



December 2, 2024

TO: Finance Advisory Committee

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

SUBJECT: Agenda Item 3 – 12/02/2022 FAC Meeting
Receive and File the District's Draft Fiscal Year 2023-2024
Financial Audit

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DESCRIPTION

Review of the District's fiscal year 2023-2024 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 2023-2024 financial audit as presented.

DISCUSSION

The firm Fetcher & Company was contracted to perform the District's fiscal year 2023-2024 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 2023-2024 audit.

Key Points from 2023-24

The following are the highlights from fiscal year 2023-24:

- The district's financial position strengthened during the 2023/2024 fiscal year as we anticipated large upcoming projects. Looking at Table B on page 8, you'll see the Ending Net Position increased by \$4,097,197 million over 2023/2024. Factors

contributing to this change in Net Position include almost \$281,777 in increased grant revenue (mainly for Prog C Well Project).

- Water service fees increased by \$332,680.
- Property tax revenues performed as expected with increased revenue of \$1,835,741, this large increase in property tax revenue is due primarily to the accrual of refunds from CAL Fire Schedule A overpayments made by the District in prior years.
- Governmental expenses increased by \$362,271 mainly due to increase of the Schedule A contract costs paid to San Luis Obispo County Fire/ Cal Fire.
- Investment Income increased by \$326,369 over Fiscal Year 2022/2023 because of the rising interest rates and the implementation of a new investment strategy during the fiscal year.
- Fire and Water reserves are \$2,708,911 and \$3,259,682 (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 (starting page 33).
- Discussion on Pension Liabilities (starting page 43).
- 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.losososcscsd.org or by contacting the District's office at 805-528-9370.

Attachment

2023/2024 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, 2024**

Draft 11-21-24

**LOS OSOS COMMUNITY SERVICES DISTRICT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

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FINANCIAL SECTION

Draft 11-21-24

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2024, 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, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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 and *Government 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

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

certain limited procedures to the required supplementary information in accordance with auditing 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 on pages 60 - 61 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, 2024

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, 2024.

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, 2024

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, 2024

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, 2024

**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

**TABLE A
Statements of Net Position
June 30, 2024**

	June 30, 2024			June 30, 2023			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Assets:								
Current and other assets	\$ 6,621,185	\$ 6,643,982	\$13,265,167	\$ 3,966,492	\$ 6,950,188	\$10,916,680	\$ 2,348,487	21.5%
Capital assets	2,236,548	9,200,465	11,437,013	2,331,967	7,462,760	9,794,727	1,642,286	16.8%
Total assets	8,857,733	15,844,447	24,702,180	6,298,459	14,412,948	20,711,407	3,990,773	19.3%
Deferred outflows of resources	320,685	521,433	842,118	332,528	532,405	864,933	(22,815)	-2.6%
Liabilities:								
Current liabilities	91,554	509,846	601,400	90,904	528,636	619,540	(18,140)	-2.9%
Long-Term liabilities	844,063	4,502,760	5,346,823	704,394	4,698,339	5,402,733	(55,910)	-1.0%
Total liabilities	935,617	5,012,606	5,948,223	795,298	5,226,975	6,022,273	(74,050)	-1.2%
Deferred inflows of resources	88,729	157,337	246,066	104,372	196,883	301,255	(55,189)	-18.3%
Net Position:								
Invested in capital assets, net of related debt	2,236,548	6,738,479	8,975,027	2,331,967	4,808,366	7,140,333	1,834,694	25.7%
Restricted	5,981,589	-	5,981,589	3,622,125	-	3,622,125	2,359,464	65.1%
Unrestricted	(64,065)	4,457,458	4,393,393	(222,775)	4,713,129	4,490,354	(96,961)	-2.2%
Total net position	\$ 8,154,072	\$11,195,937	\$19,350,009	\$ 5,731,317	\$ 9,521,495	\$15,252,812	\$ 4,097,197	26.9%

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
June 30, 2024

TABLE B
Statements of Activities
June 30, 2024

	June 30, 2024			June 30, 2023			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Revenues								
Program revenues:								
Charges for services	\$ 101,460	\$ 3,648,124	\$ 3,749,584	\$ 99,289	\$ 3,143,881	\$ 3,243,170	\$ 506,414	15.6%
Operating grants and contributions	-	732,252	732,252	16,892	855,256	872,148	(139,896)	-16.0%
General revenues:								
Property taxes	4,603,497	66,262	4,669,759	2,684,268	149,750	2,834,018	1,835,741	64.8%
Other taxes	796,050	-	796,050	764,598	-	764,598	31,452	4.1%
Investment income	168,456	182,207	350,663	9,710	14,084	23,794	326,869	1373.7%
Other revenues	972	12,323	13,295	2,395	23,485	25,880	(12,585)	-48.6%
Total revenues	5,670,435	4,641,168	10,311,603	3,577,152	4,186,456	7,763,608	2,547,995	32.8%
Expenses								
General government	735,022	-	735,022	677,755	-	677,755	57,267	8.4%
Fire protection	3,050,055	-	3,050,055	2,695,117	-	2,695,117	354,938	13.2%
Drainage	69,636	-	69,636	119,828	-	119,828	(50,192)	-41.9%
Street lighting	9,119	-	9,119	9,216	-	9,216	(97)	-1.1%
Parks and recreation	2,440	-	2,440	2,085	-	2,085	355	17.0%
Water	-	2,201,806	2,201,806	-	1,841,535	1,841,535	360,271	19.6%
Wastewater treatment	-	17,190	17,190	-	16,495	16,495	695	4.2%
Solid waste	-	129,138	129,138	-	121,735	121,735	7,403	6.1%
Total expenses	3,866,272	2,348,134	6,214,406	3,504,001	1,979,765	5,483,766	730,640	13.3%
Increase in net position before transfers	1,804,163	2,293,034	4,097,197	73,151	2,206,691	2,279,842	1,817,355	79.7%
Transfers	618,592	(618,592)	-	616,709	(616,709)	-	-	0.0%
Change in net position	2,422,755	1,674,442	4,097,197	689,860	1,589,982	2,279,842	1,817,355	79.7%
Beginning 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%
Ending net position	\$ 8,154,072	\$ 11,195,937	\$ 19,350,009	\$ 5,731,317	\$ 9,521,495	\$ 15,252,812	\$ 4,097,197	26.9%

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2024

Analysis of Overall Financial Position and Results of Operations

Statement of Net Position

At the end of fiscal year June 30, 2024, 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, 2024 by \$19,350,009.

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 \$4,097,197. Total revenues increased over the prior year by \$2,547,995. Water service fees increased by \$332,680, grant revenue decreased by \$139,896, and property tax revenue increased by \$1,835,741. This large increase in property tax revenue is due primarily to the accrual of refunds from CAL Fire for Schedule A overpayments made by the District in prior years.

Overall expenses in Governmental Activities increased by \$362,271. Total expenses in Business-Type Activities increased by \$368,369.

