to basic financial statements are an integral part of this statement.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 June 30, 2014

	Agency Fund
<b>ASSETS</b>	
Cash and investments	\$ 124,044
Cash with fiscal agent	1,512,372
Accrued property taxes receivable	25,424
Loan receivable from District	279,003
Total assets	<u>\$ 1,940,843</u>
<b>LIABILITIES</b>	
Due to bondholders	\$ 1,940,843
Total liabilities	<u>\$ 1,940,843</u>

The notes to basic financial statements are an integral part of this statement.

LOS OSOS COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

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, Solid Waste, 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. Chapter 9 Bankruptcy

The background, status, and impacts of the bankruptcy filing are discussed in the Note 12.

C. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement and the impact on the District's financial statements are explained in Note 13.

D. 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.

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

LOS OSOS COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

**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; once the bankruptcy case is closed, this fund will function as a Debt Service Fund and may at that point be reclassified to the Governmental category.)
- 650 – Solid Waste or Refuse Fund

**Fiduciary Funds**

Fiduciary Funds are as follows:

The fiduciary fund is accounted for on the accrual basis of accounting. 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 one agency fund – Los Osos Community Services District Wastewater Assessment District No. 1.

**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.

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 reports 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.

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

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 debt service on the aborted sewer project.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 assets (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.

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 year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on general 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.

The District follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, which do not conflict with GASB Pronouncements.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The fiduciary fund is 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.

F. Property Taxes

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

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

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

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

G. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at 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, franchise taxes, grants, and other fees, if any. Business-type activities report utilities and franchise fees 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 and if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. The fiduciary fund receivables primarily consist of tax assessments.

I. 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 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.

J. Restricted Assets

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

K. Capital Assets

The accounting treatment over 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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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. Upon termination, all accumulated vacation hours up to 320 hours can be paid. 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 will be 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.

M. 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. Initial issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period when the debt is issued. 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.

N. Interfund Transactions

Following is a description of the three basic types of interfund transactions that can be made during the 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.

O. Equity Classifications

*Government-Wide Statements*

GASB Statement No. 63 requires that the difference between assets and 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.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Equity Classifications (Continued)

*Fund Statements*

The fund balances of the governmental funds are classified within the five categories under GASB Statement No. 54 as follows:

- *Nonspendable fund balance* – amounts cannot be spent because they are either (a) not spendable in form or (b) are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by laws through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the highest level of decision-making authority (Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making or by a body or an official designated for that purpose. Residual funds in special revenue funds are classified under this category.
- *Unassigned fund balance* – this represents residual fund balance in the General Fund that is not otherwise classified in the other categories. For other funds, this represents the excess of actual expenditures over the amounts restricted, committed, or assigned for the specific purposes.

The District's Board of Directors adopted a resolution affirming compliance with GASB Statement No. 54 and also affirming that only the Board of Directors can create, change, or cancel Committed and Assigned fund balances.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted committed, assigned, and unassigned resources as they are needed.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, Restricted Fund Balance will be considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by Assigned amounts, and then Unassigned amounts.

P. General Budget Policies

The District requires that all funds adopt an annual budget. The annual budget is prepared by the General Manager and submitted to the District Board of Directors for adoption. A budget has been prepared for both the governmental funds and proprietary funds utilizing the modified accrual basis of accounting. All unencumbered appropriations in the budget lapse at the end of the fiscal year.

Q. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – CASH AND 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.

Investments of the District as of June 30, 2014

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>Percentage Of Portfolio</u>	<u>Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
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

The composition of cash and investments as of June 30, 2014, by fund type is as follows:

	<u>Available for Operations</u>	<u>Restricted</u>	<u>Total</u>
General Fund	\$ 700,663	\$ -	\$ 700,663
Special Revenue Funds	1,641,050	356,378	1,997,428
Proprietary Funds	2,315,596		2,315,596
Fiduciary Funds		1,636,416	1,636,416
	<u>\$ 4,657,309</u>	<u>\$ 1,992,794</u>	<u>\$ 6,650,103</u>

Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the District's debt instruments or Agency's agreements:

Cash and investments	\$ 4,657,309
Cash and investments - restricted	356,378
Total cash and investments, statement of net position	<u>5,013,687</u>
Cash and investments, statement of fiduciary net position	124,044
Cash and investments with fiscal agents, statement of fiduciary net position	1,512,372
Total cash and investments	<u>\$ 6,650,103</u>

LOS OSOS COMMUNITY SERVICES DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

Classification (Continued)

On June 30, 2014, the District had the following cash and investments on hand:

Deposits with financial institutions	\$ 1,877,026
Imprest funds	10,406
Bank time deposits	51,622
State investment pool	979,499
Money market	3,731,550
Total cash and investments	<u>\$ 6,650,103</u>

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 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.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) 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, 2014:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Bank time deposits	\$ 51,622	\$ 51,622	\$ -	\$ -	\$ -
LAI	979,499	979,499			
Money market	2,219,178	2,219,178			
Held by bond trustees:					
Money market	1,512,372	1,512,372			
	<u>\$ 4,762,671</u>	<u>\$ 4,762,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014 for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Bank time deposits	\$ 51,622	N/A	\$ -	\$ -	\$ -	\$ 51,622
LAI	979,499	N/A				979,499
Money market	2,219,178	N/A		2,219,178		
Held by bond trustees:						
Money market	1,512,372			1,512,372		
	<u>\$ 4,762,671</u>		<u>\$ -</u>	<u>\$ 3,731,550</u>	<u>\$ -</u>	<u>\$ 1,031,121</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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 seventy-eight percent (78%) 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 trustee, is investment in the State Investment Pool, more commonly known as LAIF. Investment in LAIF comprises fourteen percent (21%) 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 trustee is governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the District's investment policy. Current agreement of the District with bond trustee directs the trustee to invest in money market funds 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.

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.

