



November 29, 2021

TO: Finance Advisory Committee

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

SUBJECT: Agenda Item 3 – 1/07/2021 Board Meeting
Receive and File the District's Draft Fiscal Year 2020-2021
Financial Audit

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DESCRIPTION

Presentation and review of the District's fiscal year 2020-2021 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 2020-2021 financial audit as presented.

DISCUSSION

The firm Fetcher & Company was contracted to perform the District's fiscal year 2020-2021 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 preliminary opinion of Fetcher & Company is as follows (excerpt from the Auditor Report):

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, 2021, 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.

Additionally, there were no audit findings or issues in need of correction associated with the 2020-2021 audit.

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

Fechter & Company Independent Auditor's Report
2020/2021 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, 2021**

Draft 11-22-21

**LOS OSOS COMMUNITY SERVICES DISTRICT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

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FINANCIAL SECTION

Draft 11-22-21

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Osos Community Services District (District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2021, 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.

Other Matters

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 12, the budgetary comparison information on pages 54 and 55, the schedule of proportionate share of net pension liability on page 56, the schedule of pension contributions on page 57, the schedule of changes in the OPEB liability and related ratios on page 58, and the schedule of OPEB contributions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of the Los Osos Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants

Sacramento, California
November 29, 2021

Draft 11-22-21

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
June 30, 2021

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, 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, 2021.

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 statement.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2021

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 services.

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2021

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

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

Proprietary Funds

There are two types of funds classified as proprietary, namely, enterprise and internal service funds. The District only maintains the enterprise type of proprietary funds. The District currently uses two enterprise funds to account for its water and wastewater activities. These two 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 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.

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
June 30, 2021

**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

**TABLE A
Statements of Net Position
June 30, 2021**

	June 30, 2021			June 30, 2020			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities *	Total Primary Government	Amount Change	Percent Change
Assets:								
Current and other assets	\$ 3,814,079	\$ 5,017,428	\$ 8,831,507	\$ 3,369,152	\$ 4,851,722	\$ 8,220,874	\$ 610,633	7.4%
Capital assets	1,061,904	6,102,067	7,163,971	1,044,933	5,503,266	6,548,199	615,772	9.4%
Total assets	4,875,983	11,119,495	15,995,478	4,414,085	10,354,988	14,769,073	1,226,405	8.3%
Deferred outflows of resources	162,808	249,288	412,096	198,368	153,233	351,601	60,495	17.2%
Liabilities:								
Current liabilities	120,205	344,097	464,302	20,221	323,763	343,984	120,318	35.0%
Long-Term liabilities	659,159	4,030,324	4,689,483	758,814	3,901,362	4,660,176	29,307	0.6%
Total liabilities	779,364	4,374,421	5,153,785	779,035	4,225,125	5,004,160	149,625	3.0%
Deferred inflows of resources	45,919	78,736	124,655	75,485	83,183	158,668	(34,013)	-21.4%
Net Position:								
Invested in capital assets, net of related debt	1,061,904	3,083,912	4,145,816	1,044,933	2,314,277	3,359,210	786,606	23.4%
Restricted	3,513,926	-	3,513,926	3,275,000	-	3,275,000	238,926	7.3%
Unrestricted	(362,322)	3,831,714	3,469,392	(562,000)	3,885,636	3,323,636	145,756	4.4%
Total net position	\$ 4,213,508	\$ 6,915,626	\$ 11,129,134	\$ 3,757,933	\$ 6,199,913	\$ 9,957,846	\$ 1,171,288	11.8%

* Capital assets restated to include an additional \$30,999 of construction in progress.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2021

TABLE B Statements of Activities June 30, 2021

	June 30, 2021			June 30, 2020			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	\$ 109,131	\$ 2,973,708	\$ 3,082,839	\$ 146,879	\$ 2,912,626	\$ 3,059,505	\$ 23,334	0.8%
Operating grants and contributions	14,915	-	14,915	15,109	-	15,109	(194)	-1.3%
General revenues								
Property taxes	2,496,507	100,788	2,597,295	2,327,348	165,639	2,492,987	104,308	4.2%
Other taxes	721,588	-	721,588	704,726	-	704,726	16,862	2.4%
Investment income	10,606	12,939	23,545	52,439	65,279	117,718	(94,173)	-80.0%
Gain on sale of assets	5,000	2,000	7,000	-	-	-	7,000	100.0%
Other revenues	627	10,337	10,964	363	8,363	8,726	2,238	25.6%
Special item	-	-	-	-	(7,826)	(7,826)	7,826	-100.0%
Total revenues	3,358,374	3,099,772	6,458,146	3,246,864	3,144,081	6,390,945	67,201	1.1%
Expenses								
General government	524,938	-	524,938	697,450	-	697,450	(172,512)	-24.7%
Public safety	2,898,214	-	2,898,214	2,695,401	-	2,695,401	202,813	7.5%
Health and sanitation	43,108	-	43,108	52,240	-	52,240	(9,132)	-17.5%
Street lighting/ septic system maintenance	8,199	-	8,199	6,525	-	6,525	1,674	25.7%
Parks and recreation	213	-	213	3,442	-	3,442	(3,229)	-93.8%
Water	-	1,795,996	1,795,996	-	1,890,840	1,890,840	(94,844)	-5.0%
Wastewater treatment	-	16,190	16,190	-	15,053	15,053	1,137	7.6%
Total expenses	3,474,672	1,812,186	5,286,858	3,455,058	1,905,893	5,360,951	(74,093)	-1.4%
Increase (decrease) in net position before transfers	(116,298)	1,287,586	1,171,288	(208,194)	1,238,188	1,029,994	141,294	13.7%
Transfers	571,873	(571,873)	-	617,320	(617,320)	-	-	0.0%
Change in net position	455,575	715,713	1,171,288	409,126	620,868	1,029,994	141,294	13.7%
Beginning net position, restated	3,757,933	6,199,913	9,957,846	3,348,807	5,579,045	8,927,852	1,029,994	11.5%
Ending net position	\$ 4,213,508	\$ 6,915,626	\$ 11,129,134	\$ 3,757,933	\$ 6,199,913	\$ 9,957,846	\$ 1,171,288	11.8%

* Beginning net position restated to include an additional \$30,999 of construction in progress.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2021

Analysis of Overall Financial Position and Results of Operations

Statement of Net Position

At the end of fiscal year June 30, 2021, 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, 2021 by \$11,129,134.

