



January 8, 2026

TO: LOCSD Board of Directors

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

SUBJECT: Agenda Item 4A – 01/08/2026 Board Meeting
Receive and File the District's Draft Fiscal Year 2024-2025
Financial Audit

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DESCRIPTION

Review of the District's fiscal year 2024-2025 financial audit.

STAFF RECOMMENDATION

Staff recommends that the Board adopt the following motion:

Motion: I move the Board receive and file the fiscal year 2024-2025 financial audit as presented.

DISCUSSION

The firm Fetcher & Company was contracted to perform the District's fiscal year 2024-2025 financial audit. District staff facilitated the audit by providing all requested records and reports, as well as being available for direct interviews by the audit team. The resulting state of compliance of Fetcher & Company is as follows (excerpt from the Auditor Report page 64):

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

Additionally, the auditors did not identify any deficiencies in internal controls that they consider to be material weaknesses and there were no audit findings or issues in need of correction associated with the 2024-2025 audit (page 63 statement).

Key Points from 2024-25

The following are the highlights from fiscal year 2024-25:

- The District's financial position strengthened during the 2024/2025 fiscal year as we anticipated large upcoming projects. Looking at Table B on page 8, you'll see the Ending Net Position increased by \$2,533,280 million during 2024/2025.

- Water service fees decreased by \$66,877.
- Overall property tax revenues decreased by \$1,391,621. This large decrease in property tax revenue is due primarily to the refunds from CAL Fire for Schedule A overpayments of \$1,453,677 that were recorded in Fiscal Year 2023-2024.
- Zone B property tax and Special Fire tax revenues performed as expected.
- Governmental expenses decreased by \$380,166 mainly due to decrease of the Schedule A contract costs paid to San Luis Obispo County Fire/ Cal Fire.
- Investment Income increased by \$259,403 over Fiscal Year 2023/2024 as the District continued the implementation of its investment strategy during the fiscal year.
- Fire and Water reserves are \$3,266,871 and \$3,316,682 (page 11).

Other Audit Sections of Interest

- Summary of Governmental Funds (General, Fire, Drainage, Non-major) Revenues and Expenses (page16).
- Summary of Proprietary Funds (Water, Wastewater, Solid Waste) Revenues and Expenses (page 19).
- Cash and Investment Summary (starting page 34).
- Discussion on Pension Liabilities (starting at the bottom of page 42).
- Year-end Budgetary Comparison for General (Administration), Fire, Drainage (page 55)
- Combined Balance Sheets for Non-major Governmental Funds; Bayridge, Vista de Oro, Parks & Recreation (page 61).

ADVISORY COMMITTEE REVIEW

The Finance Advisory Committee reviewed the draft audit at their November 2, 2025 meeting. The committee was provided a presentation on the key points of the audit and the opportunity to ask questions. The committee unanimously voted to recommend the Board accept the audit as presented.

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

2024/2025 Final Draft Audit

December 1, 2025

Board of Directors
Los Osos Community Services District
2122 9th Street
Los Osos, California 93402

We have audited the financial statements of the Los Osos Community Services District (the District) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 11, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Estimate of the net pension liability
- Estimate of other post-employment benefits liability
- Estimate of depreciable lives of capital assets

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To reclassify capital outlay expense amounts to capital assets.
- To record the current year change in pension accounts.
- To record current year changes in the Other Post-Employment Benefits Liability.
- To record current year depreciation expense.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Required Supplementary Information related to pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

Fechter & Company,
Certified Public Accountants


Sacramento, California



**FECHTER
& COMPANY**
Certified Public Accountants

**LOS OSOS
COMMUNITY SERVICES DISTRICT**

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

June 30, 2025

**LOS OSOS COMMUNITY SERVICES DISTRICT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Osos Community Services District (the District), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Los Osos Community Services District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