Investment Income increased by \$326,869 over Fiscal Year 2023-2024 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, 2024

**TABLE C
Capital Assets
June 30, 2024**

	June 30, 2024			June 30, 2023			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Non-Depreciable Assets								
Land and land rights	\$ 57,375	\$ 498,429	\$ 555,804	\$ 57,375	\$ 498,429	\$ 555,804	\$ -	0.0%
Construction in progress	845,677	3,041,420	3,887,097	763,844	1,296,871	2,060,715	1,826,382	88.6%
Depreciable Assets								
Buildings, structures, and improvements	598,871	268,178	867,049	598,871	268,178	867,049	-	0.0%
Infrastructure	378,519	11,413,116	11,791,635	378,519	11,121,877	11,500,396	291,239	2.5%
Equipment and vehicles	2,155,955	587,092	2,743,047	2,155,955	587,092	2,743,047	-	0.0%
Total cost	4,036,397	15,808,235	19,844,632	3,954,564	13,772,447	17,727,011	2,117,621	11.9%
Less accumulated depreciation	(1,799,849)	(6,607,770)	(8,407,619)	(1,622,597)	(6,309,687)	(7,932,284)	(475,335)	6.0%
Total	\$ 2,236,548	\$ 9,200,465	\$ 11,437,013	\$ 2,331,967	\$ 7,462,760	\$ 9,794,727	\$ 1,642,286	16.8%

**TABLE D
Long-Term Liabilities
June 30, 2024**

	June 30, 2024			June 30, 2023			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Compensated absences	\$ 34,939	\$ 122,341	\$ 157,280	\$ 31,571	\$ 117,336	\$ 148,907	\$ 8,373	5.6%
Other post-employment benefits liability	53,917	305,529	359,446	44,810	253,925	298,735	60,711	20.3%
Lease liability	130,907	-	130,907	-	-	-	130,907	-
Loan payable - CIEDB loan	-	2,461,986	2,461,986	-	2,654,394	2,654,394	(192,408)	-7.2%
Loan payable - Solid waste	-	926,772	926,772	-	1,046,772	1,046,772	(120,000)	-11.5%
Net pension liability	671,282	1,033,937	1,705,219	635,906	967,655	1,603,561	101,658	6.3%
Total	\$ 891,045	\$ 4,850,565	\$ 5,741,610	\$ 712,287	\$ 5,040,082	\$ 5,752,369	\$ (10,759)	-0.2%

The total of long-term liabilities is \$5,741,610, a decrease of \$10,759, due primarily to paying down the loans payable by \$312,408, which was partially offset by an increase in lease liability of \$130,907, net pension liability of \$101,658, and other post-employment benefits liability of \$60,711.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2024

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, 2024 are as follows:

<u>Fire Fund</u>	
General contingency	\$ 583,226
Vehicle, equipment, and fire engine replacement	1,409,340
Capital outlay	540,562
Public facilities fee	40,334
Fire mitigation	135,449
Total	<u>\$ 2,708,911</u>
<u>Water Fund</u>	
General contingency	\$ 756,183
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>\$ 3,259,682</u>
<u>Drainage Fund</u>	
General contingency	\$ 10,000
Capital outlay	55,000
Total	<u>\$ 65,000</u>
<u>Parks and Recreation Fund</u>	
	<u>\$ 198,879</u>

Significant Events or Disclosures

As noted in the Statement of Activities section, the District and San Luis Obispo County Fire (County Fire) came to agreement on the overpayments amount the District made to County Fire from fiscal year 2017-2018 through fiscal year 2021-2022. This resulted in a reimbursement paid to the District of \$1,199,437.00. A Release and Settlement Agreement was executed by both parties to document the outcome of the five-year audit of the billing and payment transactions made during that period.

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

Sincerely,

Ron Munds
General Manager

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

Draft 11-21-24

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 4,711,102	\$ 4,334,258	\$ 9,045,360
Accounts receivable, net	1,497,427	632,313	2,129,740
Grants receivable	-	292,347	292,347
Prepaid items	168,566	146,615	315,181
Deposits	-	10,000	10,000
Inventory	-	71,812	71,812
Other assets	-	900	900
Internal balances	(228,965)	228,965	-
Total current assets	<u>6,148,130</u>	<u>5,717,210</u>	<u>11,865,340</u>
Non-current assets:			
Restricted cash and investments	342,868	-	342,868
Franchise asset	-	926,772	926,772
Right-to-use asset, net	130,187	-	130,187
Capital assets, net	2,236,548	9,200,465	11,437,013
Total non-current assets	<u>2,709,603</u>	<u>10,127,237</u>	<u>12,836,840</u>
Total assets	<u>8,857,733</u>	<u>15,844,447</u>	<u>24,702,180</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	309,637	458,826	768,463
Deferred outflows of resources related to OPEB	11,048	62,607	73,655
Total deferred outflows of resources	<u>320,685</u>	<u>521,433</u>	<u>842,118</u>
LIABILITIES			
Current liabilities:			
Accounts payable	23,947	120,019	143,966
Accrued liabilities	20,625	16,376	37,001
Accrued interest payable	-	25,646	25,646
Compensated absences - current portion	8,735	30,585	39,320
Lease liability - current portion	38,247	-	38,247
Loans payable - current portion	-	317,220	317,220
Total current liabilities	<u>91,554</u>	<u>509,846</u>	<u>601,400</u>
Non-current liabilities:			
Compensated absences	26,204	91,756	117,960
OPEB liability	53,917	305,529	359,446
Lease liability - non-current portion	92,660	-	92,660
Loans payable	-	3,071,538	3,071,538
Net pension liability	671,282	1,033,937	1,705,219
Total non-current liabilities	<u>844,063</u>	<u>4,502,760</u>	<u>5,346,823</u>
Total liabilities	<u>935,617</u>	<u>5,012,606</u>	<u>5,948,223</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	62,796	10,384	73,180
Deferred inflows of resources related to OPEB	25,933	146,953	172,886
Total deferred inflows of resources	<u>88,729</u>	<u>157,337</u>	<u>246,066</u>
NET POSITION			
Net investment in capital assets	2,236,548	6,738,479	8,975,027
Restricted for:			
Fire and emergency services	5,638,755	-	5,638,755
Parks and recreation	342,834	-	342,834
Unrestricted (deficit)	(64,065)	4,457,458	4,393,393
Total net position	<u>\$ 8,154,072</u>	<u>\$ 11,195,937</u>	<u>\$ 19,350,009</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, 2024**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 735,022	\$ -	\$ -	\$ (735,022)	\$ -	\$ (735,022)
Fire protection	3,050,055	85,462	-	(2,964,593)	-	(2,964,593)
Drainage	69,636	-	-	(69,636)	-	(69,636)
Street lighting	9,119	15,998	-	6,879	-	6,879
Parks and recreation	2,440	-	-	(2,440)	-	(2,440)
Total governmental activities	<u>3,866,272</u>	<u>101,460</u>	<u>-</u>	<u>(3,764,812)</u>	<u>-</u>	<u>(3,764,812)</u>
Business-type activities:						
Water	2,201,806	3,158,772	732,252	-	1,689,218	1,689,218
Wastewater treatment project	17,190	21,109	-	-	3,919	3,919
Solid waste	129,138	468,243	-	-	339,105	339,105
Total business-type activities	<u>2,348,134</u>	<u>3,648,124</u>	<u>732,252</u>	<u>-</u>	<u>2,032,242</u>	<u>2,032,242</u>
Total primary government	<u>\$ 6,214,406</u>	<u>\$ 3,749,584</u>	<u>\$ 732,252</u>	<u>(3,764,812)</u>	<u>2,032,242</u>	<u>(1,732,570)</u>
General revenues:						
Taxes:						
Property taxes				4,603,497	66,262	4,669,759
Special assessments				796,050	-	796,050
Investment income				168,456	182,207	350,663
Other general revenues				972	12,323	13,295
Transfers				618,592	(618,592)	-
Total general revenues and transfers				<u>6,187,567</u>	<u>(357,800)</u>	<u>5,829,767</u>
Change in net position				2,422,755	1,674,442	4,097,197
Net position - beginning				<u>5,731,317</u>	<u>9,521,495</u>	<u>15,252,812</u>
Net position - ending				<u>\$ 8,154,072</u>	<u>\$ 11,195,937</u>	<u>\$ 19,350,009</u>