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

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

Statement of Activities

Overall, the results of operations as shown in the Statement of Activities has an increase in Net Position of \$1,202,287, which included a prior period adjustment of \$30,999. Total revenues increased over the prior year by \$67,201. Water service fees increased by \$56,460 and property taxes increased by \$104,308. This continuing increase in property tax revenue received is in agreement with the trend in the rest of the County.

Overall expenses in Governmental Activities increased by \$19,614. Total expenses in Business-Type Activities decreased by \$93,707.

Investment Income decreased by \$89,173 over Fiscal Year 2020-2021 because of declining interest rates during the fiscal year.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2021

**TABLE C
Capital Assets
June 30, 2021**

	June 30, 2021			June 30, 2020			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	53,137	410,522	463,659	-	539,754	539,754	(76,095)	-14.1%
Depreciable Assets								
Buildings, structures, and improvements	598,871	268,178	867,049	598,871	5,000	603,871	263,178	43.6%
Infrastructure	402,519	10,091,860	10,494,379	405,162	9,461,450	9,866,612	627,767	6.4%
Equipment and vehicles	1,300,911	553,406	1,854,317	1,665,125	547,463	2,212,588	(358,271)	-16.2%
Total cost	2,412,813	11,822,395	14,235,208	2,726,533	11,052,096	13,778,629	456,579	3.3%
Less accumulated depreciation	(1,350,909)	(5,720,328)	(7,071,237)	(1,681,600)	(5,548,830)	(7,230,430)	159,193	-2.2%
Total	\$ 1,061,904	\$ 6,102,067	\$ 7,163,971	\$ 1,044,933	\$ 5,503,266	\$ 6,548,199	\$ 615,772	9.4%

* Restated to include an additional \$30,999 of construction in progress.

**TABLE D
Long-Term Liabilities
June 30, 2021**

	June 30, 2021			June 30, 2020			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Compensated absences	\$ 27,448	\$ 86,339	\$ 113,787	\$ 16,595	\$ 76,012	\$ 92,607	\$ 21,180	22.9%
Other post employment benefits liability	62,194	352,434	414,628	65,246	285,537	350,783	63,845	18.2%
Loan payable - CIEDB loan	-	3,018,155	3,018,155	-	3,188,989	3,188,989	(170,834)	-5.4%
Net pension liability	576,379	771,025	1,347,404	681,122	540,661	1,221,783	125,621	10.3%
Total	\$ 666,021	\$ 4,227,953	\$ 4,893,974	\$ 762,963	\$ 4,091,199	\$ 4,854,162	\$ 39,812	0.8%

Long-term debt totals are \$4,893,974, an increase of \$39,812.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2021

Fire and Water Fund Reserves

The District maintains cash reserves in the Fire and Water Funds for various purposes as budgeted annually by the Board of Directors. The reserve balances in each fund as of June 30, 2021 are as follows:

<u>Fire Fund</u>	
General contingency	\$ 313,226
Vehicle, equipment, and fire engine replacement	1,100,911
Capital outlay	540,562
Public facilities fee	40,334
Fire mitigation	135,449
Total	<u>\$ 2,130,482</u>
<u>Water Fund</u>	
General contingency	\$ 585,183
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>\$ 3,088,682</u>
<u>Drainage Fund</u>	
General contingency	\$ 32,238
Capital outlay	202,297
	<u>\$ 234,535</u>
Parks and Recreation Fund	\$ 198,879

Significant Events or Disclosures

There were no significant events or disclosures to report for fiscal year 2020-2021.

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

Sincerely,

Ron Munds
General Manager

BASIC FINANCIAL STATEMENTS

Draft 11-22-21

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Draft 11-22-21

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 3,307,381	\$ 4,291,775	\$ 7,599,156
Accounts receivable, net	123,034	547,473	670,507
Prepaid items	65,359	92,488	157,847
Deposits	-	10,000	10,000
Inventory	-	68,241	68,241
Other assets	-	900	900
Internal balances	(6,551)	6,551	-
Total current assets	<u>3,489,223</u>	<u>5,017,428</u>	<u>8,506,651</u>
Noncurrent assets:			
Restricted cash and investments	324,856	-	324,856
Capital assets, net	1,061,904	6,102,067	7,163,971
Total noncurrent assets	<u>1,386,760</u>	<u>6,102,067</u>	<u>7,488,827</u>
Total assets	<u>4,875,983</u>	<u>11,119,495</u>	<u>15,995,478</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	155,531	208,054	363,585
Deferred outflows of resources related to OPEB	7,277	41,234	48,511
Total deferred outflow of resources	<u>162,808</u>	<u>249,288</u>	<u>412,096</u>
LIABILITIES			
Current liabilities:			
Accounts payable	84,916	76,122	161,038
Accrued liabilities	28,427	31,990	60,417
Accrued interest payable	-	38,356	38,356
Compensated absences - current portion	6,862	21,585	28,447
Loans payable - current portion	-	176,044	176,044
Total current liabilities	<u>120,205</u>	<u>344,097</u>	<u>464,302</u>
Non-current liabilities:			
Compensated absences	20,586	64,754	85,340
OPEB liability	62,194	352,434	414,628
Loans payable	-	2,842,111	2,842,111
Net pension liability	576,379	771,025	1,347,404
Total noncurrent liabilities	<u>659,159</u>	<u>4,030,324</u>	<u>4,689,483</u>
Total liabilities	<u>779,364</u>	<u>4,374,421</u>	<u>5,153,785</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	41,921	56,078	97,999
Deferred inflows of resources related to OPEB	3,998	22,658	26,656
Total deferred inflow of resources	<u>45,919</u>	<u>78,736</u>	<u>124,655</u>
NET POSITION			
Net investment in capital assets	1,061,904	3,083,912	4,145,816
Restricted for:			
Fire and emergency services	2,717,105	-	2,717,105
Parks and recreation	265,267	-	265,267
Drainage services	531,554	-	531,554
Unrestricted (deficit)	(362,322)	3,831,714	3,469,392
Total net position	<u>\$ 4,213,508</u>	<u>\$ 6,915,626</u>	<u>\$ 11,129,134</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, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activites	Business- Type Activites	
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 524,938	\$ -	\$ -	\$ (524,938)	\$ -	\$ (524,938)
Public safety	2,898,214	78,369	14,915	(2,804,930)	-	(2,804,930)
Health and sanitation	43,108	-	-	(43,108)	-	(43,108)
Street lighting/ septic system maintenance	8,199	30,762	-	22,563	-	22,563
Parks and recreation	213	-	-	(213)	-	(213)
Total governmental activities	<u>3,474,672</u>	<u>109,131</u>	<u>14,915</u>	<u>(3,350,626)</u>	<u>-</u>	<u>(3,350,626)</u>
Business-type activities:						
Water	1,795,996	2,952,190	-	-	1,156,194	1,156,194
Wastewater treatment project	16,190	21,518	-	-	5,328	5,328
Total business-type activities	<u>1,812,186</u>	<u>2,973,708</u>	<u>-</u>	<u>-</u>	<u>1,161,522</u>	<u>1,161,522</u>
Total primary government	<u>\$ 5,286,858</u>	<u>\$ 3,082,839</u>	<u>\$ 14,915</u>	<u>(3,350,626)</u>	<u>1,161,522</u>	<u>(2,189,104)</u>
General revenues:						
Taxes:						
Property taxes				2,496,507	100,788	2,597,295
Special assessments				721,588	-	721,588
Investment income				10,606	12,939	23,545
Gain on sale of assets				5,000	2,000	7,000
Other general revenues				627	10,337	10,964
Transfers				571,873	(571,873)	-
Total general revenues and transfers				<u>3,806,201</u>	<u>(445,809)</u>	<u>3,360,392</u>
Change in net position				455,575	715,713	1,171,288
Net position - beginning				3,757,933	6,168,914	9,926,847
Prior period adjustments				-	30,999	30,999
Net position - beginning, as restated				<u>3,757,933</u>	<u>6,199,913</u>	<u>9,957,846</u>
Net position - ending				<u>\$ 4,213,508</u>	<u>\$ 6,915,626</u>	<u>\$ 11,129,134</u>

