

**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, 2020, 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 December 23, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

*Moss, Levy & Hartzheim LLP*

Santa Maria, California

December 23, 2020

**Los Osos Community Services District  
Schedule of Findings and Responses  
June 30, 2020**

**No Current Year Findings**

**Los Osos Community Services District  
Schedule of Prior Fiscal Year Findings and Responses  
June 30, 2020**

**Finding 2019-1  
Employee Reimbursement and Credit Card Usage**

**Criteria:**

All employee reimbursements and District credit card usage requires itemized receipts for meal purchases and all purchases should be approved by appropriate personnel other than the purchaser.

**Condition:**

During our testing, we noted one instance where an itemized receipt was not retained and submitted for reimbursement for a meal purchase and another instance where a credit card holder was the only approval signature for their own purchase.

**Cause:**

District oversight.

**Effect:**

The potential for misappropriation of assets.

**Recommendation:**

The District should ensure policies are established and enforced requiring itemized meal receipts and that all employee reimbursements and credit card purchases are approved by appropriate personnel who did not make the purchase. These controls are important to limit District liability and ensure that purchases are proper usage of District funds.

**Current Status:**

Implemented