



December 4, 2023

**TO:** Finance Advisory Committee  
**FROM:** Ron Munds, General Manager  
Adrienne Geidel, District Bookkeeper  
**SUBJECT: Agenda Item 3 – 12/04/2023 FAC Meeting**  
Receive and File the District's Draft Fiscal Year 2022-2023  
Financial Audit

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**Vice President**  
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**DESCRIPTION**

Review of the District's fiscal year 2022-2023 financial audit.

**SUMMARY OF STAFF RECOMMENDATION**

Staff recommends that the FAC adopt the following motion:

***Motion: I recommend to the Board that the Board receive and file the fiscal year 2022-2023 financial audit as presented.***

**DISCUSSION**

The firm Fetcher & Company was contracted to perform the District's fiscal year 2022-2023 financial audit. District staff facilitated the audit by providing all requested records and reports, as well as, being available for direct interviews by the audit team. The resulting state of compliance of Fetcher & Company is as follows (excerpt from the Auditor Report page 63):

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

Additionally, the auditors did not identify any deficiencies in internal controls that they consider to be material weaknesses and there were no audit findings or issues in need of correction associated with the 2022-2023 audit.

**Key Points from 2022-23**

The following are the highlights from fiscal year 2022-23:

- The district's financial position strengthened during the 2022/2023 fiscal year as we anticipated large upcoming projects. Looking at Table B on page 8, you'll see the Ending Net Position increased by over \$2,279,842 million over

2021/2022. Factors contributing to this change in Net Position include almost \$560,000 in increased grant revenue (mainly for Prog C Well Project).

- Water service fees decreased by \$43,513.
- Property tax revenues performed as expected with increased revenue of \$133,792.
- Governmental expenses increased by \$293,786 mainly due to increase of the Schedule A contract costs paid to San Luis Obispo County Fire/ Cal Fire.
- Fire and Water reserves are \$2,515,593 and \$3,202,682 (page 11).

#### **Other Audit Sections of Interest**

- Summary of Governmental Funds (General, Fire, Drainage, Non-major) Revenues and Expenses (page 16).
- Summary of Proprietary Funds (Water, Wastewater, Solid Waste) Revenues and Expenses (page 19).
- Cash and Investment Summary (page 33).
- Discussion on Pension Liabilities (page 42).
- Year-end Budgetary Comparison for General (Administration), Fire, Drainage (page 54)
- Combined Balance Sheets for Non-major Governmental Funds; Bayridge, Vista de Oro, Parks & Recreation (page 60).

#### **FINANCIAL IMPACT**

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

#### **Attachment**

2022/2023 Final Draft Audit

**LOS OSOS  
COMMUNITY SERVICES DISTRICT**

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

**For the Fiscal Year Ended  
June 30, 2023**

Draft 11-21-23

**LOS OSOS COMMUNITY SERVICES DISTRICT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1-3
Management’s Discussion and Analysis.....	4-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Net Position – Proprietary Funds .....	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	19
Statement of Cash Flows – Proprietary Funds .....	20-21
Statement of Fiduciary Assets and Liabilities .....	22
Notes to the Basic Financial Statements .....	23-53
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund.....	54
Budgetary Comparison Schedule – Fire Fund .....	55
Budgetary Comparison Schedule – Drainage Fund.....	56
Schedule of Proportionate Share of Net Pension Liability .....	57
Schedule of Pension Contributions.....	58
Schedule of Changes in Net OPEB Liability .....	59
<b>SUPPLEMENTARY INFORMATION</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	61
<b>OTHER REPORT REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i></b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	62-63

**FINANCIAL SECTION**

Draft 11-21-23

## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Osos Community Services District (the District), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Los Osos Community Services District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 54 - 56, the schedule of proportionate share of net pension liability on page 57, the schedule of pension contributions on page 58, and the schedule of changes in net OPEB liability and related ratios on page 59, 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

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

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

### **Supplementary Information**

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

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

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

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

Fechter & Company  
Certified Public Accountants

Sacramento, California  
[DATE]



# LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis  
June 30, 2023

## BACKGROUND

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

As management of the Los Osos Community Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023.

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

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

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

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

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis June 30, 2023

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

### **Fund Financial Statements**

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

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

### **Governmental Funds**

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

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

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

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis June 30, 2023

fund data for each of the nonmajor governmental funds (Bayridge, Vista de Oro, and Parks and Recreation) is provided in the form of combining statements found in the other supplementary information section of this report.

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

### **Proprietary Funds**

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

### **Notes to the Basic Financial Statements**

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

### **Required Supplementary Information**

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

### **Other Supplementary Information**

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis  
June 30, 2023

**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

**TABLE A  
Statements of Net Position  
June 30, 2023**

	June 30, 2023			June 30, 2022			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
<b>Assets:</b>								
Current and other assets	\$ 3,966,492	\$ 6,950,188	\$ 10,916,680	\$ 3,946,423	\$ 6,611,519	\$ 10,557,942	\$ 358,738	3.4%
Capital assets	2,331,967	7,462,760	9,794,727	1,640,323	6,578,902	8,219,225	1,575,502	19.2%
Total assets	6,298,459	14,412,948	20,711,407	5,586,746	13,190,421	18,777,167	1,934,240	10.3%
Deferred outflows of resources	332,528	532,405	864,933	171,521	276,118	447,639	417,294	93.2%
<b>Liabilities:</b>								
Current liabilities	90,904	528,636	619,540	60,929	580,329	641,258	(21,718)	-3.4%
Long-Term liabilities	704,394	4,698,339	5,402,733	371,220	4,488,435	4,859,655	543,078	11.2%
Total liabilities	795,298	5,226,975	6,022,273	432,149	5,068,764	5,500,913	521,360	9.5%
Deferred inflows of resources	104,372	196,883	301,255	284,661	466,262	750,923	(449,668)	-59.9%
<b>Net Position:</b>								
Invested in capital assets, net of related debt	2,331,967	4,808,366	7,140,333	1,640,323	3,736,790	5,377,113	1,763,220	32.8%
Restricted	3,622,125	-	3,622,125	3,513,926	-	3,513,926	108,199	3.1%
Unrestricted	(222,775)	4,713,129	4,490,354	(112,792)	4,194,723	4,081,931	408,423	10.0%
Total net position	\$ 5,731,317	\$ 9,521,495	\$ 15,252,812	\$ 5,041,457	\$ 7,931,513	\$ 12,972,970	\$ 2,279,842	17.6%

# LOS OSOS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis June 30, 2023

**TABLE B**  
**Statements of Activities**  
**June 30, 2023**

	June 30, 2023			June 30, 2022			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
<b>Revenues</b>								
Program revenues:								
Charges for services	\$ 99,289	\$ 3,143,881	\$ 3,243,170	\$ 107,426	\$ 2,937,427	\$ 3,044,853	\$ 198,317	6.5%
Operating grants and contributions	16,892	855,256	872,148	19,301	293,425	312,726	559,422	178.9%
General revenues								
Property taxes	2,684,268	149,750	2,834,018	2,582,680	117,546	2,700,226	133,792	5.0%
Other taxes	764,598	-	764,598	731,911	-	731,911	32,687	4.5%
Investment income	9,710	14,084	23,794	3,667	6,596	10,263	13,531	131.8%
Gain on sale of assets	-	-	-	8,000	-	8,000	(8,000)	100.0%
Other revenues	2,395	23,485	25,880	96	4,278	4,374	21,506	491.7%
Total revenues	<u>3,577,152</u>	<u>4,186,456</u>	<u>7,763,608</u>	<u>3,453,081</u>	<u>3,359,272</u>	<u>6,812,353</u>	<u>951,255</u>	<u>14.0%</u>
<b>Expenses</b>								
General government	677,755	-	677,755	613,906	-	613,906	63,849	10.4%
Fire protection	2,695,117	-	2,695,117	2,531,893	-	2,531,893	163,224	6.4%
Drainage	119,828	-	119,828	50,471	-	50,471	69,357	137.4%
Street lighting/ septic system maintenance	9,216	-	9,216	9,094	-	9,094	122	1.3%
Parks and recreation	2,085	-	2,085	4,851	-	4,851	(2,766)	-57.0%
Water	-	1,841,535	1,841,535	-	1,711,132	1,711,132	130,403	7.6%
Wastewater treatment	-	16,495	16,495	-	15,618	15,618	877	5.6%
Solid waste	-	121,735	121,735	-	31,552	31,552	90,183	285.8%
Total expenses	<u>3,504,001</u>	<u>1,979,765</u>	<u>5,483,766</u>	<u>3,210,215</u>	<u>1,758,302</u>	<u>4,968,517</u>	<u>515,249</u>	<u>10.4%</u>
Increase (decrease) in net position before transfers	73,151	2,206,691	2,279,842	242,866	1,600,970	1,843,836	436,006	23.6%
Transfers	616,709	(616,709)	-	585,083	(585,083)	-	-	0.0%
Change in net position	689,860	1,589,982	2,279,842	827,949	1,015,887	1,843,836	436,006	23.6%
Beginning net position	<u>5,041,457</u>	<u>7,931,513</u>	<u>12,972,970</u>	<u>4,213,508</u>	<u>6,915,626</u>	<u>11,129,134</u>	<u>1,843,836</u>	<u>16.6%</u>
Ending net position	<u>\$ 5,731,317</u>	<u>\$ 9,521,495</u>	<u>\$ 15,252,812</u>	<u>\$ 5,041,457</u>	<u>\$ 7,931,513</u>	<u>\$ 12,972,970</u>	<u>\$ 2,279,842</u>	<u>17.6%</u>

# LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis  
June 30, 2023

## **Analysis of Overall Financial Position and Results of Operations**

### Statement of Net Position

At the end of fiscal year June 30, 2023, the District is able to report positive balances in both the District as a whole as well as for its separate governmental and business-type activities.