LOS OSOS COMMUNITY SERVICES DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014

NOTE 3 – INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2014, were as follows:

Interfund Transfers

<u>Major Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 705,597	\$ 25,000
Fire		103,158
<u>Nonmajor Governmental Funds:</u>		
Bayridge		6,798
Vista de Oro	20,498	
Drainage		45,440
<u>Proprietary Funds:</u>		
Water		892,758
Refuse		2,867,320
Wastewater Treatment Project	3,214,379	
	<u>\$ 3,940,474</u>	<u>\$ 3,940,474</u>

Due To/Due From

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

NOTE 4 – CAPITAL ASSETS

Governmental activities:

	Balance at July 1, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
Capital assets not being depreciated					
Land	\$ 57,375	\$ -	\$ -	\$ -	\$ 57,375
Construction in progress	546,720			(546,720)	
Total capital assets not being depreciated	<u>\$ 604,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (546,720)</u>	<u>\$ 57,375</u>
Capital assets being depreciated					
Buildings, structures, and improvements	\$ 515,116	\$ -	\$ -	\$ -	\$ 515,116
Infrastructure	237,756				237,756
Plant and equipment	1,144,226	32,487	257,218	546,720	1,466,215
Total capital assets being depreciated	<u>1,897,098</u>	<u>32,487</u>	<u>257,218</u>	<u>546,720</u>	<u>2,219,087</u>
Less accumulated depreciation					
Buildings, structures, and improvements	360,758	18,335			379,093
Infrastructure	209,422	9,789			219,211
Plant and equipment	934,342	88,361	215,396		807,307
Total accumulated depreciation	<u>1,504,522</u>	<u>116,485</u>	<u>215,396</u>		<u>1,405,611</u>
Total capital assets being depreciated, net	<u>\$ 392,576</u>	<u>\$ (83,998)</u>	<u>\$ 41,822</u>	<u>\$ 546,720</u>	<u>\$ 813,476</u>
Net capital assets	<u>\$ 996,671</u>	<u>\$ (83,998)</u>	<u>\$ 41,822</u>	<u>\$ 546,720</u>	<u>\$ 870,851</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions based on their usage of the related assets as follows:

**Business-type activities:**

	Balance at July 1, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
Capital assets not being depreciated					
Land	\$ 498,429	\$ -	\$ -	\$ -	\$ 498,429
Construction in progress	22,083,506	374,917	22,067,856		390,567
Total capital assets not being depreciated	<u>\$ 22,581,935</u>	<u>\$ 374,917</u>	<u>\$ 22,067,856</u>	<u>\$ -</u>	<u>\$ 888,996</u>
Capital assets being depreciated					
Building and improvements	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Infrastructure	8,571,773	6,801	400		8,578,174
Plant and equipment	434,172				434,172
Total capital assets being depreciated	<u>9,010,945</u>	<u>6,801</u>	<u>400</u>		<u>9,017,346</u>
Less accumulated depreciation					
Building and improvements	5,000				5,000
Infrastructure	3,530,519	196,299	210		3,726,608
Plant and equipment	391,094	10,085			401,179
Total accumulated depreciation	<u>3,926,613</u>	<u>206,384</u>	<u>210</u>		<u>4,132,787</u>
Total capital assets being depreciated, net	<u>\$ 5,084,332</u>	<u>\$ (199,583)</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ 4,884,559</u>
Net capital assets	<u>\$ 27,666,267</u>	<u>\$ 175,334</u>	<u>\$ 22,068,466</u>	<u>\$ -</u>	<u>\$ 5,773,555</u>

**Governmental Activities:**

General administration	\$ 8,368
Public safety	98,328
Health and sanitation	9,789
Total governmental activities depreciation expense	<u>\$ 116,485</u>

**Business-type Activities:**

Water services	\$ 206,384
Total business-type activities depreciation expense	<u>\$ 206,384</u>

**Construction in progress:**

	Balance at June 30, 2014
Governmental activities	\$ -
Business-type activities	390,567
Total construction in progress	<u>\$ 390,567</u>

LOS OSOS COMMUNITY SERVICES DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014

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, 2014:

	Balance at July 1, 2013	Additions	Reductions	Prior Period Adjustment	Balance at June 30, 2014	Current Portion	Long Term Portion
<b>Governmental Activities:</b>							
Compensated Absences	\$ 31,306	\$ -	\$ -	\$ -	\$ 31,306	\$ 6,540	\$ 24,766
PERS Side Fund	96,456			(96,456)			
Other Post Employment Benefits Obligation	4,652	1,859			6,511		6,511
<b>Total Governmental Activities</b>	<b>\$ 132,414</b>	<b>\$ 1,859</b>	<b>\$ -</b>	<b>\$ (96,456)</b>	<b>\$ 37,817</b>	<b>\$ 6,540</b>	<b>\$ 31,277</b>
<b>Business-Type Activities:</b>							
Compensated Absences	\$ 29,206	\$ -	\$ -	\$ -	\$ 29,206	\$ 12,305	\$ 16,901
Other Post Employment Benefits Obligation	6,872	5,372			12,244		12,244
<b>Water Fund:</b>							
Notes Payable	4,251,327		138,432		4,112,895	142,654	3,970,241
<b>Wastewater Treatment Project Fund:</b>							
Notes Payable	6,486,144		6,486,144				
Loan Payable to Fiduciary Fund			14,700	293,703	279,003	39,700	239,303
Improvement Bonds (US Bank Trustee)	14,820,000			(14,820,000)			
<b>Total Business-Type Activities</b>	<b>\$ 25,593,549</b>	<b>\$ 5,372</b>	<b>\$ 6,639,276</b>	<b>\$ (14,526,297)</b>	<b>\$ 4,433,348</b>	<b>\$ 194,659</b>	<b>\$ 4,238,689</b>

A description of the long-term liabilities related to governmental activities at June 30, 2014, follows:

**A. Governmental Activities**

At the time the District joined the Public Employees Retirement System (PERS) Risk Pool, a side fund was required to be created to account for the difference between the funded status of the pool and the funded status of the District's plan, in addition to the existing plans unfunded liability. The side fund will be credited, on an annual basis, with the actuarial investment return assumption which was 7.75% prior to July 1, 2012 and 7.5% after that date. A side fund asset or liability will cause the District required PERS employer contribution rate to be decreased or increased by the amortization of the side fund. The side fund asset for the District's plan as of June 30, 2014, was \$34,177. Other Pension Obligation Benefits are discussed in Note 9.