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

Draft 11-21-24

**LOS OSOS COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General	Fire Fund	Drainage	Nonmajor Governmental Funds	Total
ASSETS					
Cash and investments	\$ 153,478	\$ 4,159,338	\$ 356,607	\$ 41,679	\$ 4,711,102
Restricted cash and investments	-	-	-	342,868	342,868
Accounts receivable	-	294,298	3,552	140	297,990
Overpayment receivable	-	1,199,437	-	-	1,199,437
Prepaid items	78,810	88,840	916	-	168,566
Due from other funds	1,517	-	-	-	1,517
Total assets	<u>\$ 233,805</u>	<u>\$ 5,741,913</u>	<u>\$ 361,075</u>	<u>\$ 384,687</u>	<u>\$ 6,721,480</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 11,871	\$ 10,312	\$ 1,136	\$ 628	\$ 23,947
Accrued liabilities	16,619	4,006	-	-	20,625
Due to other funds	-	-	-	1,517	1,517
Loan from Water Fund	-	-	228,965	-	228,965
Total liabilities	<u>28,490</u>	<u>14,318</u>	<u>230,101</u>	<u>2,145</u>	<u>275,054</u>
FUND BALANCES					
Nonspendable					
Prepaid items	78,810	88,840	916	-	168,566
Restricted					
Fire and emergency services	-	5,638,755	-	-	5,638,755
Parks and recreation	-	-	-	342,834	342,834
Bayridge functions	-	-	-	38,471	38,471
Unassigned	126,505	-	130,058	1,237	257,800
Total fund balances	<u>205,315</u>	<u>5,727,595</u>	<u>130,974</u>	<u>382,542</u>	<u>6,446,426</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 233,805</u>	<u>\$ 5,741,913</u>	<u>\$ 361,075</u>	<u>\$ 384,687</u>	<u>\$ 6,721,480</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total fund balances-governmental funds \$ 6,446,426

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

Right-to-use assets		130,187
Capital assets at historical cost	\$ 4,036,397	
Less: Accumulated depreciation	<u>(1,799,849)</u>	
Net		2,236,548

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	(34,939)	
Net pension liability	(671,282)	
Net OPEB liability	(53,917)	
Lease liability	<u>(130,907)</u>	
Total		(891,045)

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	309,637	
OPEB	11,048	
Deferred inflows of resources relating to:		
Pensions	(62,796)	
OPEB	<u>(25,933)</u>	
Total		<u>231,956</u>

Net position of governmental activities \$ 8,154,072

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, 2024

	General	Fire Fund	Drainage	Nonmajor Governmental Funds	Total
REVENUES:					
Property taxes	\$ -	\$ 4,434,105	\$ 154,392	\$ 15,000	\$ 4,603,497
Special taxes and assessments	-	700,850	95,200	-	796,050
Services charges and fees	-	85,462	-	15,998	101,460
Use of money and property	4,169	132,426	14,967	16,894	168,456
Other revenues	400	200	372	-	972
Total revenues	4,569	5,353,043	264,931	47,892	5,670,435
EXPENDITURES:					
Personnel	412,474	211,135	9,445	-	633,054
Clothing and uniforms	-	991	-	-	991
Contract services	46,278	6,184	-	-	52,462
Contract services - Schedule A	-	2,495,504	-	-	2,495,504
Equipment and tools	-	24,149	1,641	-	25,790
Financial services	6,511	-	-	-	6,511
Insurance, licenses, and regulatory fees	59,298	73,100	9,718	1,497	143,613
Legal and professional	96,076	15,345	6,256	485	118,162
Office expenses	16,962	7,006	4,907	-	28,875
Other expenses	1,143	2,406	-	-	3,549
Rent and utilities	48,082	16,921	4,754	7,492	77,249
Travel and training	1,753	395	-	-	2,148
Repairs and maintenance	121	42,808	2,872	-	45,801
Vehicle maintenance and repairs	-	-	2,974	-	2,974
Capital outlay	-	33,274	48,559	-	81,833
Debt service:					
Interest and fiscal charges	-	-	7,566	-	7,566
Total expenditures	688,698	2,929,218	98,692	9,474	3,726,082
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(684,129)	2,423,825	166,239	38,418	1,944,353
Other Financing Sources (Uses):					
Transfers in	715,136	-	-	-	715,136
Transfers out	-	(75,089)	(14,303)	(7,152)	(96,544)
Total other financing sources (uses)	715,136	(75,089)	(14,303)	(7,152)	618,592
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	31,007	2,348,736	151,936	31,266	2,562,945
Fund balances - beginning	174,308	3,378,859	(20,962)	351,276	3,883,481
Fund balances - ending	<u>\$ 205,315</u>	<u>\$ 5,727,595</u>	<u>\$ 130,974</u>	<u>\$ 382,542</u>	<u>\$ 6,446,426</u>

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, 2024**

Net change in fund balances - total governmental funds		\$2,562,945
Amounts reported for governmental activities in the statement of activities are different because:		
Amortization expense of right-to-use asset not reported in governmental funds		(26,037)
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	\$ 81,833	
Less: current year depreciation	<u>(177,252)</u>	
		(95,419)
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		(3,368)
Principal reduction in lease liability		25,317
Change in net pension liability		(35,376)
Change in deferred pension outflows		(14,799)
Change in deferred pension inflows		12,945
Change in net OPEB liability		(9,107)
Change in deferred OPEB outflows		2,956
Change in deferred OPEB inflows		<u>2,698</u>
Change in net position of governmental activities		<u><u>\$2,422,755</u></u>