The total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$15,252,812.

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

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

### Statement of Activities

Overall, the results of operations as shown in the Statement of Activities has an increase in Net Position of \$2,279,842. Total revenues increased over the prior year by \$951,255. Water service fees decreased by \$43,513, grant revenue increased by \$559,422, and property tax revenue increased by \$133,792. This continuing increase in property tax revenue received is in agreement with the trend in the rest of the County.

Overall expenses in Governmental Activities increased by \$293,786. Total expenses in Business-Type Activities increased by \$221,463.

Investment Income increased by \$13,531 over Fiscal Year 2021-2022 because of rising interest rates and the implementation of a new investment strategy during the fiscal year.

# LOS OSOS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis June 30, 2023

**TABLE C  
Capital Assets  
June 30, 2023**

	June 30, 2023			June 30, 2022			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
<b>Non-Depreciable Assets</b>								
Land and land rights	\$ 57,375	\$ 498,429	\$ 555,804	\$ 57,375	\$ 498,429	\$ 555,804	\$ -	0.0%
Construction in progress	763,844	1,296,871	2,060,715	7,543	1,147,660	1,155,203	905,512	78.4%
<b>Depreciable Assets</b>								
Buildings, structures, and improvements	598,871	268,178	867,049	598,871	268,178	867,049	-	0.0%
Infrastructure	378,519	11,121,877	11,500,396	378,519	10,091,860	10,470,379	1,030,017	9.8%
Equipment and vehicles	2,155,955	587,092	2,743,047	2,047,604	587,092	2,634,696	108,351	4.1%
Total cost	3,954,564	13,772,447	17,727,011	3,089,912	12,593,219	15,683,131	2,043,880	13.0%
Less accumulated depreciation	(1,622,597)	(6,309,687)	(7,932,284)	(1,449,589)	(6,014,317)	(7,463,906)	(468,378)	6.3%
Total	\$ 2,331,967	\$ 7,462,760	\$ 9,794,727	\$ 1,640,323	\$ 6,578,902	\$ 8,219,225	\$ 1,575,502	19.2%

**TABLE D  
Long-Term Liabilities  
June 30, 2023**

	June 30, 2023			June 30, 2022			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Compensated absences	\$ 31,571	\$ 117,336	\$ 148,907	\$ 29,209	\$ 100,393	\$ 129,602	\$ 19,305	14.9%
Other post-employment benefits liability	44,810	253,925	298,735	52,393	296,892	349,285	(50,550)	-14.5%
Loan payable - CIEDB loan	-	2,654,394	2,654,394	-	2,842,112	2,842,112	(187,718)	-6.6%
Loan payable - Solid waste	-	1,046,772	1,046,772	-	1,176,772	1,176,772	(130,000)	-11.0%
Net pension liability	635,906	967,655	1,603,561	296,920	405,081	702,001	901,560	128.4%
Total	\$ 712,287	\$ 5,040,082	\$ 5,752,369	\$ 378,522	\$ 4,821,250	\$ 5,199,772	\$ 552,597	10.6%

The total of long-term debt is \$5,752,369, an increase of \$552,597, due primarily to an increase in the net pension liability of \$901,560, partially offset by decreases in loan payables and the other post-employment benefits liability.

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Management’s Discussion and Analysis  
June 30, 2023

**Fire and Water Fund Reserves**

The District maintains cash reserves in the following funds for various purposes as budgeted annually by the Board of Directors. The reserve balances in each fund as of June 30, 2023 are as follows:

<u>Fire Fund</u>	
General contingency	\$ 493,226
Vehicle, equipment, and fire engine rep	1,306,022
Capital outlay	540,562
Public facilities fee	40,334
Fire mitigation	135,449
Total	<u>\$ 2,515,593</u>
<u>Water Fund</u>	
General contingency	\$ 699,183
Capital outlay	1,999,563
Vehicle and equipment replacement	144,644
Water quality	91,517
Water stabilization	158,456
Basin management	50,031
Water conservation	59,288
Total	<u>\$ 3,202,682</u>
<u>Drainage Fund</u>	
General contingency	\$ 10,000
Capital outlay	55,000
	<u>\$ 65,000</u>
<u>Parks and Recreation Fund</u>	
	<u>\$ 198,879</u>

**Significant Events or Disclosures**

During a major storm event on January 9, 2023, the Cabrillo Estates stormwater detention basin experienced a major breach to the basin wall. The breach resulted in the release of water which severely impacted nineteen homes in the Vista de Oro neighborhood. The repair cost of the stormwater basin and recovery efforts in the neighborhood placed a financial strain on Fund 800 (Drainage). A \$300,000 interfund loan from Fund 500 (Water) to Fund 800 will allow for continued drainage operation and maintenance by District staff. The loan will be repaid over a five-year period with interest.

More information about the District, its financial condition, policies, governance and management is available on the District website at [www.losososcsd.org](http://www.losososcsd.org).

Sincerely,

Ron Munds  
General Manager



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

Draft 11-21-23

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 3,838,804	\$ 4,707,721	\$ 8,546,525
Accounts receivable, net	73,639	515,843	589,482
Grants receivable	-	194,449	194,449
Prepaid items	124,312	115,187	239,499
Deposits	-	10,000	10,000
Inventory	-	73,443	73,443
Other assets	-	900	900
Internal balances	(285,873)	285,873	-
Total current assets	<u>3,750,882</u>	<u>5,903,416</u>	<u>9,654,298</u>
Noncurrent assets:			
Restricted cash and investments	215,610	-	215,610
Franchise asset	-	1,046,772	1,046,772
Capital assets, net	2,331,967	7,462,760	9,794,727
Total noncurrent assets	<u>2,547,577</u>	<u>8,509,532</u>	<u>11,057,109</u>
Total assets	<u>6,298,459</u>	<u>14,412,948</u>	<u>20,711,407</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	324,436	486,553	810,989
Deferred outflows of resources related to OPEB	8,092	45,852	53,944
Total deferred outflow of resources	<u>332,528</u>	<u>532,405</u>	<u>864,933</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	65,967	142,322	208,289
Accrued liabilities	17,044	16,921	33,965
Accrued interest payable	-	27,650	27,650
Compensated absences - current portion	7,893	29,334	37,227
Loans payable - current portion	-	312,409	312,409
Total current liabilities	<u>90,904</u>	<u>528,636</u>	<u>619,540</u>
Non-current liabilities:			
Compensated absences	23,678	88,002	111,680
OPEB liability	44,810	253,925	298,735
Loans payable	-	3,388,757	3,388,757
Net pension liability	635,906	967,655	1,603,561
Total noncurrent liabilities	<u>704,394</u>	<u>4,698,339</u>	<u>5,402,733</u>
Total liabilities	<u>795,298</u>	<u>5,226,975</u>	<u>6,022,273</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	75,741	34,639	110,380
Deferred inflows of resources related to OPEB	28,631	162,244	190,875
Total deferred inflow of resources	<u>104,372</u>	<u>196,883</u>	<u>301,255</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,331,967	4,808,366	7,140,333
Restricted for:			
Fire and emergency services	3,306,694	-	3,306,694
Parks and recreation	315,431	-	315,431
Unrestricted (deficit)	(222,775)	4,713,129	4,490,354
Total net position	<u>\$ 5,731,317</u>	<u>\$ 9,521,495</u>	<u>\$ 15,252,812</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activites	Business- Type Activites	
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government	\$ 677,755	\$ -	\$ -	\$ (677,755)	\$ -	\$ (677,755)
Fire protection	2,695,117	83,291	16,892	(2,594,934)	-	(2,594,934)
Drainage	119,828	-	-	(119,828)	-	(119,828)
Street lighting/ septic system maintenance	9,216	15,998	-	6,782	-	6,782
Parks and recreation	2,085	-	-	(2,085)	-	(2,085)
Total governmental activities	<u>3,504,001</u>	<u>99,289</u>	<u>16,892</u>	<u>(3,387,820)</u>	<u>-</u>	<u>(3,387,820)</u>
Business-type activities:						
Water	1,841,535	2,826,092	855,256	-	1,839,813	1,839,813
Wastewater treatment project	16,495	19,720	-	-	3,225	3,225
Solid waste	121,735	298,069	-	-	176,334	176,334
Total business-type activities	<u>1,979,765</u>	<u>3,143,881</u>	<u>855,256</u>	<u>-</u>	<u>2,019,372</u>	<u>2,019,372</u>
Total primary government	<u>\$ 5,483,766</u>	<u>\$ 3,243,170</u>	<u>\$ 872,148</u>	<u>(3,387,820)</u>	<u>2,019,372</u>	<u>(1,368,448)</u>
General revenues:						
Taxes:						
Property taxes				2,684,268	149,750	2,834,018
Special assessments				764,598	-	764,598
Investment income				9,710	14,084	23,794
Other general revenues				2,395	23,485	25,880
Transfers				616,709	(616,709)	-
Total general revenues and transfers				<u>4,077,680</u>	<u>(429,390)</u>	<u>3,648,290</u>
Change in net position				689,860	1,589,982	2,279,842
Net position - beginning				<u>5,041,457</u>	<u>7,931,513</u>	<u>12,972,970</u>
Net position - ending				<u>\$ 5,731,317</u>	<u>\$ 9,521,495</u>	<u>\$ 15,252,812</u>