**B. Business-Type Activities**

California State Resources Control Board

On August 8, 2005, the District entered into an agreement with the California State Resources Control Board to finance the construction of the wastewater treatment project. The initial award of the contract amounted to \$134,761,390; however, principal amounts received to the point when the project was stopped totaled only \$6,486,144. Installment payments, together with all interest accruing thereon, were to be repaid in annual installments at a rate of 2.3%. Interest on this loan is not accrued in the books because this loan and any interest thereon is part of the bankruptcy proceedings. Total simple interest to June 30, 2013, would have been \$915,674. With the approval of the United States Bankruptcy Court on October 9, 2013, the District does not have to pay the interest amount listed above nor pay the principal amount of \$6,486,144. See Note 12 – Contingencies and Commitments for further details.

California Infrastructure and Economic Development Bank

On December 6, 2004, the District entered into a 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 in August 2034 with an interest rate of 3.05% per annum. Annual payments average \$278,000 per year including interest. Debt service payments are due in August and February each year. Water 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, 2014, was \$4,112,895.

LOS OSOS COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 5 – LONG-TERM LIABILITIES (Continued)

California Infrastructure and Economic Development Bank				
For the Year Ending June 30	Principal	Interest	Annual Administrative Fee	Total
2015	\$ 142,654	\$ 123,268	\$ 12,339	\$ 278,261
2016	147,005	118,851	11,911	277,767
2017	151,486	114,298	11,470	277,254
2018	156,109	109,607	11,015	276,731
2019	160,871	104,773	10,547	276,191
2020-2024	881,014	446,039	45,193	1,372,246
2025-2029	1,023,819	301,058	31,148	1,356,025
2030-2034	1,189,770	132,574	14,825	1,337,169
2035	260,167	3,968	782	264,917
Total	<u>\$ 4,112,895</u>	<u>\$ 1,454,436</u>	<u>\$ 149,230</u>	<u>\$ 5,716,561</u>

Loan Payable to Fiduciary Fund

The District used \$751,268 bond reserve funds on September 1, 2006, to cover amounts the District had spent from the bond redemption funds. As part of the bankruptcy settlement, the District is to pay back the reserve fund with its bond administration fee plus \$25,000 annually. As of June 30, 2014, the District owed \$279,003. See Note 13 – Contingencies and Commitments for further details.

NOTE 6 – OPERATING LEASES

The District has commitments to lease certain office equipment and facilities. The District leases its administrative facilities for \$2,000 a month. The lease was extended by two years to April 30, 2016, under the same terms. The District leases a copier at \$375 a month. This lease is renewable annually at the District's option in September each year.

NOTE 7 – FIDUCIARY BONDED DEBT – NON DISTRICT DEBT

Wastewater Improvement Bonds

On November 7, 2002, the District, acting as a trustee for the Los Osos Community Services District Wastewater Assessment District No. 1 property owners, issued \$17,990,000 of limited obligation improvement bonds to (i) finance the construction of a wastewater collection, treatment, and disposal facility referred to as the "Wastewater Treatment Project" benefiting properties located within the District's boundaries and is referred to as the District's Wastewater Assessment District No. 1 (the "Assessment District"), (ii) to fund a reserve fund for the bonds, (iii) to fund capitalized interest on the bonds until September 2, 2003, and (iv) to pay costs of issuing the bonds. The bonds were issued at a discount of \$4,091 and issuance costs were \$782,707. Principal is payable on September 2 each year through September 2033, beginning in 2004. Interest on the bonds is payable on September 2 and March 2 of each year through September 2033, beginning March 2, 2003. Interest rates on the bond vary between 1.8 and 4.0 percent. The bonds are secured by assessments against the properties within the Assessment District and are further secured by the monies in the redemption fund and the Reserve Fund created pursuant to the assessment proceedings. Los Osos Community Services District is not liable to advance any funds from the District Treasury to cover any deficiency in the Bond Redemption Fund. The outstanding principal balance of the bonds at June 30, 2014, was \$14,405,000.



LOS OSOS COMMUNITY SERVICES DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014

NOTE 7 – FIDUCIARY BONDED DEBT (Continued)

Wastewater Improvement Bonds (Continued)

Wastewater Improvement Bonds			
For the Year Ending June 30	Principal	Interest	Total
2015	\$ 435,000	\$ 709,375	\$ 1,144,375
2016	455,000	687,125	1,142,125
2017	480,000	663,750	1,143,750
2018	505,000	639,125	1,144,125
2019	530,000	613,250	1,143,250
2020-2024	3,075,000	2,630,625	5,705,625
2025-2029	3,920,000	1,760,500	5,680,500
2030-2034	5,005,000	650,125	5,655,125
Total	<u>\$ 14,405,000</u>	<u>\$ 8,353,875</u>	<u>\$ 22,758,875</u>

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS

Defined Benefit Pension Plan

Plan Description

The District's pension plan is a defined benefits plan and is administered by the California Public Employees Retirement System (CALPERS). CALPERS acts as a common investment and administrative agent for the participating public entities within the State of California. Member agencies total over 3,000, representing about 1.6 million public sector employees. These defined benefit plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. Copies of CalPERS annual financial report may be obtained from their executive office: 400 Q Street, Sacramento, CA 95814.

The District's plan is part of the Miscellaneous 2% at 55 Risk Pool, a cost-sharing multiple-employer defined benefits plan. Risk pools were created in 2006 pursuant to legislation and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members, the District was required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is not available.

Funding Policy

Participating employees are required to contribute seven percent (7%) of their annual covered salary. However, under the Memorandum of Understanding between the District and its employees, the District agreed to pick up 4.84% leaving 2.16% for the employees to contribute. The District is required to contribute an actuarially determined rate calculated as a percentage of covered payrolls. The employer contribution rate for the fiscal year ended June 30, 2014, was 13.256%.

Annual Pension Cost

For the fiscal year ended June 30, 2014, the District paid to CALPERS a total of \$83,354 for its regular contribution of 13.256% for miscellaneous employees. It should be noted that required contributions rates are projected by CALPERS using actuarial valuations done two fiscal years before the effective date. Hence, for the fiscal year 2013-14, the contribution rate of 13.256% percent was projected using actuarial valuation done at June 30, 2011.