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

FUND FINANCIAL STATEMENTS

Draft 11-22-21

**LOS OSOS COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Fire Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 127,566	\$ 2,620,801	\$ 559,014	\$ 3,307,381
Restricted cash and investments	-	-	324,856	324,856
Accounts receivable	202	119,869	2,963	123,034
Prepaid items	34,312	30,577	470	65,359
Due from other funds	1,517	-	-	1,517
TOTAL ASSETS	\$ 163,597	\$ 2,771,247	\$ 887,303	\$ 3,822,147
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 8,223	\$ 14,912	\$ 61,781	\$ 84,916
Accrued liabilities	19,774	8,653	-	28,427
Loan from Water Fund	-	-	6,551	6,551
Due to other funds	-	-	1,517	1,517
Total liabilities	27,997	23,565	69,849	121,411
FUND BALANCES				
Nonspendable:				
Prepaid items	34,312	30,577	470	65,359
Restricted				
Fire and emergency services	-	2,717,105	-	2,717,105
Parks and recreation	-	-	265,267	265,267
Bayridge functions	-	-	31,168	31,168
Drainage services	-	-	531,554	531,554
Unassigned	101,288	-	(11,005)	90,283
Total fund balances	135,600	2,747,682	817,454	3,700,736
TOTAL LIABILITIES AND FUND BALANCES	\$ 163,597	\$ 2,771,247	\$ 887,303	\$ 3,822,147

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, 2021**

Total fund balances -governmental funds \$ 3,700,736

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

Capital assets at historical cost	2,412,813	
Less: Accumulated depreciation	(1,350,909)	
Net		1,061,904

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	(27,448)	
Net pension liability	(576,379)	
Net OPEB liability	(62,194)	
Total		(666,021)

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	155,531	
to OPEB	7,277	
Deferred inflows of resources relating:		
to pensions	(41,921)	
to OPEB	(3,998)	
Total		116,889

Net position of governmental activities \$ 4,213,508

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, 2021

	General	Fire Fund	Nonmajor Governmental Funds	Totals
REVENUES:				
Property taxes	\$ -	\$ 2,413,260	\$ 83,247	\$ 2,496,507
Special taxes and assessments	-	626,324	95,264	721,588
Intergovernmental	-	14,915	-	14,915
Services charges and fees	-	78,369	30,762	109,131
Use of money and property	14	11,198	4,394	15,606
Other revenues	128	500	-	628
	<u>142</u>	<u>3,144,566</u>	<u>213,667</u>	<u>3,358,375</u>
EXPENDITURES:				
Personnel	357,886	223,527	5,656	587,069
Clothing and uniforms	-	571	-	571
Contract services	50,139	5,757	-	55,896
Contract services - Schedule A	-	2,437,726	-	2,437,726
Equipment and tools	-	50,528	-	50,528
Financial services	4,496	-	-	4,496
Insurance, licenses, and regulatory fees	45,436	34,581	9,241	89,258
Legal and professional	93,126	5,733	1,435	100,294
Office expenses	18,087	3,008	40	21,135
Other expenses	631	941	-	1,572
Rent and utilities	44,299	18,546	11,234	74,079
Travel and training	-	1,175	-	1,175
Repairs and maintenance	93	18,233	1,412	19,738
Vehicle maintenance and repairs	-	-	2,073	2,073
Capital outlay	-	45,595	90,939	136,534
Debt service:				
Interest and fiscal charges	-	-	448	448
	<u>614,193</u>	<u>2,845,921</u>	<u>122,478</u>	<u>3,582,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(614,051)	298,645	91,189	(224,217)
Other Financing Sources (Uses):				
Transfers in	664,968	-	-	664,968
Transfers out	-	(66,496)	(26,599)	(93,095)
	<u>664,968</u>	<u>(66,496)</u>	<u>(26,599)</u>	<u>571,873</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	50,917	232,149	64,590	347,656
Fund balances - beginning	84,683	2,515,533	752,864	3,353,080
Fund balances - ending	<u>\$ 135,600</u>	<u>\$ 2,747,682</u>	<u>\$ 817,454</u>	<u>\$ 3,700,736</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, 2021**