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

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 3,960,438	\$ 31,006	\$ 342,814	\$ 4,334,258
Accounts receivable, net	566,222	-	53,726	619,948
Property tax receivables	12,365	-	-	12,365
Grants receivable	292,347	-	-	292,347
Deposits	10,000	-	-	10,000
Inventory at cost	71,812	-	-	71,812
Prepays	143,517	3,098	-	146,615
Loan to other funds	228,965	-	-	228,965
Other assets	900	-	-	900
Total current assets	<u>5,286,566</u>	<u>34,104</u>	<u>396,540</u>	<u>5,717,210</u>
Non-current assets:				
Franchise asset	-	-	926,772	926,772
Capital assets, net	9,041,875	158,590	-	9,200,465
Total non-current assets	<u>9,041,875</u>	<u>158,590</u>	<u>926,772</u>	<u>10,127,237</u>
TOTAL ASSETS	<u>14,328,441</u>	<u>192,694</u>	<u>1,323,312</u>	<u>15,844,447</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	458,826	-	-	458,826
Deferred outflows of resources related to OPEB	62,607	-	-	62,607
Total deferred outflows of resources	<u>521,433</u>	<u>-</u>	<u>-</u>	<u>521,433</u>
LIABILITIES				
Current liabilities:				
Accounts payable	104,610	65	15,344	120,019
Accrued liabilities	16,376	-	-	16,376
Accrued interest payable	25,646	-	-	25,646
Compensated absences - current portion	30,585	-	-	30,585
Loans payable - current portion	197,220	-	120,000	317,220
Total current liabilities	<u>374,437</u>	<u>65</u>	<u>135,344</u>	<u>509,846</u>
Non-current liabilities:				
Compensated absences	91,756	-	-	91,756
OPEB liability	305,529	-	-	305,529
Loans payable	2,264,766	-	806,772	3,071,538
Net pension liability	1,033,937	-	-	1,033,937
Total non-current liabilities	<u>3,695,988</u>	<u>-</u>	<u>806,772</u>	<u>4,502,760</u>
TOTAL LIABILITIES	<u>4,070,425</u>	<u>65</u>	<u>942,116</u>	<u>5,012,606</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	10,384	-	-	10,384
Deferred inflows of resources related to OPEB	146,953	-	-	146,953
Total deferred inflows of resources	<u>157,337</u>	<u>-</u>	<u>-</u>	<u>157,337</u>
NET POSITION				
Net investment in capital assets	6,579,889	158,590	-	6,738,479
Unrestricted	4,042,223	34,039	381,196	4,457,458
TOTAL NET POSITION	<u>\$ 10,622,112</u>	<u>\$ 192,629</u>	<u>\$ 381,196</u>	<u>\$ 11,195,937</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, 2024

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Totals
OPERATING REVENUES				
Utility	\$ 3,158,772	\$ 21,109	\$ 468,243	\$ 3,648,124
Total operating revenues	<u>3,158,772</u>	<u>21,109</u>	<u>468,243</u>	<u>3,648,124</u>
Operating Expenses:				
Personnel	1,017,854	-	-	1,017,854
Clothing and uniforms	634	-	-	634
Contract services	66,490	-	-	66,490
Equipment and tools	7,931	-	-	7,931
Financial services	62	1,815	-	1,877
Insurance, licenses, and regulatory fees	121,482	287	-	121,769
Legal and professional	320,575	15,088	8,741	344,404
Office expenses	53,736	-	397	54,133
Other expenses	22,072	-	-	22,072
Rent and utilities	171,942	-	-	171,942
Travel and training	3,475	-	-	3,475
Repairs and maintenance	33,287	-	-	33,287
Vehicle maintenance and repairs	14,270	-	-	14,270
Depreciation and amortization	298,083	-	120,000	418,083
Total operating expenses	<u>2,131,893</u>	<u>17,190</u>	<u>129,138</u>	<u>2,278,221</u>
Operating income (loss)	1,026,879	3,919	339,105	1,369,903
Non-operating Revenue (Expenses):				
Property taxes and assessments	66,262	-	-	66,262
Investment income	173,273	-	8,934	182,207
Government grants	732,252	-	-	732,252
Other non-operating revenue	12,323	-	-	12,323
Interest expense and fiscal charges	(69,913)	-	-	(69,913)
Total nonoperating (expenses) revenues	<u>914,197</u>	<u>-</u>	<u>8,934</u>	<u>923,131</u>
Income before transfers	1,941,076	3,919	348,039	2,293,034
Transfers out	(543,503)	(3,576)	(71,513)	(618,592)
Change in net position	1,397,573	343	276,526	1,674,442
Net position - beginning	9,224,539	192,286	104,670	9,521,495
Net position - ending	<u>\$ 10,622,112</u>	<u>\$ 192,629</u>	<u>\$ 381,196</u>	<u>\$ 11,195,937</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, 2024**

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Cash collected from customers	\$ 3,085,812	\$ 21,109	\$ 429,115	\$ 3,536,036
Cash payments to suppliers for goods and services	(869,033)	(20,307)	(5,044)	(894,384)
Cash payments for employee services	(924,082)	-	-	(924,082)
Net cash provided by operating activities	<u>1,292,697</u>	<u>802</u>	<u>424,071</u>	<u>1,717,570</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(2,035,788)	-	-	(2,035,788)
Government grants	634,354	-	-	634,354
Principal paid on debt	(192,408)	-	-	(192,408)
Interest paid on debt	(71,917)	-	-	(71,917)
Net cash used by capital and related financing activities	<u>(1,665,759)</u>	<u>-</u>	<u>-</u>	<u>(1,665,759)</u>
Cash Flows From Noncapital Financing Activities:				
Transfers to other funds	(543,503)	(3,576)	(71,513)	(618,592)
Property taxes and assessments	61,880	-	-	61,880
Other non-operating revenue	12,323	-	-	12,323
Amount paid to County for Solid Waste Franchise Agreement loan	-	-	(120,000)	(120,000)
Principal paid on interfund debt	56,908	-	-	56,908
Net cash used by noncapital financing activities	<u>(412,392)</u>	<u>(3,576)</u>	<u>(191,513)</u>	<u>(607,481)</u>
Cash Flows from Investing Activities:				
Interest on investments	173,273	-	8,934	182,207
Net cash provided by investing activities	<u>173,273</u>	<u>-</u>	<u>8,934</u>	<u>182,207</u>
Net (decrease)/increase in cash and cash equivalents	(612,181)	(2,774)	241,492	(373,463)
Cash and cash equivalents, beginning of year	4,572,619	33,780	101,322	4,707,721
Cash and cash equivalents, end of year	<u>\$ 3,960,438</u>	<u>\$ 31,006</u>	<u>\$ 342,814</u>	<u>\$ 4,334,258</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, 2024