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

**BASIC FINANCIAL STATEMENTS  
FUND FINANCIAL STATEMENTS**

Draft 11-21-23

**LOS OSOS COMMUNITY SERVICES DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General	Fire Fund	Drainage	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and investments	\$ 143,081	\$ 3,292,201	\$ 265,875	\$ 137,647	\$ 3,838,804
Restricted cash and investments	-	-	-	215,610	215,610
Accounts receivable	-	55,996	17,489	154	73,639
Prepaid items	51,294	72,165	853	-	124,312
Due from other funds	1,517	-	-	-	1,517
<b>TOTAL ASSETS</b>	<b>\$ 195,892</b>	<b>\$ 3,420,362</b>	<b>\$ 284,217</b>	<b>\$ 353,411</b>	<b>\$ 4,253,882</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 7,553	\$ 38,490	\$ 19,306	\$ 618	\$ 65,967
Accrued liabilities	14,031	3,013	-	-	17,044
Due to other funds	-	-	-	1,517	1,517
Loan from Water Fund	-	-	285,873	-	285,873
<b>Total liabilities</b>	<b>21,584</b>	<b>41,503</b>	<b>305,179</b>	<b>2,135</b>	<b>370,401</b>
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Prepaid items	51,294	72,165	853	-	124,312
<b>Restricted</b>					
Fire and emergency services	-	3,306,694	-	-	3,306,694
Parks and recreation	-	-	-	315,431	315,431
Bayridge functions	-	-	-	36,061	36,061
Unassigned	123,014	-	(21,815)	(216)	100,983
<b>Total fund balances</b>	<b>174,308</b>	<b>3,378,859</b>	<b>(20,962)</b>	<b>351,276</b>	<b>3,883,481</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 195,892</b>	<b>\$ 3,420,362</b>	<b>\$ 284,217</b>	<b>\$ 353,411</b>	<b>\$ 4,253,882</b>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

**Total fund balances-governmental funds** \$ 3,883,481

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	3,682,876	
Less: Accumulated depreciation	(1,350,909)	
Net		2,331,967

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	(31,571)	
Net pension liability	(635,906)	
Net OPEB liability	(44,810)	
Total		(712,287)

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

Deferred outflows of resources relating:		
to pensions	324,436	
to OPEB	8,092	
Deferred inflows of resources relating:		
to pensions	(75,741)	
to OPEB	(28,631)	
Total		228,156

**Net position of governmental activities** \$ 5,731,317

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General	Fire Fund	Drainage	Nonmajor Governmental Funds	Totals
<b>REVENUES:</b>					
Property taxes	\$ -	\$ 2,600,226	\$ 41,678	\$ 42,364	\$ 2,684,268
Special taxes and assessments	-	669,398	95,200	-	764,598
Intergovernmental	-	16,892	-	-	16,892
Services charges and fees	-	83,291	-	15,998	99,289
Use of money and property	(178)	2,449	4,159	3,280	9,710
Other revenues	1,516	290	589	-	2,395
<b>Total revenues</b>	<b>1,338</b>	<b>3,372,546</b>	<b>141,626</b>	<b>61,642</b>	<b>3,577,152</b>
<b>EXPENDITURES:</b>					
Personnel	407,149	254,960	17,474	-	679,583
Clothing and uniforms	-	10	-	-	10
Contract services	69,775	6,729	-	-	76,504
Contract services - Schedule A	-	2,128,852	-	-	2,128,852
Equipment and tools	-	75,134	-	-	75,134
Financial services	570	62	-	-	632
Insurance, licenses, and regulatory fees	47,932	55,018	10,071	2,023	115,044
Legal and professional	93,942	1,485	32,058	124	127,609
Office expenses	17,379	6,718	26,974	-	51,071
Other expenses	210	13,686	-	-	13,896
Rent and utilities	44,312	15,583	4,897	7,069	71,861
Travel and training	2,218	298	-	-	2,516
Repairs and maintenance	106	6,730	3,902	-	10,738
Vehicle maintenance and repairs	-	-	3,102	-	3,102
Capital outlay	-	174,087	670,691	-	844,778
Debt service:					
Interest and fiscal charges	-	-	1,846	-	1,846
<b>Total expenditures</b>	<b>683,593</b>	<b>2,739,352</b>	<b>771,015</b>	<b>9,216</b>	<b>4,203,176</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(682,255)</b>	<b>633,194</b>	<b>(629,389)</b>	<b>52,426</b>	<b>(626,024)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	712,957	-	-	-	712,957
Transfers out	-	(71,296)	(14,259)	(10,693)	(96,248)
<b>Total other financing sources (uses)</b>	<b>712,957</b>	<b>(71,296)</b>	<b>(14,259)</b>	<b>(10,693)</b>	<b>616,709</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses</b>	<b>30,702</b>	<b>561,898</b>	<b>(643,648)</b>	<b>41,733</b>	<b>(9,315)</b>
<b>Fund balances - beginning</b>	<b>143,606</b>	<b>2,816,961</b>	<b>622,686</b>	<b>309,543</b>	<b>3,892,796</b>
<b>Fund balances - ending</b>	<b>\$ 174,308</b>	<b>\$ 3,378,859</b>	<b>\$ (20,962)</b>	<b>\$ 351,276</b>	<b>\$ 3,883,481</b>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Net change in fund balances - total governmental funds \$ (9,315)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital asset adjustments	864,652	
Less: current year depreciation	<u>(173,008)</u>	
		691,644

Expenditures in the statement of activities that do not require the use of  
current financial resources are not reported as expenditures in the funds:

Change in the liability for compensated absences	(2,362)
Change in net pension liability	12,475
Change in OPEB liability	<u>(2,582)</u>