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

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

Supplementary Information

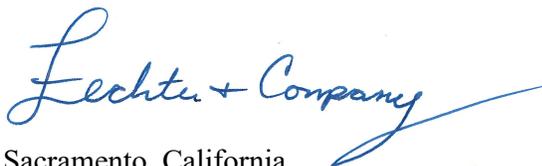
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Osos Community Services District's basic financial statements. The combining nonmajor funds financial statements are presented for purposes of additional analysis and are not a required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

The combining nonmajor governmental funds financial statements on pages 60 - 61 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, 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

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Sacramento, California
December 1, 2025

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
June 30, 2025

BACKGROUND

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

As management of the Los Osos Community Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2025.

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2025

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

The District maintains six individual governmental funds organized according to their type: general and special revenue. The District does not currently have debt service or capital projects type funds in the governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General Fund, the Fire Fund, and the Drainage Fund, with all other funds presented into an aggregate column. Due to their small size relative to the fire and general funds, individual fund data for each of the nonmajor governmental funds (Bayridge, Vista de Oro, and Parks and Recreation) is provided in the form of combining statements found in the other supplementary information section of this report.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2025

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

Proprietary Funds

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2025

Analysis of Overall Financial Position and Results of Operations

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statements of Net Position June 30, 2025

	June 30, 2025			June 30, 2024			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	\$ 8,333,947	\$ 6,749,836	\$ 15,083,783	\$ 6,621,185	\$ 6,643,982	\$ 13,265,167	\$ 1,818,616	13.7%
Capital assets	2,240,219	9,977,408	12,217,627	2,236,548	9,200,465	11,437,013	780,614	6.8%
Total assets	10,574,166	16,727,244	27,301,410	8,857,733	15,844,447	24,702,180	2,599,230	10.5%
Deferred outflows of resources								
	256,915	386,295	643,210	320,685	521,433	842,118	(198,908)	-23.6%
Liabilities:								
Current liabilities	105,348	749,794	855,142	91,554	509,846	601,400	253,742	42.2%
Long-Term liabilities	825,702	4,196,692	5,022,394	844,063	4,502,760	5,346,823	(324,429)	-6.1%
Total liabilities	931,050	4,946,486	5,877,536	935,617	5,012,606	5,948,223	(70,687)	-1.2%
Deferred inflows of resources								
	74,271	109,524	183,795	88,729	157,337	246,066	(62,271)	-25.3%
Net Position:								
Invested in capital assets, net of related debt	2,240,219	7,712,643	9,952,862	2,236,548	6,738,479	8,975,027	977,835	10.9%
Restricted	7,459,642	-	7,459,642	5,981,589	-	5,981,589	1,478,053	24.7%
Unrestricted	125,899	4,344,886	4,470,785	(64,065)	4,457,458	4,393,393	77,392	1.8%
Total net position	\$ 9,825,760	\$ 12,057,529	\$ 21,883,289	\$ 8,154,072	\$ 11,195,937	\$ 19,350,009	\$ 2,533,280	13.1%

Statement of Net Position

At the end of fiscal year June 30, 2025, 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, 2025 by \$21,883,289.

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 financial 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.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
June 30, 2025