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,026,879	\$ 3,919	\$ 339,105	\$ 1,369,903
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization of fixed assets	298,083	-	120,000	418,083
Changes in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:				
Receivables, net	(72,960)	-	(39,128)	(112,088)
Prepays	(28,330)	(3,098)	-	(31,428)
Inventory	1,631	-	-	1,631
Deferred outflows - pension	27,727	-	-	27,727
Deferred outflows - OPEB	(16,755)	-	-	(16,755)
Accounts payable	(26,378)	(19)	4,094	(22,303)
Accrued liabilities	(545)	-	-	(545)
Compensated absences	5,005	-	-	5,005
OPEB liability	51,604	-	-	51,604
Net pension liability	66,282	-	-	66,282
Deferred inflows - pension	(24,255)	-	-	(24,255)
Deferred inflows - OPEB	(15,291)	-	-	(15,291)
Net cash provided by operating activities	\$ 1,292,697	\$ 802	\$ 424,071	\$ 1,717,570

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2024**

	Wastewater Assessment District No. 1 Fund	Low Income Assistance Fund	Total Agency Funds
ASSETS			
Cash and investments	\$ 26	\$ 9,353	\$ 9,379
Cash with fiscal agents	2,027,118	-	2,027,118
Accounts receivable	4,111	-	4,111
Accrued property taxes receivable	23,312	-	23,312
Total assets	<u>\$ 2,054,567</u>	<u>\$ 9,353</u>	<u>\$ 2,063,920</u>
LIABILITIES			
Due to bondholders	\$ 2,054,567	\$ -	\$ 2,054,567
Due to others	-	9,353	9,353
Total liabilities	<u>\$ 2,054,567</u>	<u>\$ 9,353</u>	<u>\$ 2,063,920</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Draft 11-21-24

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2024

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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (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 street lighting is provided)
- 400 – Vista de Oro (a subdivision where street lighting is 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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (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, 2024

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 percent 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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments (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, 2024

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, 2024

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 PEPPA (Public Employees' Pension Reform Act), Safety Fire, and Safety Fire PEPPA 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 Post-Employment 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, 2024

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, 2024

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. Implementation of GASB Statement 87

During the fiscal year ended June 30, 2022, GASB 87, Leases, became effective. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Because the District entered into a new office lease during the year, the District opted to implement the statement for the year ended June 30, 2024.

R. Future Accounting Pronouncements

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

Statement No.101	<i>“Compensated Absences”</i>	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.
Statement No.102	<i>“Certain Risk Disclosures”</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No.103	<i>“Financial Reporting Model Improvements”</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

S. 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, 2024

NOTE 2 – CASH AND INVESTMENTS

The District’s cash and investments at June 30, 2024 consisted of the following:

Cash and Investments:

Cash on hand	\$	700
Deposits with Financial Institutions		305,410

Investments:

Investments cash account	49,962
Local agency investment fund	16,700
California Asset Management Program (CAMP)	1,311,680
Money market funds	523,013
Certificate of deposits	2,466,555
U.S. Government Issues	4,723,587
Money market funds - held by trustees	989,659
U.S. Government Issues - held by trustees	1,037,459
Subtotal - investments	<u>11,118,615</u>
Total Cash and Investments	<u>\$ 11,424,725</u>

The composition of cash and investments as of June 30, 2024, by fund type and restriction is as follows:

	<u>Available for Operations</u>	<u>Restricted</u>	<u>Total</u>
General Fund	\$ 153,478	\$ -	\$ 153,478
Special Revenue Funds	4,872,080	28,412	4,900,492
Proprietary Funds	4,334,258	-	4,334,258
Fiduciary Funds	9,379	2,027,118	2,036,497
	<u>\$ 9,369,195</u>	<u>\$ 2,055,530</u>	<u>\$ 11,424,725</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, 2024

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments of the District as of June 30, 2024

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, 2024

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, 2024:

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End		
			Aaa	Aa	Not Rated
Investments cash account	\$ 49,962	N/A	\$ -	\$ -	\$ 49,962
LAIF	16,700	N/A	-	-	16,700
CAMP	1,311,680	N/A	-	-	1,311,680
Money market funds	523,013	N/A	-	-	523,013
Certificate of deposits	2,466,555	N/A	-	-	2,466,555
U.S. Government Issues	4,723,587	N/A	4,483,690	-	239,897
Held by bond trustees:					
Money market funds	989,659	N/A	-	-	989,659
U.S. Government Issues	1,037,459	N/A	925,287	-	112,172
	<u>\$11,118,615</u>		<u>\$5,408,977</u>	<u>\$ -</u>	<u>\$5,709,638</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, 2024 for each investment type.

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
Investments cash account	\$ 49,962	\$ 49,962	\$ -	\$ -	\$ -
LAIF	16,700	16,700	-	-	-
CAMP	1,311,680	1,311,680	-	-	-
Money market funds	523,013	523,013	-	-	-
Certificate of deposits	2,466,555	243,820	496,590	1,726,145	-
U.S. Government Issues	4,723,587	1,037,980	740,535	2,945,072	-
Held by bond trustees:					
Money market funds	989,659	989,659	-	-	-
U.S. Government Issues	1,037,459	308,810	314,111	414,538	-
	<u>\$ 11,118,615</u>	<u>\$ 4,481,624</u>	<u>\$ 1,551,236</u>	<u>\$ 5,085,755</u>	<u>\$ -</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2024

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 largest investments of the District are in U.S. government issues (51.8%), certificate of deposits (22.2%), money market funds (13.6%), and CAMP (11.8%). These are managed by the District's bank and investment advisor. 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 1.0% 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 U.S. 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, 2024

NOTE 3 – INTERFUND TRANSACTIONS

Interfund activity during the fiscal year ended June 30, 2024, was as follows:

Interfund Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Funds</u>		
General	\$ 715,136	\$ -
Fire	-	75,089
Drainage	-	14,303
<u>Nonmajor Governmental Funds</u>		
Bayridge	-	1,788
Vista de Oro	-	1,788
Parks and Recreation	-	3,576
<u>Proprietary Funds</u>		
Water	-	543,503
Wastewater Treatment Plan	-	3,576
Solid Waste	-	71,513
	<u>\$ 715,136</u>	<u>\$ 715,136</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, at an interest rate adjusted annually to the quarterly LAIF rate for the quarter ending in March. Principal and interest payments for the year ended June 30, 2024, were \$56,908 and \$7,566, respectively. The balance of the loan at June 30, 2024 was as follows:

	<u>Loan Receivable</u>	<u>Loan Payable</u>
<u>Major Governmental Fund</u>		
Drainage	\$ -	\$ 228,965
<u>Proprietary Fund</u>		
Water	228,965	-
	<u>\$ 228,965</u>	<u>\$ 228,965</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2024