The assumptions used to determine required contributions in 2013-14 remained the same as in the prior year. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases from 3.30% to 14.20% depending on age, service, and type of employment, (c) 2.75% inflation rate, and (d) 3.00% payroll growth. The actuarial value of CALPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). The CALPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. CALPERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability.

**NOTE 8 – EMPLOYEE RETIREMENT BENEFITS (Continued)**

**Defined Benefit Pension Plan (Continued)**

Fiscal Year	Three-Year Trend Information for CALPERS			Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed		
2012	\$ 62,981	100%	\$ -	
2013	\$ 63,558	100%	\$ -	
2014	\$ 83,574	100%	\$ -	

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Other post employment benefits (OPEB) reflects the share of the District of the medical premium as required in the agreement with CALPERS to provide health benefits to active and retired employees. Currently, the required employer's share is \$115 per month. It should be noted that if an employee ceases to participate in the CALPERS medical program, this benefit also terminates.

GASB Statement No. 45, a statement issued by the Governmental Accounting Standards Board, fully implementable in fiscal year 2009-10 required that the employer's liability for these benefits be estimated, recorded, or disclosed.

For the District, this liability was estimated using the Alternative Measurement Method which essentially avoids the hiring of an actuary to do the computation. District's staff performed the computation to estimate this liability. As with any actuarial computations, there were a number of assumptions used. One of the key assumptions is that only 40% of retiring employees who are eligible for Medicare benefits will be able to afford the CALPERS supplemental medical program and will then have no other post employment benefits. This assumption is based on employee demographics. This liability as of June 30, 2014, is estimated to be \$38,332. Of this amount, only \$18,755 has been recorded in the books. This liability would be \$95,830 if 40% participation is not assumed.

Another assumption made is that employees will work up to the time they become eligible for Medicare benefits. Again, this assumption is based on employee demographics. There are currently two employees who retired before this age. Their OPEB is funded on a pay as you go basis and funded through the annual budget.

Funding

Ideally this OPEB liability is funded annually and invested separately from other District funds or even transferred to a trust manager that will be responsible for investing and paying out these funds. The estimated liability however is not that material and therefore can be managed easily by the District.

**NOTE 10 – 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 478 public agencies participating in the Property/Liability program and 404 agencies in its Workers' Compensation program. SDRMA's audit report for the fiscal year 2013-14 shows it had Net Assets of about \$53 million.

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

**NOTE 11 – SOLID WASTE FRANCHISE SALE**

In the bankruptcy case settlement agreement, the court approved the sale of Los Osos Community Services District's Solid Waste Franchise Agreement to San Luis Obispo County in the amount of \$2,800,000. This amount was required to be used pursuant to the settlement agreement in order to pay the settlements as described in Note 12 – Contingencies and Commitments for further details.

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Bankruptcy Case Litigation

On August 8, 2011, the Bankruptcy Court entered an Order Confirming the LOCSD Debt Adjustment Plan (the Plan). The Plan as confirmed resolved all the claims under the jurisdiction of the Bankruptcy Court which included \$12,181,504.95 in unsecured creditor claims. The Bankruptcy Court's order approving the Plan was appealed by the District's major creditor on August 22, 2011. This appeal was decided by the United States District Court on the District's favor on April 2, 2012, upholding the decision of the Bankruptcy Court to approve the Plan. Shortly afterward, on May 8, 2012, this decision was again appealed by the major creditor to the United States Court of Appeals for the Ninth Circuit. That appeal had a hearing on October 15, 2013, there was an Order Granting Motion for Order Approving the Second Amended Plan for Adjustment of Debts for the Los Osos Community Services District dated October 22, 2010, as further Amended by Non Material Modifications Pursuant to 11 U.S.C. Sections 942, 943 and 945. The confirmed Plan provided \$4,994,711.65 to satisfy the claims of the unsecured creditors (approximately \$11,395,505) or forty-one percent (41%) pro rata share. The sources of these funds were:

- Remaining State Revolving Fund Loan related to the prior Wastewater Treatment Project (approximately \$1.7 million as of September 10, 2010, the filing date of the Debt Adjustment Plan). As of December 31, 2013, the balance was \$1,394,711.65; and
- Solid Waste Franchise Fee totaling \$27,971; and
- \$2.8 million from San Luis Obispo County; in exchange for the transfer of the Solid Waste Franchise Agreement San Luis Obispo County; and
- Asset transfer of \$772,029 from San Luis Obispo County for sewer pipes that had value left from the original \$22,067,856 in Construction in Progress.

Under the Amended Plan the District will not pay the claim for the Regional Water Quality Control Board for fines it assessed against the District for failure to complete the construction of a community sewer system by August 30, 2004. This was levied against the District from an Administrative Civil Liability Order. This claim was subordinated and conditioned: 1) Plan approval; 2) County proceeds with the wastewater project; c) District provides a draft water conservation plan. All three conditions were met. The claim by the State Water Resources Control Board arises from a loan the Board made to the District to build the former wastewater project. With the approval of the Amended Plan and the County financing the current Wastewater Treatment Facility with State Revolving Funds, the Control Board will not receive a distribution.

The Amended Plan as stipulated to by all the parties resolves all the lawsuits and claims arising from the District's former Wastewater Project. On December 23, 2013, the District received funding from the County of San Luis Obispo to assist with prorated payment amounts due to the general unsecured Class 8 creditors. On February 7, 2014, the District made payments to the same Class 8 creditors totaling \$4,994,711.65. The Notice of Motion and Motion for Order Closing Case was filed on March 19, 2014. There were no objections filed with respect to the Motion. On April 3, 2014, Judge Robin L. Riblet entered an Order Closing Chapter 9 Case. The settlements payments and the release of former liabilities and assets resulted in the extraordinary gain or loss from debt restructuring of \$680,171 in the General Fund, \$2,996 in the Fire Fund, \$47,079 in the Water Fund and (\$19,185,763) in the Wastewater Treatment Project Fund.

Commitment to Pay into the 2002 Bond Reserve

On September 2, 2006, the District used \$714,268 of fiduciary fund bond reserves for the Wastewater Project. As part of the Amended Bankruptcy Plan, the Class 5 Secured Claim of MBIA Insurance Corp. arose out of the bonds that were issued by LOCSD Wastewater Assessment District No. 1 to fund part of the Wastewater Project (Old Project).