Net change in fund balances - total governmental funds		\$ 347,656
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets, infrastructure, and other related capital asset adjustments	136,534	
Less: current year depreciation	<u>(119,563)</u>	16,971
<p>Expenditures in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds:</p>		
Change in the liability for compensated absences		(10,853)
Change in net pension liability		103,628
Change in OPEB liability		<u>(1,827)</u>
Change in net position of governmental activities		<u><u>\$ 455,575</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, 2021

	Water Fund	Wastewater Treatment Project Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 4,261,529	\$ 30,246	\$ 4,291,775
Accounts receivable, net	541,406	-	541,406
Accrued revenue receivables	6,067	-	6,067
Deposits	10,000	-	10,000
Inventory at cost	68,241	-	68,241
Prepays	89,819	2,669	92,488
Loan to other funds	6,551	-	6,551
Other assets	900	-	900
Total current assets	<u>4,984,513</u>	<u>32,915</u>	<u>5,017,428</u>
Non-current assets:			
Capital assets, net	5,943,477	158,590	6,102,067
Total non-current assets	<u>5,943,477</u>	<u>158,590</u>	<u>6,102,067</u>
TOTAL ASSETS	<u>10,927,990</u>	<u>191,505</u>	<u>11,119,495</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	208,054	-	208,054
Deferred outflows of resources related to OPEB	41,234	-	41,234
Total deferred outflows of resources	<u>249,288</u>	<u>-</u>	<u>249,288</u>
LIABILITIES			
Current liabilities:			
Accounts payable	76,056	66	76,122
Accrued liabilities	31,990	-	31,990
Accrued interest payable	38,356	-	38,356
Compensated absences - current portion	21,585	-	21,585
Loans payable - current portion	176,044	-	176,044
Total current liabilities	<u>344,031</u>	<u>66</u>	<u>344,097</u>
Non-current liabilities:			
Compensated absences	64,754	-	64,754
OPEB liability	352,434	-	352,434
Loans payable	2,842,111	-	2,842,111
Net pension liability	771,025	-	771,025
Total non-current liabilities	<u>4,030,324</u>	<u>-</u>	<u>4,030,324</u>
TOTAL LIABILITIES	<u>4,374,355</u>	<u>66</u>	<u>4,374,421</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	56,078	-	56,078
Deferred inflows of resources related to OPEB	22,658	-	22,658
Total deferred inflows of resources	<u>78,736</u>	<u>-</u>	<u>78,736</u>
NET POSITION			
Net investment in capital assets	2,925,322	158,590	3,083,912
Unrestricted	3,798,865	32,849	3,831,714
TOTAL NET POSITION	<u>\$ 6,724,187</u>	<u>\$ 191,439</u>	<u>\$ 6,915,626</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, 2021

	Water Fund	Wastewater Treatment Project Fund	Totals
OPERATING REVENUES			
Utility	\$ 2,952,190	21,518	\$ 2,973,708
Total operating revenues	<u>2,952,190</u>	<u>21,518</u>	<u>2,973,708</u>
Operating Expenses:			
Personnel	932,909	-	932,909
Clothing and uniforms	1,933	-	1,933
Contract services	45,608	-	45,608
Equipment and tools	13,367	-	13,367
Financial services	75	-	75
Insurance, licenses, and regulatory fees	85,449	241	85,690
Legal and professional	92,530	15,949	108,479
Office expenses	23,948	-	23,948
Other expenses	14,924	-	14,924
Rent and utilities	143,196	-	143,196
Travel and training	1,475	-	1,475
Repairs and maintenance	52,854	-	52,854
Vehicle maintenance and repairs	13,913	-	13,913
Depreciation	271,760	-	271,760
Total operating expenses	<u>1,693,941</u>	<u>16,190</u>	<u>1,710,131</u>
Operating income (loss)	1,258,249	5,328	1,263,577
Non-operating Revenue (Expenses):			
Property taxes and assessments	100,788	-	100,788
Investment income	12,939	-	12,939
Gain on sale of assets	2,000	-	2,000
Other non-operating revenue	10,337	-	10,337
Interest expense and fiscal charges	(102,055)	-	(102,055)
Total nonoperating (expenses) revenues	<u>24,009</u>	<u>-</u>	<u>24,009</u>
Income before transfers	1,282,258	5,328	1,287,586
Transfers out	<u>(568,548)</u>	<u>(3,325)</u>	<u>(571,873)</u>
Change in net position	713,710	2,003	715,713
Net position - beginning	5,979,478	189,436	6,168,914
Prior period adjustments	30,999	-	30,999
Net position - beginning, as restated	<u>6,010,477</u>	<u>189,436</u>	<u>6,199,913</u>
Net position - ending	<u>\$ 6,724,187</u>	<u>\$ 191,439</u>	<u>\$ 6,915,626</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Water Fund	Wastewater Treatment Project Fund	Totals
Cash Flows From Operating Activities:			
Cash collected from customers	\$3,043,212	\$ 21,518	\$3,064,730
Cash payments to suppliers for goods and services	(499,000)	(16,234)	(515,234)
Cash payments for employee services	(723,815)	-	(723,815)
Net cash provided by operating activities	<u>1,820,397</u>	<u>5,284</u>	<u>1,825,681</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(870,561)	-	(870,561)
Principal paid on debt	(170,834)	-	(170,834)
Interest paid on debt	(104,226)	-	(104,226)
Net cash used by capital and related financing activities	<u>(1,145,621)</u>	<u>-</u>	<u>(1,145,621)</u>
Cash Flows From Noncapital Financing Activities:			
Transfers to other funds	(568,548)	(3,325)	(571,873)
Property taxes and assessments	100,788	-	100,788
Gain on sale of assets	2,000	-	2,000
Other non-operating revenue	10,337	-	10,337
Principal received on interfund debt	6,263	-	6,263
Net cash used by noncapital financing activities	<u>(449,160)</u>	<u>(3,325)</u>	<u>(452,485)</u>
Cash Flows from Investing Activities:			
Interest on investments	12,939	-	12,939
Net cash provided by investing activities	<u>12,939</u>	<u>-</u>	<u>12,939</u>
Net increase in cash and cash equivalents	238,555	1,959	240,514
Cash and cash equivalents, beginning of year	4,022,974	28,287	4,051,261
Cash and cash equivalents, end of year	<u>\$4,261,529</u>	<u>\$ 30,246</u>	<u>\$4,291,775</u>