Change in net position of governmental activities \$ 689,860

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



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 4,572,619	\$ 33,780	\$ 101,322	\$ 4,707,721
Accounts receivable, net	493,262	-	14,598	507,860
Property tax receivables	7,983	-	-	7,983
Grants receivable	194,449	-	-	194,449
Deposits	10,000	-	-	10,000
Inventory at cost	73,443	-	-	73,443
Prepays	115,187	-	-	115,187
Loan to other funds	285,873	-	-	285,873
Other assets	900	-	-	900
Total current assets	<u>5,753,716</u>	<u>33,780</u>	<u>115,920</u>	<u>5,903,416</u>
Non-current assets:				
Franchise asset	-	-	1,046,772	1,046,772
Capital assets, net	7,304,170	158,590	-	7,462,760
Total non-current assets	<u>7,304,170</u>	<u>158,590</u>	<u>1,046,772</u>	<u>8,509,532</u>
<b>TOTAL ASSETS</b>	<u><u>13,057,886</u></u>	<u><u>192,370</u></u>	<u><u>1,162,692</u></u>	<u><u>14,412,948</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	486,553	-	-	486,553
Deferred outflows of resources related to OPEB	45,852	-	-	45,852
Total deferred outflows of resources	<u>532,405</u>	<u>-</u>	<u>-</u>	<u>532,405</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	130,988	84	11,250	142,322
Accrued liabilities	16,921	-	-	16,921
Accrued interest payable	27,650	-	-	27,650
Compensated absences - current portion	29,334	-	-	29,334
Loans payable - current portion	192,409	-	120,000	312,409
Total current liabilities	<u>397,302</u>	<u>84</u>	<u>131,250</u>	<u>528,636</u>
Non-current liabilities:				
Compensated absences	88,002	-	-	88,002
OPEB liability	253,925	-	-	253,925
Loans payable	2,461,985	-	926,772	3,388,757
Net pension liability	967,655	-	-	967,655
Total non-current liabilities	<u>3,771,567</u>	<u>-</u>	<u>926,772</u>	<u>4,698,339</u>
<b>TOTAL LIABILITIES</b>	<u><u>4,168,869</u></u>	<u><u>84</u></u>	<u><u>1,058,022</u></u>	<u><u>5,226,975</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	34,639	-	-	34,639
Deferred inflows of resources related to OPEB	162,244	-	-	162,244
Total deferred inflows of resources	<u>196,883</u>	<u>-</u>	<u>-</u>	<u>196,883</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,649,776	158,590	-	4,808,366
Unrestricted	4,574,763	33,696	104,670	4,713,129
<b>TOTAL NET POSITION</b>	<u><u>\$ 9,224,539</u></u>	<u><u>\$ 192,286</u></u>	<u><u>\$ 104,670</u></u>	<u><u>\$ 9,521,495</u></u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
<b>OPERATING REVENUES</b>				
Utility	\$ 2,826,092	19,720	298,069	\$ 3,143,881
Total operating revenues	<u>2,826,092</u>	<u>19,720</u>	<u>298,069</u>	<u>3,143,881</u>
<b>Operating Expenses:</b>				
Personnel	889,831	-	-	889,831
Clothing and uniforms	3,007	-	-	3,007
Contract services	74,693	-	-	74,693
Equipment and tools	7,849	-	-	7,849
Financial services	124	1,815	-	1,939
Insurance, licenses, and regulatory fees	95,994	273	-	96,267
Legal and professional	165,589	14,407	1,575	181,571
Office expenses	39,207	-	160	39,367
Other expenses	18,951	-	-	18,951
Rent and utilities	123,809	-	-	123,809
Travel and training	2,350	-	-	2,350
Repairs and maintenance	27,871	-	-	27,871
Vehicle maintenance and repairs	21,613	-	-	21,613
Depreciation and amortization	295,370	-	120,000	415,370
Total operating expenses	<u>1,766,258</u>	<u>16,495</u>	<u>121,735</u>	<u>1,904,488</u>
Operating income (loss)	1,059,834	3,225	176,334	1,239,393
<b>Non-operating Revenue (Expenses):</b>				
Property taxes and assessments	149,750	-	-	149,750
Investment income	14,084	-	-	14,084
Government grants	855,256	-	-	855,256
Other non-operating revenue	23,485	-	-	23,485
Interest expense and fiscal charges	(75,277)	-	-	(75,277)
Total nonoperating (expenses) revenues	<u>967,298</u>	<u>-</u>	<u>-</u>	<u>967,298</u>
Income before transfers	2,027,132	3,225	176,334	2,206,691
Transfers out	(541,848)	(3,565)	(71,296)	(616,709)
Change in net position	1,485,284	(340)	105,038	1,589,982
Net position - beginning	<u>7,739,255</u>	<u>192,626</u>	<u>(368)</u>	<u>7,931,513</u>
Net position - ending	<u>\$ 9,224,539</u>	<u>\$ 192,286</u>	<u>\$ 104,670</u>	<u>\$ 9,521,495</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
<b>Cash Flows From Operating Activities:</b>				
Cash collected from customers	\$ 2,895,514	\$ 19,720	\$ 290,818	\$ 3,206,052
Cash payments to suppliers for goods and services	(669,728)	(16,431)	8,541	(677,618)
Cash payments for employee services	(897,751)	-	-	(897,751)
<b>Net cash provided by operating activities</b>	<b>1,328,035</b>	<b>3,289</b>	<b>299,359</b>	<b>1,630,683</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(1,179,228)	-	-	(1,179,228)
Government grants	951,152	-	-	951,152
Principal paid on debt	(187,718)	-	-	(187,718)
Interest paid on debt	(77,232)	-	-	(77,232)
<b>Net cash used by capital and related financing activities</b>	<b>(493,026)</b>	<b>-</b>	<b>-</b>	<b>(493,026)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers to other funds	(541,848)	(3,565)	(71,296)	(616,709)
Property taxes and assessments	152,664	-	-	152,664
Other non-operating revenue	23,485	-	-	23,485
Amount paid to County for Solid Waste Franchise Agreement loan	-	-	(130,000)	(130,000)
Principal paid on interfund debt	(285,873)	-	-	(285,873)
<b>Net cash used by noncapital financing activities</b>	<b>(651,572)</b>	<b>(3,565)</b>	<b>(201,296)</b>	<b>(856,433)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	14,084	-	-	14,084
<b>Net cash provided by investing activities</b>	<b>14,084</b>	<b>-</b>	<b>-</b>	<b>14,084</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>197,521</b>	<b>(276)</b>	<b>98,063</b>	<b>295,308</b>
Cash and cash equivalents, beginning of year	4,375,098	34,056	3,259	4,412,413
Cash and cash equivalents, end of year	<u>\$ 4,572,619</u>	<u>\$ 33,780</u>	<u>\$ 101,322</u>	<u>\$ 4,707,721</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 1,059,834	\$ 3,225	\$ 176,334	\$ 1,239,393
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization of fixed assets	295,370	-	120,000	415,370
Changes in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:				
Receivables, net	69,422	-	(7,251)	62,171
Prepays	(13,648)	-	-	(13,648)
Inventory	(24,821)	-	-	(24,821)
Deferred outflows - pension	(271,723)	-	-	(271,723)
Deferred outflows - OPEB	15,436	-	-	15,436
Accounts payable	(50,202)	64	10,276	(39,862)
Accrued liabilities	(18,804)	-	-	(18,804)
Compensated absences	16,943	-	-	16,943
OPEB liability	(42,967)	-	-	(42,967)
Net pension liability	562,574	-	-	562,574
Deferred inflows - pension	(311,554)	-	-	(311,554)
Deferred inflows - OPEB	42,175	-	-	42,175
<b>Net cash provided by operating activities</b>	<b>\$ 1,328,035</b>	<b>\$ 3,289</b>	<b>\$ 299,359</b>	<b>\$ 1,630,683</b>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2023**

	Wastewater Assessment District No. 1 Fund	Low Income Assistance Fund	Total Agency Funds
<b>ASSETS</b>			
Cash and investments	\$ 26	\$ 9,355	\$ 9,381
Cash with fiscal agents	1,942,968	-	1,942,968
Accrued property taxes receivable	14,663	-	14,663
Total assets	<u>\$ 1,957,657</u>	<u>\$ 9,355</u>	<u>\$ 1,967,012</u>
<b>LIABILITIES</b>			
Due to bondholders	\$ 1,957,657	\$ -	\$ 1,957,657
Due to others	-	9,355	9,355
Total liabilities	<u>\$ 1,957,657</u>	<u>\$ 9,355</u>	<u>\$ 1,967,012</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Draft 11-21-23

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements  
June 30, 2023

## 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, solid waste, street lighting, drainage, and parks and recreation services. It is governed by a five-member Board of Directors with an operations staff headed by a general manager.

### B. Basis of Presentation

#### *Fund Financial Statements:*

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

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

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

The funds of the financial reporting entity are described below:

#### **Governmental Funds**

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements  
June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 301 – Fire Fund
- 200 – Bayridge (a subdivision where lighting and septic system maintenance are provided)
- 400 – Vista de Oro (a subdivision where lighting and septic system maintenance are provided)
- 800 – Drainage
- 900 – Parks and Recreation

### Proprietary Funds

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

Proprietary Funds are as follows:

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

### Fiduciary Funds

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

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

### Major Funds

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

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

Drainage Fund – This fund accounts for the operation and maintenance of the District’s drainage system.



# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements  
June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

### C. Measurement Focus and Basis of Accounting

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

#### Measurement Focus

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

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

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Basis of Accounting**

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

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

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

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

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

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Property Taxes

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

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

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

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

### E. Cash and Investments

The District pools the cash of all funds, except for monies deposited with fiscal agents 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.