MBIA was the insurer of those bonds. As stated above the District used bond reserves for District purposes. The District has committed to pay at least \$25,000 per year. This amount plus any investment income earned by all funds held by the bond trustee will be used to bring the reserve account to its required level of \$1,158,500.

Note: In FY 2014/2015 the District in cooperation with US Bank conducted a full audit of this fund from its inception through June 30, 2015. After making the payments for FY 2013/2014, FY 2014/2015 and processing all payments currently held by the LOCSD for prior years, the Reserve balance as of June 30, 2015 is \$861,166. As of June 30, 2015, \$296,834 is still needed to restore the reserve to its required level. For FY 2015/2016 the LOCSD Board authorized a \$12 per parcel administrative charge be included on the San Luis Obispo Tax Rolls as allowed by the bond documents. Consistent with the bankruptcy order these funds are to be used to pay the MBIA claim by making the payments annually to US Bank to restore the fund in the Improvement Bond Reserve.

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
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**NOTE 12 – CONTINGENCIES AND COMMITMENTS (Continued)**

Other Commitments

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. The District has two court dates schedule in FY 2015/2016 for resolution of the ISJ.

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment of (\$7,449) was made which affects the governmental activities and the General Fund to remove an old account receivable balance that was likely already collected in prior years.

A prior period adjustment of \$127,198 was made, in the governmental activities. In prior years, the District did not record the PERS side fund asset for the Safety employees.

A prior period adjustment in the business-type activities of (\$532,314) was made in the proprietary funds statements and the business-type activities to remove unamortized bond issuance costs in accordance with the implementation of GASB Statement No. 65. The adjustment was (\$30,540) in the Water Fund and (\$501,774) in the Wastewater Treatment Project Fund.

A prior period adjustment of \$13,259,945 was made in the business-type activities and the Wastewater Treatment Project Fund to remove the 2002 Wastewater Improvement Bond and all of its related cash, assets and liabilities from the business-type activities. Los Osos Community Services District is not liable to advance any funds from the District Treasury to cover any deficiency in the Bond Redemption Fund and therefore the Bond debt is not a debt of the Los Osos Community Services District.

**REQUIRED SUPPLEMENTARY INFORMATION**



LOS OSOS COMMUNITY SERVICES DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 17,620	\$ -	\$ -	\$ -
Intergovernmental			(656)	(656)
Service charges and fees			110	110
Administrative charges	658,587			
Other			32	32
<b>Total revenues</b>	<b>676,207</b>		<b>(514)</b>	<b>(514)</b>
<b>Expenditures:</b>				
Personnel	325,675	311,835	320,191	(8,356)
Contract services	53,320	61,150	70,891	(9,741)
Financial services		100	8,248	(8,148)
Insurance, licenses and regulatory fees	50,580	46,590	45,574	1,016
Legal and professional	103,400	91,900	67,632	24,268
Office expenses	14,100	15,380	17,496	(2,116)
Other expenses	1,500	1,300	1,681	(381)
Rent and utilities	28,550	28,550	27,640	910
Repairs and maintenance	50	200	14,143	(13,943)
Travel and training	11,700	6,250	3,093	3,157
Capital outlay		14,517		14,517
<b>Total expenditures</b>	<b>588,875</b>	<b>577,772</b>	<b>576,589</b>	<b>1,183</b>
Excess of revenues over (under) expenditures	87,332	(577,772)	(577,103)	669
<b>Other Financing Sources (Uses)</b>				
Transfers in		705,597	705,597	
Transfers out		(25,000)	(25,000)	
<b>Total other financing sources (uses)</b>		<b>680,597</b>	<b>680,597</b>	
<b>Extraordinary Item:</b>				
Gain (loss) from debt restructuring adjustment			685,171	685,171
<b>Net change in fund balance</b>	<b>87,332</b>	<b>102,825</b>	<b>788,665</b>	<b>685,840</b>
Fund balance - July 1	(103,625)	(103,625)	(103,625)	
Prior period adjustment			(7,449)	(7,449)
Fund balance - July 1, restated	(103,625)	(103,625)	(111,074)	(7,449)
Fund balance - June 30	\$ (16,293)	\$ (800)	\$ 677,591	\$ 678,391

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**FIRE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 1,548,060	\$ 1,575,925	\$ 1,625,572	\$ 49,647
Special taxes and assessments	521,410	521,410	488,606	(32,804)
Intergovernmental	4,500	8,000	7,549	(451)
Public services fees	64,890	65,818	66,031	213
Use of money and property		240	1,231	991
Other	10,000	83,135	12,610	(70,525)
<b>Total revenues</b>	<b>2,148,860</b>	<b>2,254,528</b>	<b>2,201,599</b>	<b>(52,929)</b>
<b>Expenditures:</b>				
Personnel	140,035	134,945	87,465	47,480
Clothing and uniforms	3,800	3,000	3,371	(371)
Contract services	1,651,999	1,653,199	1,630,890	22,309
Equipment and tools	42,794	38,699	35,867	2,832
Financial services		5,140	5,040	100
Insurance, licenses and regulatory fees	22,500	25,380	23,400	1,980
Legal and professional	1,400	3,460	4,812	(1,352)
Office expenses	7,750	7,606	6,467	1,139
Other expenses	7,540	8,250	8,122	128
Rent and utilities	17,600	18,700	15,588	3,112
Repairs and maintenance	11,300	10,650	28,050	(17,400)
Travel and training	5,600	4,800	6,854	(2,054)
Vehicle maintenance and repairs			162	(162)
Capital outlay		41,072	32,487	8,585
<b>Total expenditures</b>	<b>1,912,318</b>	<b>1,954,901</b>	<b>1,888,575</b>	<b>66,326</b>
Excess of revenues over (under) expenditures	236,542	299,627	313,024	13,397
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets			72,000	72,000
Transfers out	(107,443)	(103,158)	(103,158)	
<b>Total other financing sources (uses)</b>	<b>(107,443)</b>	<b>(103,158)</b>	<b>(31,158)</b>	<b>72,000</b>
<b>Extraordinary Item:</b>				
Gain (loss) from debt restructuring adjustment			2,996	2,996
<b>Net change in fund balance</b>	<b>129,099</b>	<b>196,469</b>	<b>284,862</b>	<b>88,393</b>
Fund balance - July 1	1,077,808	1,077,808	1,077,808	
<b>Fund balance - June 30</b>	<b>\$ 1,206,907</b>	<b>\$ 1,274,277</b>	<b>\$ 1,362,670</b>	<b>\$ 88,393</b>