NOTE 4 – CAPITAL ASSETS

Government-Type Activities	Balance at July 1, 2023	Additions	Dispositions	Transfers/ Adjustments	Balance at June 30, 2024
Capital assets not being depreciated:					
Land	\$ 57,375	\$ -	\$ -	\$ -	\$ 57,375
Construction in progress	763,844	81,833	-	-	845,677
Total capital assets not being depreciated	821,219	81,833	-	-	903,052
Capital assets being depreciated:					
Buildings, structures, and improvements	598,871	-	-	-	598,871
Infrastructure	378,519	-	-	-	378,519
Plant and equipment	2,155,955	-	-	-	2,155,955
Total capital assets being depreciated	3,133,345	-	-	-	3,133,345
Less: accumulated depreciation					
Buildings, structures, and improvements	(532,722)	(11,422)	-	-	(544,144)
Infrastructure	(197,045)	(21,589)	-	-	(218,634)
Plant and equipment	(892,830)	(144,241)	-	-	(1,037,071)
Total accumulated depreciation	(1,622,597)	(177,252)	-	-	(1,799,849)
Net capital assets being depreciated	1,510,748	(177,252)	-	-	1,333,496
Governmental-type activities capital assets, net	\$ 2,331,967	\$ (95,419)	\$ -	\$ -	\$ 2,236,548
Business-Type Activities	Balance at July 1, 2023	Additions	Dispositions	Transfers/ Adjustments	Balance at June 30, 2024
Capital assets not being depreciated:					
Land	\$ 498,429	\$ -	\$ -	\$ -	\$ 498,429
Construction in progress	1,296,871	1,744,549	-	-	3,041,420
Total capital assets not being depreciated	1,795,300	1,744,549	-	-	3,539,849
Capital assets being depreciated:					
Building and improvements	268,178	-	-	-	268,178
Infrastructure	11,121,877	291,239	-	-	11,413,116
Plant and equipment	587,092	-	-	-	587,092
Total capital assets being depreciated	11,977,147	291,239	-	-	12,268,386
Less: accumulated depreciation					
Building and improvements	(26,201)	(8,772)	-	-	(34,973)
Infrastructure	(5,769,862)	(252,662)	-	-	(6,022,524)
Plant and equipment	(513,624)	(36,649)	-	-	(550,273)
Total accumulated depreciation	(6,309,687)	(298,083)	-	-	(6,607,770)
Net capital assets being depreciated	5,667,460	(6,844)	-	-	5,660,616
Business-type activities, capital assets, net	\$ 7,462,760	\$ 1,737,705	\$ -	\$ -	\$ 9,200,465

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2024

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	\$ 1,552
Fire protection	154,111
Drainage	19,504
Parks and recreation	2,085
Total governmental activities depreciation expense	<u>\$ 177,252</u>
Business-Type Activities:	
Water services	\$ 298,083
Total business-type activities depreciation expense	<u>\$ 298,083</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, 2024:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2024</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Governmental Activities:						
Compensated absences	\$ 31,571	\$ 21,010	\$ (17,642)	\$ 34,939	\$ 8,735	\$ 26,204
Other post-employment benefits liability	44,810	9,107	-	53,917	-	53,917
Lease liability	-	156,224	(25,317)	130,907	38,247	92,660
Net pension liability	635,906	35,376	-	671,282	-	671,282
Total Governmental Activities	<u>\$ 712,287</u>	<u>\$ 221,717</u>	<u>\$ (42,959)</u>	<u>\$ 891,045</u>	<u>\$ 46,982</u>	<u>\$ 844,063</u>
Business-Type Activities:						
Compensated absences	\$ 117,336	\$ 46,444	\$ (41,439)	\$ 122,341	\$ 30,585	\$ 91,756
Other post-employment benefits liability	253,925	51,604	-	305,529	-	305,529
Water Fund						
Loan payable - Direct borrowing	2,654,394	-	(192,408)	2,461,986	197,220	2,264,766
Solid Waste Fund						
Loan payable	1,046,772	-	(120,000)	926,772	120,000	806,772
Net pension liability	967,655	66,282	-	1,033,937	-	1,033,937
Total Business-Type Activities	<u>\$ 5,040,082</u>	<u>\$ 164,330</u>	<u>\$ (353,847)</u>	<u>\$ 4,850,565</u>	<u>\$ 347,805</u>	<u>\$ 4,502,760</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2024

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, 2024, was \$2,461,986. In the event of a default, all unpaid principal and accrued interest would come due immediately in full with overdue installment payments accruing interest at the lesser of 12% per annum or the maximum rate permitted by law.

Future annual repayment requirements for this debt are as follows:

Fiscal Year Ended June 30	Principal	Interest	Annual Administrative Fee	Total
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	217,694	38,355	4,929	260,978
2030-2034	1,172,876	106,310	14,516	1,293,702
2035	252,458	3,155	758	256,371
Total	\$ 2,461,986	\$ 353,702	\$ 46,137	\$ 2,861,825

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2024

NOTE 6 – LOANS PAYABLE (CONTINUED)

Solid Waste Collection Franchise Agreement

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

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

Fiscal Year Ended June 30	
2025	\$ 120,000
2026	120,000
2027	120,000
2028	120,000
2029	120,000
2030-2033	<u>326,772</u>
Total	<u>\$ 926,772</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, 2024

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, 2023. The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	
	Hired Prior to January 1, 2013*	Hired on or After January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 63	52 - 67
Required employee contribution rates	7.00%	8.25%
Required employer contribution rates	13.26% + \$76,709	8.00%
	Safety	
	Hired Prior to January 1, 2013*	Hired on or After January 1, 2013
Hire Date		
Benefit formula	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 57
Required employee contribution rates	9.00%	14.50%
Required employer contribution rates	21.78% + \$55,037	14.50%

* 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, 2024

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 \$55,433 for the Safety Plan and \$176,659 for the Miscellaneous Plan for the fiscal year ended June 30, 2024.

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

At June 30, 2024, the District reported net pension liabilities for its proportionate shares of the net position liability of each plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,121,284
Safety	583,935
	\$ 1,705,219

The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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, 2024, the District’s proportionate share of the net pension liability for each Plan as of June 30, 2023 and June 30, 2024 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2023	0.02196%	0.00838%	0.01388%
Proportion - June 30, 2024	0.02242%	0.00781%	0.01367%
Change - Increase (Decrease)	0.00046%	-0.00057%	-0.00021%

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2024

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, 2024, the District recognized pension expense of \$339,077. 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, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 101,776	\$ -
Differences between actual and expected experience	100,153	12,556
Net differences between projected and actual earnings on pension plan investments	261,457	-
Differences between employer's contributions and proportionate share of contributions	15,663	42,204
Change in employer's proportion	57,322	18,420
District contributions subsequent to the measurement date	232,092	-
Total	\$ 768,463	\$ 73,180

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.

\$232,092 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, 2024.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2024

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>
2025	\$ 150,387
2026	101,421
2027	203,944
2028	<u>7,439</u>
Total	<u>\$ 463,191</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
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, 2024

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, 2024

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 ^{1,2}
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 6.90 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	\$ 1,784,532	\$ 854,097
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 1,121,284	\$ 583,935
1% Increase	7.90%	7.90%
Net Pension (Asset) Liability	\$ 583,936	\$ 363,059

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2024

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, 2024, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2024.