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

LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water Fund</u>	<u>Wastewater Treatment Project Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$1,258,249	\$ 5,328	\$1,263,577
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	271,760	-	271,760
Changes in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:			
Receivables, net	91,022	-	91,022
Prepays	(1,413)	(36)	(1,449)
Inventory	(21,028)	-	(21,028)
Deferred outflows - pension	(62,224)	-	(62,224)
Deferred outflows - OPEB	(33,831)	-	(33,831)
Accounts payable	12,713	(8)	12,705
Accrued liabilities	2,008	-	2,008
Compensated absences	10,327	-	10,327
OPEB liability	66,897	-	66,897
Net pension liability	230,364	-	230,364
Deferred inflows - pension	1,314	-	1,314
Deferred inflows - OPEB	(5,761)	-	(5,761)
Net cash provided by operating activities	<u>\$1,820,397</u>	<u>\$ 5,284</u>	<u>\$1,825,681</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Wastewater Assessment District No. 1 Fund	Low Income Assistance Fund	Total Agency Funds
ASSETS			
Cash and investments	\$ -	\$ 9,409	\$ 9,409
Cash with fiscal agent	1,909,333	-	1,909,333
Accrued interest receivable	7	-	7
Accrued property taxes receivable	14,495	-	14,495
Total assets	<u>\$ 1,923,835</u>	<u>\$ 9,409</u>	<u>\$ 1,933,244</u>
LIABILITIES			
Due to bondholders	1,923,835	-	1,923,835
Due to others	-	9,409	9,409
Total liabilities	<u>\$ 1,923,835</u>	<u>\$ 9,409</u>	<u>\$ 1,933,244</u>

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

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

B. Basis of Presentation

Fund Financial Statements:

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Proprietary Funds

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

Proprietary Funds are as follows:

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

Fiduciary Funds

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

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

Major Funds

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes

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

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

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

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

E. Cash and Investments

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

F. Accounts and Interest Receivable

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

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

G. Prepaid Expenses and Inventory

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted Assets

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

I. Capital Assets

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Accumulated Compensated Absences

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

K. Long-Term Liabilities

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

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

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

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 will sometimes report 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 will sometimes report 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.

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.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Q. Future Accounting Pronouncements

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

Statement No. 87	“Leases”	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	“Accounting for Interest Cost Incurred before the End of a Construction Period”	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 91	“Conduit Debt Obligations”	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	“Omnibus 2020”	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	“Replacement of Interbank Offered Rates”	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	“Subscription-Based Information Technology Arrangements”	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.

R. Use of Estimates

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2021

NOTE 2 – CASH AND INVESTMENTS

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

Investments of the District as of June 30, 2021

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The composition of cash and investments as of June 30, 2021, by fund type and restriction is as follows:

	Available for Operations	Restricted	Total
General Fund	\$ 127,566	\$ -	\$ 127,566
Special Revenue Funds	3,179,815	324,856	3,504,671
Proprietary Funds	4,291,775	-	4,291,775
Fiduciary Funds	-	1,918,742	1,918,742
	\$ 7,599,156	\$ 2,243,598	\$ 9,842,754

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.

Disclosure Relating to Interest Rate Risk

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

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, 2021:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
LAIF	\$ 683,079	\$ 683,079	\$ -	\$ -	\$ -
Money market funds	4,546,190	4,546,190	-	-	-
Held by bond trustees:					
Money market	1,909,333	1,909,333	-	-	-
	\$ 7,138,602	\$ 7,138,602	\$ -	\$ -	\$ -

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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, 2021 for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
LAIF	\$ 683,079	N/A	\$ -	\$ -	\$ -	\$ 683,079
Money market funds	4,546,190	N/A	-	-	-	4,546,190
Held by bond trustees:						
Money market	1,909,333	N/A	-	-	-	1,909,333
	<u>\$7,138,602</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,138,602</u>

Concentration of Credit Risk

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

The biggest investment of the District is in money market funds, comprising 90% of all investments. This is managed by the District's bank. This investment is indexed to earn ten basis points above that earned monthly by the State Investment Pool. These are collateralized up to 110%, in compliance with State law, with the collaterals held by a separate trustee bank.

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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 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, 2021

NOTE 3 – INTERFUND TRANSACTIONS

Interfund activity during the fiscal year ended June 30, 2021, was as follows:

Interfund Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Funds</u>		
General	\$ 664,968	\$ -
Fire	-	66,496
<u>Nonmajor Governmental Funds</u>		
Bayridge	-	3,325
Vista de Oro	-	3,325
Drainage	-	13,299
Parks and Recreation	-	6,650
<u>Proprietary Funds</u>		
Water	-	568,548
Wastewater Treatment Plan	-	3,325
	<u>\$ 664,968</u>	<u>\$ 664,968</u>

Due To/Due From:

	<u>Due From</u>	<u>Due To</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 Receivable and Payable

Interfund loans receivable and payable are formal loan agreements within the District to borrow money from the Water Fund. The balances at June 30, 2021, are as follows:

	<u>Loan Receivable</u>	<u>Loan Payable</u>
<u>Nonmajor Governmental Fund</u>		
Vista de Oro	\$ -	\$ 6,551
<u>Proprietary Fund</u>		
Water	6,551	-
	<u>\$ 6,551</u>	<u>\$ 6,551</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2021