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS**  
**OTHER THAN PENSIONS**  
 For the Fiscal Year Ended June 30, 2014

The following table provides required supplementary information regarding the District's postemployment healthcare benefits.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
6/30/2012	\$ 31,100	\$ -	\$ 31,100	0%	\$ 597,721	5.2%
6/30/2013	\$ 31,100	\$ -	\$ 31,100	0%	\$ 563,216	5.5%
6/30/2014	\$ 38,332	\$ -	\$ 38,332	0%	\$ 604,619	6.3%

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**SUPPLEMENTARY INFORMATION**



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
 June 30, 2014

	<u>Bayridge</u>	<u>Vista de Oro</u>	<u>Drainage</u>	<u>Parks and Recreation</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 29,499	\$ 19,160	\$ 262,806	\$ 209	\$ 311,674
Restricted cash and investments				304,756	304,756
<b>Total assets</b>	<u>\$ 29,499</u>	<u>\$ 19,160</u>	<u>\$ 262,806</u>	<u>\$ 304,965</u>	<u>\$ 616,430</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 913	\$ 256	\$ 2,101	\$ -	\$ 3,270
Due to other funds		1,517			1,517
<b>Total liabilities</b>	<u>913</u>	<u>1,773</u>	<u>2,101</u>		<u>4,787</u>
<b>Fund Balances:</b>					
Restricted	<u>28,586</u>	<u>17,387</u>	<u>260,705</u>	<u>304,965</u>	<u>611,643</u>
<b>Total fund balances</b>	<u>28,586</u>	<u>17,387</u>	<u>260,705</u>	<u>304,965</u>	<u>611,643</u>
<b>Total liabilities and fund balances</b>	<u>\$ 29,499</u>	<u>\$ 19,160</u>	<u>\$ 262,806</u>	<u>\$ 304,965</u>	<u>\$ 616,430</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2014

	<u>Bayridge</u>	<u>Vista de Oro</u>	<u>Drainage</u>	<u>Parks and Recreation</u>	<u>Total</u>
<b>Revenues:</b>					
Property taxes	\$ 7,412	\$ -	\$ 18,310	\$ -	25,722
Special taxes and assessments			97,681		97,681
Service charges and fees	56,331	16,531			72,862
Use of money and property			60	733	793
Other			226		226
<b>Total revenues</b>	<u>63,743</u>	<u>16,531</u>	<u>116,277</u>	<u>733</u>	<u>197,284</u>
<b>Expenditures:</b>					
Personnel	11,364	12,674	17,771		41,809
Contract services	165	265			430
Equipment and tools	111	111	236		458
Insurance, licenses and regulatory fees	1,230	988	5,864		8,082
Legal and professional	1,250	200	3,633		5,083
Office expenses	30	30	138		198
Other expenses			250		250
Rent and utilities	13,623	6,985	2,390		22,998
Repairs and maintenance	626	49	1,370		2,045
Travel and training			13		13
Vehicle maintenance and repairs	1,152	576	2,074		3,802
Capital outlay					
<b>Total expenditures</b>	<u>29,551</u>	<u>21,878</u>	<u>33,739</u>		<u>85,168</u>
Excess of revenues over (under) expenditures	<u>34,192</u>	<u>(5,347)</u>	<u>82,538</u>	<u>733</u>	<u>112,116</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in		20,498			20,498
Transfers out	(6,798)		(45,440)		(52,238)
<b>Total other financing sources (uses)</b>	<u>(6,798)</u>	<u>20,498</u>	<u>(45,440)</u>		<u>(31,740)</u>
<b>Net change in fund balance</b>	<u>27,394</u>	<u>15,151</u>	<u>37,098</u>	<u>733</u>	<u>80,376</u>
Fund balances - July 1	<u>1,192</u>	<u>2,236</u>	<u>223,607</u>	<u>304,232</u>	<u>531,267</u>
Fund balances - June 30	<u>\$ 28,586</u>	<u>\$ 17,387</u>	<u>\$ 260,705</u>	<u>\$ 304,965</u>	<u>\$ 611,643</u>



MOSS, LEVY & HARTZHEIM LLP

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**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 were engaged to audit, 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 year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 26, 2015. Our report disclaims an opinion on such financial statements because of the lack of accounting records for compensated absences and the excessive amount of journal entries.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (findings 2014-1 through 2014-4).

*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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (findings 2014-5 through 2014-19).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

## **Los Osos Community Services District's Responses to Findings**

The Los Osos Community Services District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Los Osos Community Services District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Moss, Remy & Hartgen LLP*

Santa Maria, California  
August 26, 2015



**Finding 2014-1**  
**Other Post-employment Benefits (OPEB)**

**Criteria:**

The District must either use the services of an actuarial or use the alternative measurement method for employers with fewer than one hundred plan members as stated in GASB Statement No. 45.

**Condition:**

During our examination of other post employment benefits, we noted that the spreadsheet used to estimate the OPEB liability did not follow the GASB Statement No. 45 alternative measurement method nor did the District contract for an actuary

**Cause:**

Staff turnover and management oversight.

**Effect:**

A lack of knowledge of the correct balance as of June 30, 2014, could likely result in a misstatement of the balance,

**Recommendation:**

The District should either contract with an actuary to obtain its OPEB liability or perform the standard alternative measurement method for employers with fewer than one hundred plan members as allowed by GASB Statement No. 45.

**District's Corrective Action Plan:**

The District has implemented all necessary corrective actions to ensure compliance with GASB Statement No. 45.

**Finding 2014-2**  
**Compensated Absences**

**Criteria:**

Vacation and sick hours were not available for June 30, 2014.