NOTE 8 – POST-EMPLOYMENT 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 \$157 per month in 2024. 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, 2023, actuarial valuation date, 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 currently 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, 2024

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability

The District’s Net OPEB Liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2022. 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	2.80%
Inflation rate	2.30%
Healthcare cost trend rate	5.50% for 2023 through 2034; 4.50% for 2035 through 2074; and 4.00% for 2075 and later years

Mortality rates were based on the most recent experience study for CalPERS members.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of the most recent applicable experience study and a review of plan experience during the period June 30, 2021 to June 30, 2023.

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

<u>Reporting Date</u>	<u>Measurement Date</u>	<u>Fidelity GO AA 20 Years Municipal Index</u>	<u>Discount Rate</u>
June 30, 2023	June 30, 2022	3.69%	3.69%
June 30, 2024	June 30, 2023	3.86%	3.86%

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2024

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Changes in OPEB Liability

	<u>Net OPEB Liability</u>
Balance at June 30, 2023	\$ 298,735
Changes recognized for the measurement period:	
Service cost	34,267
Interest	12,243
Difference between expected and actual experience	43,281
Changes of assumptions	(26,618)
Contributions - employer	<u>(2,462)</u>
Net Changes	<u>60,711</u>
Balance at June 30, 2024	<u>\$ 359,446</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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current discount rate:

	<u>1% Decrease 2.86%</u>	<u>Discount Rate 3.86%</u>	<u>1% Increase 4.86%</u>
Net OPEB Liability	\$ 411,485	\$ 359,446	\$ 315,968

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2024

NOTE 8 – POST-EMPLOYMENT 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:

	1% Decrease (4.50% current, 3.00% ultimate, 3.00% Medicare)	Trend Rate (5.50% current, 4.00% ultimate, 4.00% Medicare)	1% Increase (6.50% current, 5.00% ultimate, 5.00% Medicare)
Net OPEB Liability	\$ 306,471	\$ 359,446	\$ 425,820

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

For the fiscal year ended June 30, 2024, the District recognized OPEB expense of \$24,876. As of the fiscal year ended June 30, 2024, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 37,870	\$ 84,238
Changes in assumptions	35,785	88,648
Total	<u>\$ 73,655</u>	<u>\$ 172,886</u>

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

Fiscal Year Ended June 30	Amount
2025	\$ (18,350)
2026	(24,544)
2027	(26,028)
2028	(24,555)
2029	(9,919)
Thereafter	<u>4,165</u>
Total	<u>\$ (99,231)</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2024

NOTE 9 – OPERATING LEASES

The District entered into a 48-month lease for office space which began on November 1, 2023, and extends through October 31, 2027, for \$3,400 per month. This lease obligation falls under the scope of GASB 87 as discussed in Note 1. Adoption required lessees to recognize operating and capital lease right-of-use assets and liabilities on the Statement of Net Position, with related amortization and interest expense on the Statement of Activities.

Right-to-use assets acquired through this lease are shown below:

	Balance at
	June 30, 2024
Governmental Activities:	
Buildings	\$ 156,224
Less: accumulated amortization	<u>(26,037)</u>
Total	<u><u>\$ 130,187</u></u>

Amortization expense for the year ended June 30, 2024 was \$26,037.

Future minimum lease payments under this lease agreement are as follows:

Fiscal Year	Principal	Interest	Total
Ended June 30	Principal	Interest	Total
2025	\$ 38,247	\$ 2,553	\$ 40,800
2026	39,117	1,683	40,800
2027	40,006	794	40,800
2028	13,537	63	13,600
Total	<u><u>\$ 130,907</u></u>	<u><u>\$ 5,093</u></u>	<u><u>\$ 136,000</u></u>

The District also leases a copier at \$399 a month. This lease is renewable annually at the District's option in September each year.

NOTE 10 – 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.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2024

NOTE 10 – FIDUCIARY BONDED DEBT – NON-DISTRICT DEBT (CONTINUED)

Future annual repayment requirements for this debt are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Wastewater Improvement Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2029	820,000	181,575	1,001,575
2030-2034	4,635,000	383,713	5,018,713
Total	<u>\$ 8,350,000</u>	<u>\$ 1,671,463</u>	<u>\$ 10,021,463</u>

NOTE 11 – 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 2022-23, the latest one available, shows it had Net Position of about \$71.5 million.

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

NOTE 12 – 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 13 – SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

Draft 11-21-24

**LOS OSOS COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 4,169	\$ 4,169
Other revenues	-	-	400	400
Total revenues	-	-	4,569	4,569
EXPENDITURES:				
Personnel	412,803	413,303	412,474	829
Clothing and uniforms	200	200	-	200
Contract services	50,500	50,100	46,278	3,822
Financial services	1,600	7,500	6,511	989
Insurance, licenses, and regulatory fees	61,098	59,663	59,298	365
Legal and professional	116,250	110,650	96,076	14,574
Office expenses	20,450	19,800	16,962	2,838
Other expenses	225	225	1,143	(918)
Rent and utilities	47,210	49,374	48,082	1,292
Travel and training	4,700	4,200	1,753	2,447
Repairs and maintenance	100	121	121	-
Total expenditures	715,136	715,136	688,698	26,438
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(715,136)	(715,136)	(684,129)	31,007
Other Financing Sources (Uses):				
Transfers in	715,136	715,136	715,136	-
Total other financing sources (uses)	715,136	715,136	715,136	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	-	-	31,007	31,007
Fund balances - beginning	174,308	174,308	174,308	-
Fund balances - ending	\$ 174,308	\$ 174,308	\$ 205,315	\$ 31,007

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, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 2,736,521	\$ 2,736,521	\$ 4,434,105	\$ 1,697,584
Special taxes and assessments	700,850	700,850	700,850	-
Services charges and fees	67,134	67,134	85,462	18,328
Use of money and property	2,000	80,000	132,426	52,426
Other revenues	-	-	200	200
	<u>3,506,505</u>	<u>3,584,505</u>	<u>5,353,043</u>	<u>1,768,538</u>
EXPENDITURES:				
Personnel	299,165	299,165	211,135	88,030
Clothing and uniforms	5,000	5,000	991	4,009
Contract services	11,100	11,100	6,184	4,916
Contract services - Schedule A	2,521,923	2,521,923	2,495,504	26,419
Equipment and tools	93,350	61,300	24,149	37,151
Financial services	96	96	-	96
Insurance, licenses, and regulatory fees	73,320	73,700	73,100	600
Legal and professional	5,250	19,500	15,345	4,155
Office expenses	10,200	10,400	7,006	3,394
Other expenses	8,000	3,000	2,406	594
Rent and utilities	18,475	19,405	16,921	2,484
Travel and training	1,400	1,400	395	1,005
Repairs and maintenance	38,800	59,726	42,808	16,918
Capital outlay	225,885	205,885	33,274	172,611
Contingency	90,000	90,000	-	90,000
	<u>3,401,964</u>	<u>3,381,600</u>	<u>2,929,218</u>	<u>452,382</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	104,541	202,905	2,423,825	2,220,920
Other Financing Sources (Uses):				
Transfers out	(75,089)	(75,089)	(75,089)	-
	<u>(75,089)</u>	<u>(75,089)</u>	<u>(75,089)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	29,452	127,816	2,348,736	2,220,920
Fund balances - beginning	<u>3,378,859</u>	<u>3,378,859</u>	<u>3,378,859</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,408,311</u>	<u>\$ 3,506,675</u>	<u>\$ 5,727,595</u>	<u>\$ 2,220,920</u>