**Statements of Activities
June 30, 2025**

	June 30, 2025			June 30, 2024			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	\$ 103,853	\$ 3,515,679	\$ 3,619,532	\$ 101,460	\$ 3,648,124	\$ 3,749,584	\$ (130,052)	-3.5%
Operating grants and contributions	62,636	113,637	176,273	-	732,252	732,252	(555,979)	-75.9%
General revenues:								
Property taxes	3,216,975	61,163	3,278,138	4,603,497	66,262	4,669,759	(1,391,621)	-29.8%
Other taxes	797,410	-	797,410	796,050	-	796,050	1,360	0.2%
Investment income	323,995	286,071	610,066	168,456	182,207	350,663	259,403	74.0%
Other revenues	812	3,935	4,747	972	12,323	13,295	(8,548)	-64.3%
Total revenues	4,505,681	3,980,485	8,486,166	5,670,435	4,641,168	10,311,603	(1,825,437)	-17.7%
Expenses								
General government	821,549	-	821,549	735,022	-	735,022	86,527	11.8%
Fire protection	2,592,363	-	2,592,363	3,050,055	-	3,050,055	(457,692)	-15.0%
Drainage	60,329	-	60,329	69,636	-	69,636	(9,307)	-13.4%
Street lighting	9,384	-	9,384	9,119	-	9,119	265	2.9%
Parks and recreation	2,481	-	2,481	2,440	-	2,440	41	1.7%
Water	-	2,318,364	2,318,364	-	2,201,806	2,201,806	116,558	5.3%
Wastewater treatment	-	17,727	17,727	-	17,190	17,190	537	3.1%
Solid waste	-	130,689	130,689	-	129,138	129,138	1,551	1.2%
Total expenses	3,486,106	2,466,780	5,952,886	3,866,272	2,348,134	6,214,406	(261,520)	-4.2%
Increase in net position before transfers								
	1,019,575	1,513,705	2,533,280	1,804,163	2,293,034	4,097,197	(1,563,917)	-38.2%
Transfers								
	652,113	(652,113)	-	618,592	(618,592)	-	-	0.0%
Change in net position								
	1,671,688	861,592	2,533,280	2,422,755	1,674,442	4,097,197	(1,563,917)	-38.2%
Beginning net position								
	8,154,072	11,195,937	19,350,009	5,731,317	9,521,495	15,252,812	4,097,197	26.9%
Ending net position								
	\$ 9,825,760	\$ 12,057,529	\$ 21,883,289	\$ 8,154,072	\$ 11,195,937	\$ 19,350,009	\$ 2,533,280	13.1%

Statement of Activities

Overall, the results of operations as shown in the Statement of Activities has an increase in Net Position of \$2,533,280. Total revenues decreased over the prior year by \$1,825,437. Water service fees decreased by \$66,877, grant revenue decreased by \$555,979, and property tax revenue decreased by \$1,391,621. This large decrease in property tax revenue is due primarily to the refunds from CAL Fire for Schedule A overpayments of \$1,453,677 that were recorded in Fiscal Year 2023-2024.

Overall expenses in Governmental Activities decreased by \$380,166. Total expenses in Business-Type Activities increased by \$118,646.

Investment Income increased by \$259,403 in Fiscal Year 2024-2025 due primarily to the District having larger cash and investment balances.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis June 30, 2025

Capital Assets June 30, 2025

	June 30, 2025			June 30, 2024			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	966,550	3,350,387	4,316,937	845,677	3,041,420	3,887,097	429,840	11.1%
Depreciable Assets								
Buildings, structures, and improvements	598,871	268,178	867,049	598,871	268,178	867,049	-	0.0%
Infrastructure	378,519	12,192,268	12,570,787	378,519	11,413,116	11,791,635	779,152	6.6%
Equipment and vehicles	2,214,558	600,582	2,815,140	2,155,955	587,092	2,743,047	72,093	2.6%
Total cost	<u>4,215,873</u>	<u>16,909,844</u>	<u>21,125,717</u>	<u>4,036,397</u>	<u>15,808,235</u>	<u>19,844,632</u>	<u>1,281,085</u>	<u>6.5%</u>
Less accumulated depreciation	<u>(1,975,654)</u>	<u>(6,932,436)</u>	<u>(8,908,090)</u>	<u>(1,799,849)</u>	<u>(6,607,770)</u>	<u>(8,407,619)</u>	<u>(500,471)</u>	<u>6.0%</u>
Total	<u>\$ 2,240,219</u>	<u>\$ 9,977,408</u>	<u>\$ 12,217,627</u>	<u>\$ 2,236,548</u>	<u>\$ 9,200,465</u>	<u>\$ 11,437,013</u>	<u>\$ 780,614</u>	<u>6.8%</u>

The most significant capital assets additions in Fiscal Year 2024-2025 included the Program C project (\$735,440) and the SCADA project (\$177,026) in the Water Fund.