**Condition:**

During our examination of compensated absences, we noticed that the reported balances were the same as the prior year. Upon further investigation, it was discovered that the payroll system can only run an hours report for the current rate and could not provide a reliable report as of June 30, 2014.

**Cause:**

Staff turnover caused the knowledge of the payroll systems limited reporting for compensated absences to be lost when the former employee left.

**Effect:**

A lack of knowledge of the compensated absences balance as of June 30, 2014, could likely result in a misstatement of the balance,

**Recommendation:**

The District should create either a formal accounting procedures manual to ensure that staff and management is cross trained in the payroll system so that staff turnover does not cause of loss of important historical data.

**District's Corrective Action Plan:**

The District Accountant has been in contact with the software developer and has been informed of the limitations of the payroll software. The District Accountant is now fully aware of when the reports for compensated absences will be available and that it must be printed off at the end of the fiscal year. This report must be printed prior to the first payroll of a new fiscal year. The District is working on preparing a manual/schedule of job duties to be performed by the District Accountant so as to not have this issue occur again.

**Finding 2014-3**  
**Management Override of Internal Controls**

**Criteria:**

The District's internal control processes should be able to process receipts, payroll, disbursements, etc. and result in the transactions getting accurately reported into the general ledger. In order to maintain proper segregation of duties, the General Manager should not be directly making journal entries to QuickBooks.

**Condition:**

During our examination of account balances in the general ledger, we noticed that it was difficult to follow and trace the accounting from one account to another due to the large amount of journal entries made, many of which were cancelling a previous entry. The regular internal control process over receipts, payroll, disbursements, etc. should be able to result in correctly recorded transactions. Also, we found that many adjusting journal entries were made directly into QuickBooks by the General Manager.

**Cause:**

Staff turnover and weaknesses in the reporting internal controls.

**Effect:**

Staff turnover and weaknesses in the reporting internal controls. The general ledger is difficult to follow and trace balances. In addition, Management's override of the internal controls creates a lack of proper segregation of duties which could result in a misstatement in the financial statements and conceal any misappropriation of assets.

**Recommendation:**

The District's internal controls should be strong enough to ensure that the recording of transactions to the general ledger are proper and correct and without the need for adjusting journal entries to correct or reverse previous journal entries. All journal entries should be made only by the District accountant and they should be printed and filed with an approval signature of the review performed by the General Manager.

**District's Corrective Action Plan:**

The General Manager was asked by the District Accountant to input Journal entries into the accounting software (MIP) because of the magnitude of the corrections that were required to ensure the account balances were correct in the General Ledger (GL). The District Accountant reviewed all Journal Entries prior to posting to the GL.

**Finding 2014-4**  
**Bank Statement Reconciliations**

**Criteria:**

The District should reconcile the cash accounts to the general ledger on a timely basis.

**Condition:**

When we examined the cash accounts during fieldwork, the bank reconciliations were not completed until months after the end of the fiscal year.

**Cause:**

District oversight and staff turnover.

**Effect:**

The District's cash and expenses or revenue in various accounts were overstated or understated until reconciliations were done.

**Recommendation:**

The District should ensure that all bank statements are reconciled in a timely manner.

**District's Corrective Action Plan:**

The prior District Accountant for FY 2013/2014 didn't reconcile the bank accounts on a monthly basis. The District Accountant is working on rectifying all the underlying problems and is correcting this process.

**Finding 2014-5**  
**Fund Balance and Fund Accounting**

**Criteria:**

In order to qualify as a proprietary fund type, a fund must be supported by some kind of fees for services.

**Condition:**

The Refuse Fund has cash and fund balance remaining as of June 30, 2014, despite the fact that the Solid Waste Franchise Agreement was sold to the County during the year.

**Cause:**

District oversight.

**Effect:**

The District is understating cash in its other funds.

**Recommendation:**

The District should bring an action item to the Board in order to decide where the remaining assets should be transferred to.

**District's Corrective Action Plan:**

During FY 2015/2016 the Board of Directors will consider such action.

**Finding 2014-6**  
**Disbursements**

**Criteria:**

District's policy requires two signatures for every check issued.

**Condition:**

One of the twenty-five checks examined during our disbursements testing only had one signature.

**Cause:**

District oversight.

**Effect:**

A lack of compliance with internal control procedures could cause a material misstatement in the financial statements or possible misappropriation of assets.

**Recommendation:**

The District should ensure that all checks are signed as per District purchasing policy and when a final review of the checks is performed, they should be checked for proper signatures.

**District's Corrective Action Plan:**

The District has taken appropriate corrective action.

**Finding 2014-7**  
**Payroll Timecards**

**Criteria:**

All timecards should be reviewed in order to ensure the time was actually worked and is properly reported. Employees do not receive overtime pay for calls during the normal work hours.

**Condition:**

Two of the twenty-five employees tested during our payroll test received overtime pay for work done during the normal work hours.

**Cause:**

District oversight.

**Effect:**

A misappropriation of assets as the employee was paid at the higher overtime rate for normal work hours.

**Recommendation:**

The District should ensure that all timecards are reviewed and approved by an appropriate supervisor to ensure hours are reported to the correct codes.

**District's Corrective Action Plan:**

The District has taken appropriate corrective action.

**Finding 2014-8**  
**Petty Cash**

**Criteria:**

The District policy is that petty cash should not be used for purchases over \$50.

**Condition:**

Two of the petty cash purchases we examined were for purchases in excess of the District's \$50 limit.

**Cause:**

District oversight.

**Effect:**

A potential misappropriation of assets.

**Recommendation:**

The District should ensure that all users of petty cash are aware of the District's policies.

**District's Corrective Action Plan:**

The District previously discovered this mistake and took corrective action.

**Los Osos Community Services District  
Schedule of Findings and Responses  
June 30, 2014**

**Finding 2014-9  
Capital Assets**

**Criteria:**

The District policy is to capitalize assets purchased over \$5,000 and with a useful life of at least 2 years.

**Condition:**

In our review of the Board Meeting Minutes and in our repairs and maintenance account search, we identified one purchase of ECG Monitor/Defibrillator Machine for \$32,487 that was expensed as a repairs and maintenance expense rather than properly recorded as a capital addition.

**Cause:**

District oversight.