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, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 151,483	\$ 151,483	\$ 154,392	\$ 2,909
Special taxes and assessments	95,248	95,248	95,200	(48)
Use of money and property	600	600	14,967	14,367
Other revenues	-	-	372	372
Total revenues	247,331	247,331	264,931	17,600
EXPENDITURES:				
Personnel	12,200	12,200	9,445	2,755
Equipment and tools	600	7,000	1,641	5,359
Insurance, licenses, and regulatory fees	8,700	10,000	9,718	282
Legal and professional	8,000	9,000	6,256	2,744
Office expenses	650	1,150	4,907	(3,757)
Other expenses	300	300	-	300
Rent and utilities	3,950	4,400	4,754	(354)
Repairs and maintenance	8,050	8,050	2,872	5,178
Vehicle maintenance and repairs	3,700	3,700	2,974	726
Capital outlay	18,000	70,000	48,559	21,441
Debt service:				
Interest and fiscal charges	6,849	6,849	7,566	(717)
Total expenditures	70,999	132,649	98,692	33,957
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	176,332	114,682	166,239	51,557
Other Financing Sources (Uses):				
Transfers out	(14,303)	(14,303)	(14,303)	-
Total other financing sources (uses)	(14,303)	(14,303)	(14,303)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	162,029	100,379	151,936	51,557
Fund balances - beginning	(20,962)	(20,962)	(20,962)	-
Fund balances - ending	\$ 141,067	\$ 79,417	\$ 130,974	\$ 51,557

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, 2024

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	June 30, 2023
Proportion of the net pension liability	0.01192%	0.01238%	0.01298%	0.01298%	0.01298%
Proportionate share of the net pension liability	1,221,783	1,347,404	702,001	1,603,561	635,906
Covered payroll	647,852	885,730	791,876	1,081,269	883,525
Proportionate share of the net pension liability as a percentage of its covered payroll	188.59%	152.12%	88.65%	148.30%	71.97%
Plan's total pension liability (\$ in millions)	41,426	43,703	46,175	49,526	52,442
Plan Fiduciary net position (\$ in millions)	31,179	32,823	40,767	37,975	39,967
Plan Fiduciary net position as a percentage of the total pension liability	75.26%	75.10%	88.29%	76.68%	76.21%

LOS OSOS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2024

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
Actuarially determined contribution	\$ 95,817	\$ 109,190	\$ 89,855	\$ 97,967	\$ 124,126
Contributions in relation to the actuarially determined contribution	95,817	109,190	89,855	97,967	124,126
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
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	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Actuarially determined contribution	\$ 132,010	\$ 182,935	\$ 212,396	\$ 233,721	\$ 232,092
Contributions in relation to the actuarially determined contribution	132,010	182,935	212,396	233,721	232,092
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 647,852	\$ 885,730	\$ 791,876	\$ 1,081,269	\$ 883,525
Contributions as a percentage of covered payroll	20.38%	20.65%	26.82%	21.62%	26.27%

Draft 11/20/23

LOS OSOS COMMUNITY SERVICES DISTRICT

Required Supplementary Information
Schedule of Changes in Net OPEB Liability
June 30, 2024

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 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>	<u>2024</u>			
Net OPEB liability					
Service cost	\$ 36,498	\$ 34,267			
Interest	7,384	12,243			
Differences between expected and actual experience	-	43,281			
Change in assumptions	(92,036)	(26,618)			
Benefit payments	(2,396)	(2,462)			
Net change in Net OPEB liability	<u>(50,550)</u>	<u>60,711</u>			
Net OPEB liability - beginning	<u>349,285</u>	<u>298,735</u>			
Net OPEB liability - ending	<u>\$ 298,735</u>	<u>\$ 359,446</u>			
Covered payroll	\$ 861,702	\$ 1,056,695			
Net OPEB liability as a percentage of covered payroll	34.7%	34.0%			
Plan fiduciary net position as a percentage of the total	0.00%	0.00%			

As of June 30, 2024, 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 11-21-24

**LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024**

	<u>Bayridge</u>	<u>Vista de Oro</u>	<u>Parks and Recreation</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 38,628	\$ 3,051	\$ -	\$ 41,679
Restricted cash and investments	-	-	342,868	342,868
Accounts receivable	140	-	-	140
TOTAL ASSETS	<u>\$ 38,768</u>	<u>\$ 3,051</u>	<u>\$ 342,868</u>	<u>\$ 384,687</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 297	\$ 297	\$ 34	\$ 628
Due to other funds	-	1,517	-	1,517
Total liabilities	<u>297</u>	<u>1,814</u>	<u>34</u>	<u>2,145</u>
FUND BALANCES				
Restricted	38,471	-	342,834	381,305
Unassigned	-	1,237	-	1,237
Total fund balances	<u>38,471</u>	<u>1,237</u>	<u>342,834</u>	<u>382,542</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,768</u>	<u>\$ 3,051</u>	<u>\$ 342,868</u>	<u>\$ 384,687</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, 2024

	Bayridge	Vista de Oro	Parks and Recreation	Total
REVENUES:				
Property taxes	\$ -	\$ -	\$ 15,000	\$ 15,000
Services charges and fees	9,999	5,999	-	15,998
Use of money and property	560	-	16,334	16,894
Total revenues	<u>10,559</u>	<u>5,999</u>	<u>31,334</u>	<u>47,892</u>
EXPENDITURES:				
Insurance, licenses, and regulatory fees	925	572	-	1,497
Legal and professional	65	65	355	485
Rent and utilities	5,371	2,121	-	7,492
Total expenditures	<u>6,361</u>	<u>2,758</u>	<u>355</u>	<u>9,474</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,198	3,241	30,979	38,418
Other Financing Sources (Uses):				
Transfers out	<u>(1,788)</u>	<u>(1,788)</u>	<u>(3,576)</u>	<u>(7,152)</u>
Total other financing sources (uses)	<u>(1,788)</u>	<u>(1,788)</u>	<u>(3,576)</u>	<u>(7,152)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	2,410	1,453	27,403	31,266
Fund balances - beginning	<u>36,061</u>	<u>(216)</u>	<u>315,431</u>	<u>351,276</u>
Fund balances - ending	<u><u>\$ 38,471</u></u>	<u><u>\$ 1,237</u></u>	<u><u>\$ 342,834</u></u>	<u><u>\$ 382,542</u></u>

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

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Draft 11-21-24

**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, 2024, 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].

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

Report on 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 financial statement. 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]