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### F. Accounts, Grants, and Interest Receivable

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

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

### G. Prepaid Expenses and Inventory

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

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

### H. Restricted Assets

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### I. Capital Assets

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

#### *Government-Wide Statements*

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

With the implementation of the Governmental Accounting Standards Board (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, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **J. Accumulated Compensated Absences**

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

### **K. Long-Term Liabilities**

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

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

### **L. Pensions**

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

### **M. Other Postemployment Benefits (OPEB)**

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N. Deferred Outflows and Inflows of Resources

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

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

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

### O. Interfund Transactions

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

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

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements  
June 30, 2023

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Equity Classifications

#### *Government-Wide Statements*

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. *Restricted net position* is the portion of the net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. *Unrestricted net position* consists of net position that does not meet the definition of net investments in capital assets or restricted net position.

### Q. Future Accounting Pronouncements

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

Statement No.100	<i>“Accounting Changes and Error Corrections”</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No.101	<i>“Compensated Absences”</i>	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

### R. Use of Estimates

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



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 2 – CASH AND INVESTMENTS**

The District’s cash and investments at June 30, 2023 consisted of the following:

**Cash and Investments:**

Cash on hand	\$	900
Deposits with Financial Institutions		1,155,816
Deposits with Financial Institutions - held by trustees		9,381
Investments:		
Local agency investment fund		10,866
Money market funds		6,388,861
US Government Issues		1,205,692
Money market funds - held by trustees		861,177
US Government Issues - held by trustees		1,081,791
Subtotal - investments		<u>9,548,387</u>
Total Cash and Investments	\$	<u>10,714,484</u>

The composition of cash and investments as of June 30, 2023, by fund type and restriction is as follows:

	<u>Available for Operations</u>	<u>Restricted</u>	<u>Total</u>
General Fund	\$ 143,081	\$ -	\$ 143,081
Special Revenue Funds	3,695,723	215,610	3,911,333
Proprietary Funds	4,707,721	-	4,707,721
Fiduciary Funds	26	1,952,323	1,952,349
	<u>\$ 8,546,551</u>	<u>\$ 2,167,933</u>	<u>\$ 10,714,484</u>

**Investments**

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

**Classification**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the State Investment Pool, and money market funds, however, these external pools or deposits measured at cost are not required to be measured under Level 1, 2 or 3.

## LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements  
June 30, 2023

### NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

#### Investments of the District as of June 30, 2023

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

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

#### Disclosure Relating to Interest Rate Risk

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**Disclosure Relating to Interest Rate Risk (continued)**

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustees) to market rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2023:

<b>Investment Type</b>	<b>Carrying Amount</b>	<b>Minimum Legal Rating</b>	<b>Rating as of Fiscal Year End</b>		
			<b>Aaa</b>	<b>Aa</b>	<b>Not Rated</b>
LAIF	\$ 10,866	N/A	\$ -	\$ -	\$ 10,866
Money market funds	6,388,861	N/A	-	-	6,388,861
US Government Issues	1,205,692	N/A	969,177	-	236,515
Held by bond trustees:					
Money market funds	861,177	N/A	-	-	861,177
US Government Issues	1,081,791	N/A	973,605	-	108,186
	<u>\$9,548,387</u>		<u>\$1,942,782</u>	<u>\$ -</u>	<u>\$7,605,605</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, 2023 for each investment type.

<b>Investment Type</b>	<b>Carrying Amount</b>	<b>Remaining Maturity (in Months)</b>		
		<b>12 Months or Less</b>	<b>13 - 24 Months</b>	<b>25 - 60 Months</b>
LAIF	\$ 10,866	\$ 10,866	\$ -	\$ -
Money market funds	6,388,861	6,388,861	-	-
US Government Issues	1,205,692	-	-	1,205,692
Held by bond trustees:				
Money market funds	861,177	861,177	-	-
US Government Issues	1,081,791	480,447	296,264	305,080
	<u>\$ 9,548,387</u>	<u>\$ 7,741,351</u>	<u>\$ 296,264</u>	<u>\$ 1,510,772</u>

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2023

## 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 investments of the District are in money market funds, comprising 76% of all investments, and U.S. government issues comprising 24% of all investments. These are managed by the District's bank. These investments are 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 remaining portion of the District's investments, is investment in the State Investment Pool, more commonly known as LAIF. Investment in LAIF comprises less than 0.1% of all invested funds. This fund is not registered with the Securities and State Commission as an investment company but is required to invest according to California State Code. The fund is under the oversight of the Treasurer of the State of California through the Local Investment Advisory Board that consists of five members as designated by statute. Market valuation is conducted quarterly by the State Treasurer's office. In addition, it also conducts a monthly fair market valuation of all securities held against carrying costs. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value of the entire portfolio net of any amortized costs as provided by LAIF.

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

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Deposits are insured up to \$250,000.

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, 2023

**NOTE 3 – INTERFUND TRANSACTIONS**

Interfund activity during the fiscal year ended June 30, 2023, was as follows:

**Interfund Transfers:**

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Funds</u>		
General	\$ 712,957	\$ -
Fire	-	71,296
Drainage	-	14,259
<u>Nonmajor Governmental Funds</u>		
Bayridge	-	1,782
Vista de Oro	-	1,782
Parks and Recreation	-	7,129
<u>Proprietary Funds</u>		
Water	-	541,848
Wastewater Treatment Plan	-	3,565
Solid Waste	-	71,296
	<u>\$ 712,957</u>	<u>\$ 712,957</u>

**Due To/Due From:**

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

**Interfund Loans:**

In February 2023, the board of directors approved a loan of \$300,000 from the Water Fund to the Drainage Fund, with a 5-year term, an annual rate of 2.50%, and monthly payments of \$5,324. The balance of the loan at June 30, 2023 was as follows:

	<u>Loan Receivable</u>	<u>Loan Payable</u>
<u>Major Governmental Fund</u>		
Drainage	\$ -	\$ 285,873
<u>Proprietary Fund</u>		
Water	285,873	-
	<u>\$ 285,873</u>	<u>\$ 285,873</u>

# LOS OSOS COMMUNITY SERVICES DISTRICT

## Notes to the Basic Financial Statements June 30, 2023

### NOTE 4 – CAPITAL ASSETS

<b>Government-Type Activities</b>	<b>Balance at July 1, 2022</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Transfers/ Adjustments</b>	<b>Balance at June 30, 2023</b>
Capital assets not being depreciated:					
Land	\$ 57,375	\$ -	\$ -	\$ -	\$ 57,375
Construction in progress	7,543	756,301	-	-	763,844
Total capital assets not being depreciated	<u>64,918</u>	<u>756,301</u>	<u>-</u>	<u>-</u>	<u>821,219</u>
Capital assets being depreciated:					
Buildings, structures, and improvements	598,871	-	-	-	598,871
Infrastructure	378,519	-	-	-	378,519
Plant and equipment	2,047,604	108,351	-	-	2,155,955
Total capital assets being depreciated	<u>3,024,994</u>	<u>108,351</u>	<u>-</u>	<u>-</u>	<u>3,133,345</u>
Less: accumulated depreciation					
Buildings, structures, and improvements	(521,301)	(11,421)	-	-	(532,722)
Infrastructure	(175,456)	(21,589)	-	-	(197,045)
Plant and equipment	(752,832)	(139,998)	-	-	(892,830)
Total accumulated depreciation	<u>(1,449,589)</u>	<u>(173,008)</u>	<u>-</u>	<u>-</u>	<u>(1,622,597)</u>
Net capital assets being depreciated	<u>1,575,405</u>	<u>(64,657)</u>	<u>-</u>	<u>-</u>	<u>1,510,748</u>
Governmental-type activities capital assets, net	<u>\$ 1,640,323</u>	<u>\$ 691,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,331,967</u>
<b>Business-Type Activities</b>					
<b>Business-Type Activities</b>	<b>Balance at July 1, 2022</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Transfers/ Adjustments</b>	<b>Balance at June 30, 2023</b>
Capital assets not being depreciated:					
Land	\$ 498,429	\$ -	\$ -	\$ -	\$ 498,429
Construction in progress	1,147,660	1,148,931	-	(999,720)	1,296,871
Total capital assets not being depreciated	<u>1,646,089</u>	<u>1,148,931</u>	<u>-</u>	<u>(999,720)</u>	<u>1,795,300</u>
Capital assets being depreciated:					
Building and improvements	268,178	-	-	-	268,178
Infrastructure	10,091,860	30,297	-	999,720	11,121,877
Plant and equipment	587,092	-	-	-	587,092
Total capital assets being depreciated	<u>10,947,130</u>	<u>30,297</u>	<u>-</u>	<u>999,720</u>	<u>11,977,147</u>
Less: accumulated depreciation					
Building and improvements	(17,428)	(8,773)	-	-	(26,201)
Infrastructure	(5,527,718)	(242,144)	-	-	(5,769,862)
Plant and equipment	(469,171)	(44,453)	-	-	(513,624)
Total accumulated depreciation	<u>(6,014,317)</u>	<u>(295,370)</u>	<u>-</u>	<u>-</u>	<u>(6,309,687)</u>
Net capital assets being depreciated	<u>4,932,813</u>	<u>(265,073)</u>	<u>-</u>	<u>999,720</u>	<u>5,667,460</u>
Business-type activities, capital assets, net	<u>\$ 6,578,902</u>	<u>\$ 883,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,462,760</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements

June 30, 2023

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

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

Governmental Activities:

General administration	\$ 1,693
Fire protection	149,726
Drainage	19,504
Parks and recreation	2,085
Total governmental activities depreciation expense	<u>\$ 173,008</u>

Business-Type Activities:

Water services	<u>\$ 295,370</u>
Total business-type activities depreciation expense	<u>\$ 295,370</u>

**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, 2023:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Governmental Activities:						
Compensated absences	\$ 29,209	\$ 19,019	\$ (16,657)	\$ 31,571	\$ 7,893	\$ 23,678
Other post employment benefits liability	52,393	-	(7,583)	44,810	-	44,810
Net pension liability	296,920	338,986	-	635,906	-	635,906
Total Governmental Activities	<u>\$ 378,522</u>	<u>\$ 358,005</u>	<u>\$ (24,240)</u>	<u>\$ 712,287</u>	<u>\$ 7,893</u>	<u>\$ 704,394</u>
Business-Type Activities:						
Compensated absences	\$ 100,393	\$ 40,689	\$ (23,746)	\$ 117,336	\$ 29,334	\$ 88,002
Other post employment benefits liability	296,892	-	(42,967)	253,925	-	253,925
Water Fund						
Loan payable - Direct borrowing	2,842,112	-	(187,718)	2,654,394	192,409	2,461,985
Solid Waste Fund						
Loan payable	1,176,772	-	(130,000)	1,046,772	120,000	926,772
Net pension liability	405,081	562,574	-	967,655	-	967,655
Total Business-Type Activities	<u>\$ 4,821,250</u>	<u>\$ 603,263</u>	<u>\$ (384,431)</u>	<u>\$ 5,040,082</u>	<u>\$ 341,743</u>	<u>\$ 4,698,339</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 6 – LOANS PAYABLE**

**California Infrastructure and Economic Development Bank – Direct Borrowing**

On December 6, 2004, the District entered into a direct borrowing loan agreement with the California Infrastructure and Economic Development Bank (CIEDB) for a principal amount of \$5 million for the purpose of constructing and upgrading water delivery facilities. The loan is for a term of thirty years ending on August 1, 2034, with an interest rate of 3.05% per annum. The loan was modified on October 1, 2021, to a rate of 2.50% per annum and the same expiration date of August 1, 2034. Debt service payments are due in August and February each year. Net water system revenues were pledged to guarantee the loan. All projects covered by the loan were completed and closed out in January 2009. The outstanding principal balance of the loan at June 30, 2023, was \$2,842,112. In the event of a default, all unpaid principal and accrued interest would come due immediately in full with overdue installment payments accruing interest at the lesser of 12% per annum or the maximum rate permitted by law.

Future annual repayment requirements for this debt are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Administrative Fee</b>	<b>Total</b>
2024	\$ 192,409	\$ 63,955	\$ 7,963	\$ 264,327
2025	197,220	59,084	7,386	263,690
2026	202,150	54,092	6,794	263,036
2027	207,204	48,975	6,188	262,367
2028	212,384	43,731	5,566	261,681
2029-2033	1,144,269	135,274	17,949	1,297,492
2034-2035	498,758	12,546	2,254	513,558
<b>Total</b>	<b>\$ 2,654,394</b>	<b>\$ 417,657</b>	<b>\$ 54,100</b>	<b>\$ 3,126,151</b>



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 6 – LOANS PAYABLE (CONTINUED)**

**Solid Waste Collection Franchise Agreement**

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

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

<b>Fiscal Year</b>	
<b>Ended June 30</b>	
2024	\$ 120,000
2025	120,000
2026	120,000
2027	120,000
2028	120,000
2029-2033	<u>446,772</u>
Total	<u>\$ 1,046,772</u>

**NOTE 7 – PENSION PLANS**

**A. General Information about the Pension Plans**

*Plan Descriptions*

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 7 – PENSION PLANS (CONTINUED)**

*Benefits Provided*

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

Contribution rates are based on the Actuarial Valuation Report as of June 30, 2022. The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<b>Miscellaneous</b>	
	<b>Hired Prior to January 1, 2013*</b>	<b>Hired on or After January 1, 2013</b>
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 63	52 - 67
Required employee contribution rates	7.00%	7.25%
Required employer contribution rates	11.61% + \$80,413	7.76% + \$3,745

	<b>Safety</b>	
	<b>Hired Prior to January 1, 2013*</b>	<b>Hired on or After January 1, 2013</b>
Hire Date		
Benefit formula	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 57
Required employee contribution rates	9.00%	13.75%
Required employer contribution rates	19.87% + \$59,175	13.66% + \$1,442

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 7 – PENSION PLANS (CONTINUED)**

*Contributions*

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$61,813 for the Safety Plan and \$171,908 for the Miscellaneous Plan for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net position liability of each plan as follows:

	<b><u>Proportionate Share of Net Pension Liability</u></b>
Miscellaneous	\$ 1,027,484
Safety	576,077
	<b><u>\$ 1,603,561</u></b>

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2023, the District’s proportionate share of the net pension liability for each Plan as of June 30, 2022 and June 30, 2023 was as follows:

	<b><u>Miscellaneous</u></b>	<b><u>Safety</u></b>	<b><u>Total</u></b>
Proportion - June 30, 2022	0.02066%	0.00882%	0.01298%
Proportion - June 30, 2023	0.02196%	0.00838%	0.01388%
Change - Increase (Decrease)	<u>0.00130%</u>	<u>-0.00044%</u>	<u>0.00090%</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 7 – PENSION PLANS (CONTINUED)**

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

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$66,709. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 163,373	\$ -
Differences between actual and expected experience	44,476	20,075
Net differences between projected and actual earnings on pension plan investments	279,178	-
Differences between employer's contributions and proportionate share of contributions	-	90,305
Change in employer's proportion	90,241	-
District contributions subsequent to the measurement date	233,721	-
Total	<u>\$ 810,989</u>	<u>\$ 110,380</u>

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

\$233,721 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2023

**NOTE 7 – PENSION PLANS (CONTINUED)**

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
2024	\$ 125,599
2025	110,147
2026	60,535
2027	<u>170,607</u>
Total	<u>\$ 466,888</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% Net Pension Plan Investment and Administrative Expenses; Includes Inflation
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit	Contract COLA up to 2.30% until PPPA (2) floor on purchasing power applies, 2.30% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table please refer to the 2017 Experience Study Report that can be found on the CalPERS website.
- (2) Purchasing Power Protection Allowance (PPPA) is a benefit designed to restore the original purchasing power of CalPERS retirees to a predetermined limit.

# LOS OSOS COMMUNITY SERVICES DISTRICT

## Notes to the Basic Financial Statements

June 30, 2023

### NOTE 7 – PENSION PLANS (CONTINUED)

#### *Discount Rate*

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing the plans, the tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB No. 68 section.

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

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

## LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements  
June 30, 2023

### NOTE 7 – PENSION PLANS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return <sup>1,2</sup>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

- (1) An expected price inflation of 2.30% used for this period.  
 (2) Figures are based on the 2021-22 Asset Liability Management study.

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

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90 percent) or 1- percentage point higher (7.90 percent) than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 1,659,069	\$ 854,464
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 1,027,484	\$ 576,077
1% Increase	7.90%	7.90%
Net Pension (Asset) Liability	\$ 507,845	\$ 348,558

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements

June 30, 2023

**NOTE 7 – PENSION PLANS (CONTINUED)**

*Pension Plan Fiduciary Net Position*

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

**C. Payable to the Pension Plan**

At June 30, 2023, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2023.

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

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

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

Employees become eligible to retire and receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The District’s contribution on behalf of retirees is the same as for active employees – 100% of the PEMHCA premium for retiree and covered dependents, but not to exceed \$149 per month in 2023. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses for PERS annuitants who elect pension options with survivor benefits.

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

**Employees Covered**

As of June 30, 2022, actuarial valuation, the following current and former employees were covered by the benefit terms under the District’s Plan:

Active plan members	10
Inactive plan members or beneficiaries current receiving benefits	1
Total	<u>11</u>

**Contributions**

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



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements

June 30, 2023

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Net OPEB Liability**

The District’s Net OPEB Liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2021. Standard actuarial update procedures were used to project discount from valuation to measurement dates.