**Effect:**

A lack of compliance with internal control procedures could cause a material misstatement in the financial statements.

**Recommendation:**

When invoices are coded to repairs and maintenance expense, the employee coding the item and the person reviewing the coding should always assess if the item would be better recorded as a capital addition or a repair.

**District's Corrective Action Plan:**

The District has taken appropriate corrective action.

**Finding 2013-1**  
**Disbursements – Employee Debit Cards**

**Criteria:**

All disbursements should have an approval signature authorizing the payment.

**Condition:**

During our examination of the District's Service Employee Debit Card purchase process, we noted that there was no signature authorizing the payment for one of the ten expenditures tested. Upon further investigation, we found that when the disbursement was processed, a temporary employee had made errors that were caught and corrected but in the check reprocessing, the General Manager's signature of approval was missing.

**Cause:**

District oversight.

**Effect:**

A lack of internal control procedures approving the disbursement of reprocessed expenditures of District funds could result in a misappropriation of assets.

**Recommendation:**

The District should revise the internal controls over the reprocessing of expenditures by requiring all expenditures, original or reprocessed, have signed authorization by the General Manager or supervisor. The supervisor or General Manager's signature would give evidence that the supervisor reviewed the refund and approved its issuance.

**Current Status:**

Implemented.

**Finding 2013-2**  
**Compensated Absences**

**Criteria:**

Vacation and sick hours earned and used by each employee must be documented and updated with each payroll processed in order to monitor compliance with the terms of employment, and to quantify accrual of payroll liabilities accurately.

**Condition:**

During our payroll testing procedures we found that there was no formal method of tracking accrued compensated hours earned or used.

**Cause:**

District oversight.

**Effect:**

A lack of internal control procedures could cause a misstatement in the financial statements or result in a misappropriation of assets.

**Recommendation:**

The District should calculate and document the compensated absences balances for all employees, and update it as hours are earned, and when hours are used in order to determine that the District is in compliance with the employment agreements, to calculate the accrued vacation balance for annual reporting purposes, and to ensure that all employees follow personnel policies and procedures.

**Current Status:**

Not implemented, see Finding 2014-2

**Finding 2013-3**  
**Construction in Progress (CIP) in the Wastewater Fund**

**Criteria:**

The District should periodically review for impaired capital assets.

**Condition:**

The Wastewater Fund has \$22,067,856 in construction costs expended on a wastewater treatment plant project that was stopped in November 2005. Due to the stoppage of the project and with the responsibility for a new successor project having been transferred to the County under special legislation AB 2701, the amount shown above may no longer represent its true value and may be materially impaired.

**Cause:**

The District's Board of Director's stopped the project and the District's bankruptcy case led to a freeze in the assets involved.

**Effect:**

The District's capital assets are likely overstated, however, under AB 2701, the County has not requested a transfer or valued the associated assets.

**Recommendation:**

The District should assess the value of these assets and work with the County to determine if any remaining assets of value should be transferred to the County's project. The remaining construction in progress needs to either be written off or reduced in value to remove the condition of impairment.

**Current Status:**

Implemented.

## **ITEM 6**

**REVIEW DISTRICT INVESTMENT  
POLICY AND PROVIDE  
RECOMMENDATIONS TO THE BOARD**



# LOS OSOS COMMUNITY SERVICES DISTRICT 2012 INVESTMENT POICY

## 1. INTRODUCTION

The purpose of this written *Investment Policy* is to establish the guidelines for the prudent investment of Los Osos Community Services District funds (herein referred to as District's funds). The objectives of this policy are safety, liquidity, yield, and compliance with state and federal laws and policies.

District funds are to be managed with a high degree of care and prudence. Though all investments contain a degree of risk, the proper concern for prudence, maintenance of high level of ethical standards, and proper delegation of authority reduces the potential for any realized loss.

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

## 2. FINANCE OFFICER

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. In the event of an extended absence of the General Manager, the Acting General Manager or Interim General Manager will act as the Acting District Finance Officer and Treasurer.

## 3. SCOPE

The District investment portfolio shall consist of moneys held in sinking funds, reserves or designations, trust funds or surplus funds not required for the immediate necessities of the District. The District's funds shall be invested in accordance with this policy.

## 4. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

### A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

### B. LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.

### C. YIELD

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

### D. COMPLIANCE

This Investment Policy is written to be in compliance with California and Federal law.

**5. STANDARDS OF CARE**

**A. PRUDENCE**

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

**B. DISCLOSURES**

The Finance Officer shall disclose to the Board in open meeting any material interest in financial institutions with which he/she conducts the District business and at that time ask the Board to issue a determination whether a conflict of interest exists that will prohibit investing in the financial institutions.

**6. INVESTMENTS AUTHORITY**

The Government Code of the State of California, specifically section 53601 and related subsections authorizes the types of investment vehicles allowed in a California local agency's portfolio. These are summarized below.

**A. PERMITTED INVESTMENTS**

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61737.02).
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

**B. PROHIBITED INVESTMENTS**

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

**C. DIVERSIFIED INVESTMENTS**

Investments, other than investments referenced in paragraphs A (1) and A (2) above, will be diversified to avoid losses that may be associated with any one investment.

## **7. REPORTS**

Meeting the reporting deadlines as specified in this section may not be possible in some cases on account of the schedules of meetings of the Board. In these cases, the report will be submitted at the Board meeting following the scheduled due date.

### **A. MONTHLY REPORT**

Finance Officer/Treasurer shall make monthly reports to the Board of investments made or retired during the preceding month.

### **B. QUARTERLY REPORT**

In accordance with section 53646 of the Government Code, the Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's Board of Directors within thirty (30) days after the end of each quarter.

Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security
5. Current market value of securities with maturity in excess of twelve months (if applicable)
6. Rate of Interest
7. Statement relating the report to the Statement of Investment Policy
8. Statement of the District's ability to meet cash flow requirements for the next six months
9. Accrued Interest (if applicable)

### **C. ANNUAL REPORT**

Prior to February 1<sup>st</sup> of each year, the Finance Officer shall file and submit an annual report to the District's auditor and the Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy

### **D. LIMITED QUARTERLY REPORT**

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 7.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 7.C, above.