NOTE 4 – CAPITAL ASSETS

Government-Type Activities	Balance at June 30, 2020	Additions	Dispositions	Transfers/ Adjustments	Balance at June 30, 2021
Capital assets not being depreciated:					
Land	\$ 57,375	\$ -	\$ -	\$ -	\$ 57,375
Construction in progress	-	53,137	-	-	53,137
Total capital assets not being depreciated	<u>\$ 57,375</u>	<u>\$ 53,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,512</u>
Capital assets being depreciated:					
Buildings, structures, and improvements	598,871	-	-	-	598,871
Infrastructure	405,162	83,397	(86,040)	-	402,519
Plant and equipment	1,665,125	-	(364,214)	(179)	1,300,732
Total capital assets being depreciated	<u>2,669,158</u>	<u>83,397</u>	<u>(450,254)</u>	<u>(179)</u>	<u>2,302,122</u>
Less: accumulated depreciation					
Buildings, structures, and improvements	(494,682)	(13,806)	-	-	(508,488)
Infrastructure	(243,925)	(19,982)	86,040	-	(177,867)
Plant and equipment	(942,993)	(85,775)	364,214	179	(664,375)
Total accumulated depreciation	<u>(1,681,600)</u>	<u>(119,563)</u>	<u>450,254</u>	<u>179</u>	<u>(1,350,730)</u>
Net capital assets being depreciated	<u>987,558</u>	<u>(36,166)</u>	<u>-</u>	<u>-</u>	<u>951,392</u>
Governmental-type activity capital assets, net	<u>\$ 1,044,933</u>	<u>\$ 16,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,904</u>
Business-Type Activities					
Business-Type Activities	Balance at June 30, 2020 *	Additions	Dispositions	Transfers/ Adjustments	Balance at June 30, 2021
Capital assets not being depreciated:					
Land	\$ 498,429	\$ -	\$ -	\$ -	\$ 498,429
Construction in progress	539,754	637,497	-	(766,729)	410,522
Total capital assets not being depreciated	<u>\$ 1,038,183</u>	<u>\$ 637,497</u>	<u>\$ -</u>	<u>\$ (766,729)</u>	<u>\$ 908,951</u>
Capital assets being depreciated:					
Building and improvements	5,000	-	-	263,178	268,178
Infrastructure	9,461,450	126,859	-	503,551	10,091,860
Plant and equipment	547,463	106,205	(100,262)	-	553,406
Total capital assets being depreciated	<u>10,013,913</u>	<u>233,064</u>	<u>(100,262)</u>	<u>766,729</u>	<u>10,913,444</u>
Less: accumulated depreciation					
Building and improvements	(5,000)	-	-	-	(5,000)
Infrastructure	(5,074,024)	(228,122)	-	-	(5,302,146)
Plant and equipment	(469,806)	(43,638)	100,262	-	(413,182)
Total accumulated depreciation	<u>(5,548,830)</u>	<u>(271,760)</u>	<u>100,262</u>	<u>-</u>	<u>(5,720,328)</u>
Net capital assets being depreciated	<u>4,465,083</u>	<u>(38,696)</u>	<u>-</u>	<u>766,729</u>	<u>5,193,116</u>
Business-type activity, capital assets, net	<u>\$ 5,503,266</u>	<u>\$ 598,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,102,067</u>

* Restated to include an additional \$30,999 of construction in progress.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General administration	\$ 1,693
Public safety	97,888
Health and sanitation	19,808
Parks and recreation	<u>174</u>
Total governmental activities depreciation expense	<u><u>\$ 119,563</u></u>

Business-Type Activities:

Water services	\$ 271,760
Total business-type activities depreciation expense	<u><u>\$ 271,760</u></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, 2021:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Governmental Activities:						
Compensated absences	\$ 16,595	\$ 16,286	\$ (5,433)	\$ 27,448	\$ 6,862	\$ 20,586
Other post employment benefits liability	65,246	-	(3,052)	62,194	-	62,194
Net pension liability	681,122	-	(104,743)	576,379	-	576,379
Total Governmental Activities	<u>\$ 762,963</u>	<u>\$ 16,286</u>	<u>\$ (113,228)</u>	<u>\$ 666,021</u>	<u>\$ 6,862</u>	<u>\$ 659,159</u>
Business-Type Activities:						
Compensated absences	\$ 76,012	\$ 36,854	\$ (26,527)	\$ 86,339	\$ 21,585	\$ 64,754
Other post employment benefits liability	285,537	66,897	-	352,434	-	352,434
Water Fund:						
Loan payable - Direct borrowing	3,188,989	-	(170,834)	3,018,155	176,044	2,842,111
Net pension liability	540,661	230,364	-	771,025	-	771,025
Total Business-Type Activities	<u>\$ 4,091,199</u>	<u>\$ 334,115</u>	<u>\$ (197,361)</u>	<u>\$ 4,227,953</u>	<u>\$ 197,629</u>	<u>\$ 4,030,324</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

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 in August 2034 with an interest rate of 3.05% per annum. Annual payments average \$278,000 per year including interest. Debt service payments are due in August and February each year. 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, 2021, was \$3,018,155. 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.

Fiscal Year Ended June 30	Principal	Interest	Annual Administrative Fee	Total
2022	\$ 176,044	\$ 89,369	\$ 9,054	\$ 274,467
2023	181,413	83,918	8,526	273,857
2024	186,946	78,301	7,982	273,229
2025	192,648	72,512	7,421	272,581
2026	198,524	66,546	6,843	271,913
2027-2031	1,087,224	236,684	24,911	1,348,819
2032-2034	995,356	61,856	7,577	1,064,789
Total	\$ 3,018,155	\$ 689,186	\$ 72,314	\$ 3,779,655

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, 2021

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, 2020. The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Hired Prior to January 1, 2013*	New Member Hired on or After January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2% @ 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%	7.25%
Required employer contribution rates	11.746% + \$59,229	7.874% + \$3,207
	Safety	
	Hired Prior to January 1, 2013*	New Member 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%	13.75%
Required employer contribution rates	19.825% + \$44,142	13.884% + \$2,111

* 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, 2021

NOTE 7 – PENSION PLANS (CONTINUED)

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

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$248,761. 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, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 7,711
Differences between actual and expected experience	82,434	-
Net differences between projected and actual earnings on pension plan investments	36,043	-
Differences between employer's contributions and proportionate share of contributions	-	90,288
Change in employer's proportion	62,173	-
District contributions subsequent to the measurement date	182,935	-
Total	<u>\$ 363,585</u>	<u>\$ 97,999</u>

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

\$182,935 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, 2021.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

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 Ended June 30</u>	<u>Amount</u>
2022	\$ 8,459
2023	31,004
2024	25,668
2025	<u>17,520</u>
Total	<u>\$ 82,651</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return (1)	7% Net Pension Plan Investment and Administrative Expenses; Includes Inflation
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit	Contract COLA up to 2.50% until

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 7 – PENSION PLANS (CONTINUED)

Discount Rate

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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, 2021

NOTE 7 – PENSION PLANS (CONTINUED)

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

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

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

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

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

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 1,365,120	\$ 745,724
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 847,702	\$ 499,702
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 420,175	\$ 297,818

Pension Plan Fiduciary Net Position

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 7 – PENSION PLANS (CONTINUED)

B. Payable to the Pension Plan

At June 30, 2021, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2021.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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

Employees become eligible to retire and receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The District's contribution on behalf of retirees is the same as for active employees – 100% of the PEMHCA premium for retiree and covered dependents, but not to exceed \$139 per month in 2020. 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 0.27% of premium administrative fee on behalf of employees and retirees.