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

Salary increases	3.00%
Inflation rate	2.75%
Healthcare cost trend rate	5.40% for 2022, 5.30% for 2023, 5.20% for 2024-2069, and 4.00% for 2070 and later years

Pre-retirement mortality rates were based on the CalPERS Experience Study (1997-2015). Post-retirement mortality rates were based on the Healthy Recipients from CalPERS Experience Study (1997-2015).

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

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

<u>Reporting Date</u>	<u>Measurement Date</u>	<b>Fidelity GO AA 20 Years Municipal Index</b>	<b>Discount Rate</b>
June 30, 2022	June 30, 2021	1.92%	1.92%
June 30, 2023	June 30, 2022	3.69%	3.69%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements

June 30, 2023

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Changes in OPEB Liability**

	<u>Net OPEB Liability</u>
Balance at June 30, 2022 (Valuation Date June 30, 2021)	\$ 349,285
Changes recognized for the measurement period:	
Service cost	36,498
Interest	7,384
Difference between expected and actual experience	-
Changes of assumptions	(92,036)
Contributions - employer	<u>(2,396)</u>
Net Changes	<u>(50,550)</u>
Balance at June 30, 2022 (Measurement Date June 30, 2022)	<u>\$ 298,735</u>

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.69 percent) or 1-percentage-point higher (4.69 percent) than the current discount rate:

	<u>1% Decrease 2.69%</u>	<u>Discount Rate 3.69%</u>	<u>1% Increase 4.69%</u>
Net OPEB Liability	\$ 346,259	\$ 298,735	\$ 260,283

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements

June 30, 2023

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 254,013	\$ 298,735	\$ 355,070

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$19,042. As of the fiscal year ended June 30, 2023, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 109,379
Changes in assumptions	53,944	81,496
Total	<u>\$ 53,944</u>	<u>\$ 190,875</u>

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

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2024	\$ (41,279)
2025	(37,187)
2026	(34,162)
2027	(34,162)
2028	(32,083)
Thereafter	<u>(12,002)</u>
Total	<u>\$ (190,875)</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Notes to the Basic Financial Statements

June 30, 2023

**NOTE 9 – OPERATING LEASES**

The District has commitments to lease certain office equipment and facilities. The District entered into a 57-month lease for office space which began on February 1, 2019, and extends through October 31, 2023, for \$3,000 per month. The District also leases a copier at \$399 a month. This lease is renewable annually at the District’s option in September each year.

For the year ended June 30, 2023, the District opted not to implement GASB Statement No. 87 – Leases, due to the minimal impact that the new standard would have on the District’s financial statements.

Future lease commitments for the District as of June 30, 2023, are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
<u>Ended June 30</u>	<u></u>
2024	\$ 12,798

**NOTE 10 – FUND DEFICITS**

As of June 30, 2023, the following funds had fund deficits:

Drainage	\$ 20,962
Vista de Oro	216

**NOTE 11 – FIDUCIARY BONDED DEBT – NON-DISTRICT DEBT**

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

Future annual repayment requirements for this debt are as follows:

<b>Fiscal Year</b>	<b>Wastewater Improvement Refunding Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<u>Ended June 30</u>	<u></u>	<u></u>	<u></u>
2024	\$ 645,000	\$ 359,725	\$ 1,004,725
2025	675,000	329,950	1,004,950
2026	705,000	295,450	1,000,450
2027	740,000	259,325	999,325
2028	775,000	221,450	996,450
2028-2032	4,470,000	549,281	5,019,281
2033-2034	985,000	16,006	1,001,006
Total	<u>\$ 8,995,000</u>	<u>\$ 2,031,187</u>	<u>\$ 11,026,187</u>

# LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2023

## NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property loss and damage, errors and omissions, and employee injury. The District carries all its insurance coverage over these risks and also for Workers' Compensation through the Special Districts Risk Management Authority (SDRMA). This agency is a Joint Powers Authority (JPA) consisting of special districts in the State of California. It is governed by a seven-member Board of Directors. All seven are elected at large from the membership to serve four-year terms. It has about 507 public agencies participating in the Property/Liability program and 447 agencies in its Workers' Compensation program. SDRMA's audit report for the fiscal year 2021-22, the latest one available, shows it had Net Position of about \$66.3 million.

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

## NOTE 13 – CONTINGENCIES AND COMMITMENTS

### Interlocutory Stipulated Judgment

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

## NOTE 14 – SUBSEQUENT EVENTS

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

**REQUIRED SUPPLEMENTARY INFORMATION**

Draft 11-21-23

**LOS OSOS COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ -	\$ -	\$ (178)	\$ (178)
Other revenues	-	-	1,516	1,516
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>1,338</b>	<b>1,338</b>
<b>EXPENDITURES:</b>				
Personnel	402,573	405,173	407,149	(1,976)
Clothing and uniforms	200	200	-	200
Contract services	56,600	71,746	69,775	1,971
Financial services	6,600	3,600	570	3,030
Insurance, licenses, and regulatory fees	48,255	47,948	47,932	16
Legal and professional	130,550	116,300	93,942	22,358
Office expenses	19,450	19,286	17,379	1,907
Other expenses	225	225	210	15
Rent and utilities	45,080	45,080	44,312	768
Travel and training	3,325	3,300	2,218	1,082
Repairs and maintenance	100	100	106	(6)
<b>Total expenditures</b>	<b>712,958</b>	<b>712,958</b>	<b>683,593</b>	<b>29,365</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(712,958)</b>	<b>(712,958)</b>	<b>(682,255)</b>	<b>30,703</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	712,958	712,958	712,957	(1)
<b>Total other financing sources (uses)</b>	<b>712,958</b>	<b>712,958</b>	<b>712,957</b>	<b>(1)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses</b>	<b>-</b>	<b>-</b>	<b>30,702</b>	<b>30,702</b>
Fund balances - beginning	143,606	143,606	143,606	-
<b>Fund balances - ending</b>	<b>\$ 143,606</b>	<b>\$ 143,606</b>	<b>\$ 174,308</b>	<b>\$ 30,702</b>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FIRE FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 2,613,616	\$ 2,532,277	\$ 2,600,226	\$ 67,949
Special taxes and assessments	669,398	669,398	669,398	-
Intergovernmental	-	-	16,892	16,892
Services charges and fees	67,134	67,134	83,291	16,157
Use of money and property	2,000	2,000	2,449	449
Other revenues	-	-	290	290
<b>Total revenues</b>	<b>3,352,148</b>	<b>3,270,809</b>	<b>3,372,546</b>	<b>101,737</b>
<b>EXPENDITURES:</b>				
Personnel	289,625	289,625	254,960	34,665
Clothing and uniforms	5,000	5,000	10	4,990
Contract services	11,100	11,100	6,729	4,371
Contract services - Schedule A	2,169,550	2,169,550	2,128,852	40,698
Equipment and tools	55,750	76,350	75,134	1,216
Financial services	96	96	62	34
Insurance, licenses, and regulatory fees	43,700	55,500	55,018	482
Legal and professional	4,850	5,250	1,485	3,765
Office expenses	7,200	9,200	6,718	2,482
Other expenses	8,000	8,000	13,686	(5,686)
Rent and utilities	27,450	16,841	15,583	1,258
Travel and training	1,300	1,300	298	1,002
Repairs and maintenance	37,300	37,300	6,730	30,570
Capital outlay	221,578	254,145	174,087	80,058
Contingency	90,000	90,000	-	90,000
<b>Total expenditures</b>	<b>2,972,499</b>	<b>3,029,257</b>	<b>2,739,352</b>	<b>289,905</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>379,649</b>	<b>241,552</b>	<b>633,194</b>	<b>391,642</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(71,296)	(71,296)	(71,296)	-
<b>Total other financing sources (uses)</b>	<b>(71,296)</b>	<b>(71,296)</b>	<b>(71,296)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses</b>	<b>308,353</b>	<b>170,256</b>	<b>561,898</b>	<b>391,642</b>
Fund balances - beginning	2,816,961	2,816,961	2,816,961	-
<b>Fund balances - ending</b>	<b>\$ 3,125,314</b>	<b>\$ 2,987,217</b>	<b>\$ 3,378,859</b>	<b>\$ 391,642</b>