Employees Covered

As of June 30, 2019, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active plan members	8
Inactive plan members or beneficiaries current receiving benefits	3
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, 2021

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2019. Standard actuarial update procedures were used to project discount from valuation to measurement dates.

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

Salary increases	3.00%
Inflation rate	3.00%
Healthcare cost trend rate	5.90% for 2020, 5.80% for 2021, 5.70% for 2022 and decreasing 0.10% per year down to 5.00% for 2020 and later

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

Actuarial assumptions used in the June 30, 2020 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 2.45 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of ANAa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2021

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

<u>Reporting Date</u>	<u>Measurement Date</u>	<u>Long-Term Expected Return of Plan Investments (if any)</u>	<u>Municipal Bond Year High Grade Rate Index</u>	<u>Discount Rate</u>
June 30, 2020	June 30, 2019	4.00%	3.13%	3.13%
June 30, 2021	June 30, 2020	4.00%	2.45%	2.45%

Changes in OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020 (Valuation Date June 30, 2019)	\$ 350,783
Change recognized for the measurement period:	
Service cost	20,634
Interest	11,519
Changes of assumptions	38,564
Contributions - employer	<u>(6,872)</u>
Net Changes	<u>63,845</u>
Balance at June 30, 2021 (Measurement Date June 30, 2020)	<u>\$ 414,628</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 (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current discount rate:

	<u>1% Decrease 1.45%</u>	<u>Discount Rate 2.45%</u>	<u>1% Increase 3.45%</u>
Net OPEB Liability	\$ 483,021	\$ 414,628	\$ 359,769

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (5.00 percent increasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease 4.00%	Trend Rate 5.00%	1% Increase 6.00%
Net OPEB Liability	\$ 351,573	\$ 414,628	\$ 494,409

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$36,004. As of the fiscal year ended June 30, 2021, 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	\$ -	\$ 15,979
Changes in assumptions	48,511	10,677
Total	<u>\$ 48,511</u>	<u>\$ 26,656</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
2022	\$ 3,851
2023	\$ 3,851
2024	4,991
2025	7,678
2026	<u>1,484</u>
Total	<u>\$ 21,855</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

NOTE 9 – OPERATING LEASES

The District has commitments to lease certain office equipment and facilities. The District leases its administrative facilities for \$3,000 a month. A new five-year lease began in November 2016 for Suites 106 and 110. The District leases a copier at \$385 a month. This lease is renewable annually at the District’s option in September each year.

NOTE 10 – FUND DEFICITS

As of June 30, 2021, the following fund had a fund deficit:

Vista de Oro Fund	\$ 11,005
Total	<u>\$ 11,005</u>

NOTE 11 – FIDUCIARY BONDED DEBT – NON-DISTRICT DEBT

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Wastewater Improvement Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 600,000	\$ 409,625	\$ 1,009,625
2023	625,000	385,125	1,010,125
2024	645,000	359,725	1,004,725
2025	675,000	329,950	1,004,950
2026	705,000	295,450	1,000,450
2027-2031	4,095,000	906,500	5,001,500
2032-2034	2,875,000	139,563	3,014,563
Total	<u>\$ 10,220,000</u>	<u>\$ 2,825,938</u>	<u>\$ 13,045,938</u>

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property loss and damage, errors and omissions, and employee injury. The District carries all its insurance coverage over these risks and also for Workers’ Compensation through the Special Districts Risk Management Authority (SDRMA). This agency is a Joint Powers Authority (JPA) consisting of special districts in the State of California. It is governed by a seven-member Board of Directors. All seven are elected at large from the membership to serve four-year terms. It has about 507 public agencies participating in the Property/Liability program and 447 agencies in its Workers’ Compensation program. SDRMA’s audit report for the fiscal year 2019-20 shows it had Net Position of about \$60.9 million.

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2021

NOTE 13 – CONTINGENCIES AND COMMITMENTS

Interlocutory Stipulated Judgment

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

NOTE 14 – COVID-19

In January 2020, the virus SARS -CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent. Although the financial impact on the District thus far has been minimal, the long-term economic impact in the State of California and the County of San Luis Obispo, as yet has not been determined. Therefore, any potential impact on the District is not yet known.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 29, 2021, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

On September 9, 2021, the District adopted Resolution 2021-21 authorizing the execution and delivery of the Third Amendment to the Enterprise Fund Installment Sale Agreement with the California Infrastructure and Economic Development Bank. The amendment lowered the interest rate on the remaining balance of the loan of \$2,842,111 from 3.05% to 2.5% effective October 1, 2021. The net savings from the interest change over the remaining term of the loan (August 2034) is approximately \$105,000.

REQUIRED SUPPLEMENTARY INFORMATION

Draft 11-22-21

**LOS OSOS COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Services charges and fees	\$ 20	\$ 20	\$ -	\$ (20)
Use of money and property	-	-	14	14
Other revenues	-	-	128	128
	<hr/>		<hr/>	
Total revenues	20	20	142	122
	<hr/>		<hr/>	
EXPENDITURES:				
Personnel	347,432	350,690	357,886	(7,196)
Clothing and uniforms	200	200	-	200
Contract services	56,770	54,020	50,139	3,881
Financial services	8,600	8,600	4,496	4,104
Insurance, licenses, and regulatory fees	49,518	45,666	45,436	230
Legal and professional	133,200	134,368	93,126	41,242
Office expenses	20,606	22,782	18,087	4,695
Other expenses	500	500	631	(131)
Rent and utilities	44,680	44,680	44,299	381
Travel and training	3,325	3,325	-	3,325
Repairs and maintenance	137	137	93	44
	<hr/>		<hr/>	
Total expenditures	664,968	664,968	614,193	50,775
	<hr/>		<hr/>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(664,948)	(664,948)	(614,051)	50,897
Other Financing Sources (Uses):				
Transfers in	664,968	664,968	664,968	-
	<hr/>		<hr/>	
Total other financing sources (uses)	664,968	664,968	664,968	-
	<hr/>		<hr/>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	20	20	50,917	50,897
Fund balances - beginning	84,683	84,683	84,683	-
	<hr/>		<hr/>	
Fund balances - ending	\$ 84,703	\$ 84,703	\$ 135,600	\$ 50,897
	<hr/>		<hr/>	