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



**LOS OSOS COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DRAINAGE FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 39,290	\$ 39,290	\$ 41,678	\$ 2,388
Special taxes and assessments	95,264	95,248	95,200	(48)
Use of money and property	600	600	4,159	3,559
Other revenues	-	-	589	589
<b>Total revenues</b>	<b>135,154</b>	<b>135,138</b>	<b>141,626</b>	<b>6,488</b>
<b>EXPENDITURES:</b>				
Personnel	11,200	11,200	17,474	(6,274)
Equipment and tools	600	600	-	600
Insurance, licenses, and regulatory fees	8,250	8,373	10,071	(1,698)
Legal and professional	3,500	8,000	32,058	(24,058)
Office expenses	650	650	26,974	(26,324)
Other expenses	300	300	-	300
Rent and utilities	5,150	3,950	4,897	(947)
Travel and training	750	-	-	-
Repairs and maintenance	8,550	8,550	3,902	4,648
Vehicle maintenance and repairs	2,700	3,700	3,102	598
Capital outlay	15,000	18,000	670,691	(652,691)
Debt service:				
Interest and fiscal charges	-	-	1,846	(1,846)
<b>Total expenditures</b>	<b>56,650</b>	<b>63,323</b>	<b>771,015</b>	<b>(707,692)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>78,504</b>	<b>71,815</b>	<b>(629,389)</b>	<b>(701,204)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(14,259)	(14,259)	(14,259)	-
<b>Total other financing sources (uses)</b>	<b>(14,259)</b>	<b>(14,259)</b>	<b>(14,259)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses</b>	<b>64,245</b>	<b>57,556</b>	<b>(643,648)</b>	<b>(701,204)</b>
Fund balances - beginning	622,686	622,686	622,686	-
<b>Fund balances - ending</b>	<b>\$ 686,931</b>	<b>\$ 680,242</b>	<b>\$ (20,962)</b>	<b>\$ (701,204)</b>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of Net Pension Liability**  
**June 30, 2023**

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

Last 10 Fiscal years\*

Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Proportion of the net pension liability	0.00998%	0.00994%	0.01108%	0.01131%	0.01150%
Proportionate share of the net pension liability	621,010	682,047	958,726	1,121,683	1,108,225
Covered payroll	413,539	619,826	655,035	554,757	557,148
Proportionate share of the net pension liability as a percentage of its covered payroll	150.17%	110.04%	146.36%	202.19%	198.91%
Plan's total pension liability (\$ in millions)	30,830	31,771	33,359	37,161	38,945
Plan Fiduciary net position (\$ in millions)	24,608	24,907	24,706	27,244	29,309
Plan Fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%	73.31%	75.26%

  

Measurement Date	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Proportion of the net pension liability	0.01192%	0.01238%	0.01298%	0.01298%
Proportionate share of the net pension liability	1,221,783	1,347,404	702,001	1,603,561
Covered payroll	647,852	885,730	791,876	1,081,269
Proportionate share of the net pension liability as a percentage of its covered payroll	188.59%	152.12%	88.65%	148.30%
Plan's total pension liability (\$ in millions)	41,426	43,703	46,175	49,526
Plan Fiduciary net position (\$ in millions)	31,179	32,823	40,767	37,975
Plan Fiduciary net position as a percentage of the total pension liability	75.26%	75.10%	88.29%	76.68%

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2023

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

Last 10 Fiscal Years\*

Measurement Date	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 95,817	\$ 109,190	\$ 89,855	\$ 97,967	\$ 124,126
Contributions in relation to the actuarially determined contribution	<u>95,817</u>	<u>109,190</u>	<u>89,855</u>	<u>97,967</u>	<u>124,126</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 413,539	\$ 619,826	\$ 655,035	\$ 554,757	\$ 557,148
Contributions as a percentage of covered payroll	23.17%	17.62%	13.72%	17.66%	22.28%
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	
Actuarially determined contribution	\$ 132,010	\$ 182,935	\$ 212,396	\$ 233,721	
Contributions in relation to the actuarially determined contribution	<u>132,010</u>	<u>182,935</u>	<u>212,396</u>	<u>233,721</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 647,852	\$ 885,730	\$ 791,876	\$ 1,081,269	
Contributions as a percentage of covered payroll	20.38%	20.65%	26.82%	21.62%	

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Required Supplementary Information  
Schedule of Changes in Net OPEB Liability  
June 30, 2023

Last 10 Fiscal years\*

	2018	2019	2020	2021	2022
Net OPEB liability					
Service cost	\$ 16,079	\$ 16,561	\$ 17,904	\$ 20,634	\$ 30,439
Interest	9,870	10,271	12,311	11,519	10,847
Differences between expected and actual experience	-	-	(24,615)	-	(143,682)
Change in assumptions	-	(22,494)	26,747	38,564	41,751
Benefit payments	(13,190)	(13,120)	(7,433)	(6,872)	(4,698)
Net change in Net OPEB liability	<u>12,759</u>	<u>(8,782)</u>	<u>24,914</u>	<u>63,845</u>	<u>(65,343)</u>
Net OPEB liability - beginning	<u>321,892</u>	<u>334,651</u>	<u>325,869</u>	<u>350,783</u>	<u>414,628</u>
Net OPEB liability - ending	<u>\$ 334,651</u>	<u>\$ 325,869</u>	<u>\$ 350,783</u>	<u>\$ 414,628</u>	<u>\$ 349,285</u>
Covered payroll	\$ 430,762	\$ 567,108	\$ 815,856	\$ 775,403	\$ 809,885
Net OPEB liability (asset) as a percentage of covered payroll	77.7%	57.5%	43.0%	53.5%	43.1%
Plan fiduciary net position as a percentage of the total	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2023</u>				
Net OPEB liability					
Service cost	\$ 36,498				
Interest	7,384				
Differences between expected and actual experience	-				
Change in assumptions	(92,036)				
Benefit payments	(2,396)				
Net change in Net OPEB liability	<u>(50,550)</u>				
Net OPEB liability - beginning	<u>349,285</u>				
Net OPEB liability - ending	<u>\$ 298,735</u>				
Covered payroll	\$ 861,702				
Net OPEB liability (asset) as a percentage of covered payroll	34.7%				
Plan fiduciary net position as a percentage of the total	0.00%				

As of June 30, 2023, the plan is not administered through a qualified trust. Therefore there is no Actuarially Determined Contribution (ADC).

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

**SUPPLEMENTARY INFORMATION**

Draft 11-21-23

**LOS OSOS COMMUNITY SERVICES DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Bayridge	Vista de Oro	Parks and Recreation	Total
<b>ASSETS</b>				
Cash and investments	\$ 36,300	\$ 1,526	\$ 99,821	\$ 137,647
Restricted cash and investments	-	-	215,610	215,610
Accounts receivable	70	84	-	154
<b>TOTAL ASSETS</b>	<u>\$ 36,370</u>	<u>\$ 1,610</u>	<u>\$ 315,431</u>	<u>\$ 353,411</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 309	\$ 309	\$ -	\$ 618
Due to other funds	-	1,517	-	1,517
<b>Total liabilities</b>	<u>309</u>	<u>1,826</u>	<u>-</u>	<u>2,135</u>
<b>FUND BALANCES</b>				
Restricted	36,061	-	315,431	351,492
Unassigned	-	(216)	-	(216)
<b>Total fund balances</b>	<u>36,061</u>	<u>(216)</u>	<u>315,431</u>	<u>351,276</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 36,370</u>	<u>\$ 1,610</u>	<u>\$ 315,431</u>	<u>\$ 353,411</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Bayridge	Vista de Oro	Parks and Recreation	Total
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ 42,364	\$ 42,364
Services charges and fees	9,999	5,999	-	15,998
Use of money and property	-	-	3,280	3,280
Total revenues	<u>9,999</u>	<u>5,999</u>	<u>45,644</u>	<u>61,642</u>
<b>EXPENDITURES:</b>				
Insurance, licenses, and regulatory fees	1,182	841	-	2,023
Legal and professional	62	62	-	124
Rent and utilities	5,067	2,002	-	7,069
Total expenditures	<u>6,311</u>	<u>2,905</u>	<u>-</u>	<u>9,216</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,688	3,094	45,644	52,426
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,782)	(1,782)	(7,129)	(10,693)
Total other financing sources (uses)	<u>(1,782)</u>	<u>(1,782)</u>	<u>(7,129)</u>	<u>(10,693)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses</b>	1,906	1,312	38,515	41,733
Fund balances - beginning	<u>34,155</u>	<u>(1,528)</u>	<u>276,916</u>	<u>309,543</u>
Fund balances - ending	<u>\$ 36,061</u>	<u>\$ (216)</u>	<u>\$ 315,431</u>	<u>\$ 351,276</u>

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

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Draft 11-21-23



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Osos Community Services District (the District), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Los Osos Community Services District's basic financial statements and have issued our report thereon dated [DATE].

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Fechter & Company  
Certified Public Accountants

Sacramento, California  
[DATE]