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 2,406,670	\$ 2,406,670	\$ 2,413,260	\$ 6,590
Special taxes and assessments	626,324	626,324	626,324	-
Intergovernmental	15,689	15,689	14,915	(774)
Services charges and fees	67,134	67,134	78,369	11,235
Use of money and property	10,000	10,000	11,198	1,198
Other revenues	-	-	500	500
Total revenues	3,125,817	3,125,817	3,144,566	18,749
EXPENDITURES:				
Personnel	266,317	267,317	223,527	43,790
Clothing and uniforms	4,000	4,000	571	3,429
Contract services	11,725	11,725	5,757	5,968
Contract services - Schedule A	2,437,726	2,437,726	2,437,726	-
Equipment and tools	44,700	44,700	50,528	(5,828)
Financial services	80	80	-	80
Insurance, licenses, and regulatory fees	37,636	36,910	34,581	2,329
Legal and professional	3,250	4,350	5,733	(1,383)
Office expenses	5,900	4,700	3,008	1,692
Other expenses	3,600	3,600	941	2,659
Rent and utilities	17,535	16,761	18,546	(1,785)
Travel and training	2,300	1,900	1,175	725
Repairs and maintenance	7,900	8,900	18,233	(9,333)
Capital outlay	894,859	894,859	45,595	849,264
Contingency	103,299	103,299	-	103,299
Total expenditures	3,840,827	3,840,827	2,845,921	994,906
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(715,010)	(715,010)	298,645	1,013,655
Other Financing Sources (Uses):				
Transfers out	(66,497)	(66,497)	(66,496)	1
Total other financing sources (uses)	(66,497)	(66,497)	(66,496)	1
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	(781,507)	(781,507)	232,149	1,013,656
Fund balances - beginning	2,515,533	2,515,533	2,515,533	-
Fund balances - ending	\$ 1,734,026	\$ 1,734,026	\$ 2,747,682	\$ 1,013,656

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

Pensions - Miscellaneous Plan

June 30, 2021

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

Last 10 Fiscal years*

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

Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Proportion of the net pension liability	0.01192%	0.01238%
Proportionate share of the net pension liability	1,221,783	1,347,404
Covered payroll	647,852	885,730
Proportionate share of the net pension liability as a percentage of its covered payroll	188.59%	152.12%
Plan's total pension liability (\$ in millions)	41,426	43,703
Plan Fiduciary net position (\$ in millions)	31,179	32,823
Plan Fiduciary net position as a percentage of the total pension liability	75.26%	75.10%

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

Pensions - Miscellaneous Plan

June 30, 2021

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

Last 10 Fiscal Years*

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT
 Required Supplementary Information
 Schedule of Changes in Net OPEB Liability
 June 30, 2021

Last 10 Fiscal years*

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

As of June 30, 2021, 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 11-22-21

**LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Bayridge	Vista de Oro	Drainage	Parks and Recreation	Total
ASSETS					
Cash and investments	\$ 31,508	\$ (2,782)	\$ 530,288	\$ -	\$ 559,014
Restricted cash and investments	-	-	-	324,856	324,856
Accounts receivable	384	327	2,252	-	2,963
Prepaid items	-	-	470	-	470
TOTAL ASSETS	\$ 31,892	\$ (2,455)	\$ 533,010	\$ 324,856	\$ 887,303
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 724	\$ 482	\$ 986	\$ 59,589	\$ 61,781
Loan from Water Fund	-	6,551	-	-	6,551
Due to other funds	-	1,517	-	-	1,517
Total liabilities	724	8,550	986	59,589	69,849
FUND BALANCES					
Nonspendable:					
Prepaid items	-	-	470	-	470
Restricted	31,168	-	531,554	265,267	827,989
Unassigned	-	(11,005)	-	-	(11,005)
Total fund balances	31,168	(11,005)	532,024	265,267	817,454
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,892	\$ (2,455)	\$ 533,010	\$ 324,856	\$ 887,303

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
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Bayridge	Vista de Oro	Drainage	Parks and Recreation	Total
REVENUES:					
Property taxes	\$ 10,853	\$ -	\$ 26,418	\$ 45,976	\$ 83,247
Special taxes and assessments	-	-	95,264	-	95,264
Services charges and fees	14,994	15,768	-	-	30,762
Use of money and property	-	-	2,005	2,389	4,394
Total revenues	25,847	15,768	123,687	48,365	213,667
EXPENDITURES:					
Personnel	-	-	5,656	-	5,656
Insurance, licenses, and regulatory fees	365	-	8,876	-	9,241
Legal and professional	323	359	753	-	1,435
Office expenses	-	-	-	40	40
Rent and utilities	4,803	1,901	4,530	-	11,234
Repairs and maintenance	-	-	1,412	-	1,412
Vehicle maintenance and repairs	-	-	2,073	-	2,073
Capital outlay	-	-	7,542	83,397	90,939
Debt service:					
Interest and fiscal charges	-	448	-	-	448
Total expenditures	5,491	2,708	30,842	83,437	122,478
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,356	13,060	92,845	(35,072)	91,189
Other Financing Sources (Uses):					
Transfers out	(3,325)	(3,325)	(13,299)	(6,650)	(26,599)
Total other financing sources (uses)	(3,325)	(3,325)	(13,299)	(6,650)	(26,599)
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	17,031	9,735	79,546	(41,722)	64,590
Fund balances - beginning	14,137	(20,740)	452,478	306,989	752,864
Fund balances - ending	<u>\$ 31,168</u>	<u>\$ (11,005)</u>	<u>\$ 532,024</u>	<u>\$ 265,267</u>	<u>\$ 817,454</u>

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

OTHER REPORT

Draft 11-22-21

**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, 2021, and the related notes to the financial statements, which collectively comprise the Los Osos Community Services District's basic financial statements and have issued our report thereon dated November 29, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fechter & Company
Certified Public Accountants

Sacramento, California
November 29, 2021