Long-Term Liabilities June 30, 2025

	June 30, 2025			June 30, 2024			Total Change	
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Amount Change	Percent Change
Compensated absences	\$ 77,694	\$ 142,163	\$ 219,857	\$ 34,939	\$ 122,341	\$ 157,280	\$ 62,577	39.8%
Other post-employment benefits liability	60,056	340,320	400,376	53,917	305,529	359,446	40,930	11.4%
Lease liability	92,660	-	92,660	130,907	-	130,907	(38,247)	-
Loan payable - CIEDB loan	-	2,264,765	2,264,765	-	2,461,986	2,461,986	(197,221)	-8.0%
Loan payable - Solid waste	-	806,772	806,772	-	926,772	926,772	(120,000)	-12.9%
Net pension liability	<u>653,832</u>	<u>1,000,363</u>	<u>1,654,195</u>	<u>671,282</u>	<u>1,033,937</u>	<u>1,705,219</u>	<u>(51,024)</u>	<u>-3.0%</u>
Total	<u>\$ 884,242</u>	<u>\$ 4,554,383</u>	<u>\$ 5,438,625</u>	<u>\$ 891,045</u>	<u>\$ 4,850,565</u>	<u>\$ 5,741,610</u>	<u>\$ (302,985)</u>	<u>-5.3%</u>

The total of long-term liabilities is \$5,438,625, a decrease of \$302,985 from the prior year, due primarily to paying down loans payable by \$317,221. Other decreases include a decrease in the lease liability of \$38,247 and a decrease in the net pension liability of \$51,024. These decreases were partially offset by increases in other post-employment benefits liability of \$40,930 and compensated absences liability of \$62,577.

LOS OSOS COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis
June 30, 2025

Fund Reserves

The District maintains cash reserves in the following funds for various purposes as budgeted annually by the Board of Directors. The reserve balances in each fund as of June 30, 2025 are as follows:

<u>General Fund</u>		<u>Water Fund</u>	
General Contingency	\$ 41,660	General contingency	\$ 813,183
		Capital outlay	2,173,855
<u>Fire Fund</u>		Vehicle and equipment replacement	144,644
General contingency	\$ 673,226	Water stabilization	185,000
Vehicle, equipment, and fire engine replacement	677,300	Total	<u>\$ 3,316,682</u>
Capital outlay	1,740,562	<u>Wastewater Fund</u>	
Public facilities fee	40,334	Wastewater Assessment Reimbursement Fund	\$ 102,949
Fire mitigation	135,449	Bankruptcy Fund Balance	58,711
Total	<u>\$ 3,266,871</u>	Total	<u>\$ 161,660</u>
<u>Drainage Fund</u>		<u>Solid Waste Fund - General Contingency</u>	\$ 100,000
General contingency	\$ 10,000		
Capital outlay	55,000		
Total	<u>\$ 65,000</u>		
<u>Bayridge</u>			
Septic System Decommission Reserve	\$ 8,000		
<u>Parks and Recreation Fund</u>			
General Contingency	\$ 198,879		

Significant Events or Disclosures

There were no significant events or disclosures to report for fiscal year 2024-2025.

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

Sincerely,

Ron Munds
General Manager

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 7,104,407	\$ 4,911,973	\$ 12,016,380
Accounts receivable, net	25,814	643,601	669,415
Property tax receivable	763,673	12,582	776,255
Grants receivable	62,636	-	62,636
Prepaid items	162,871	142,147	305,018
Inventory	-	60,359	60,359
Other assets	-	900	900
Internal balances	(171,502)	171,502	-
Total current assets	<u>7,947,899</u>	<u>5,943,064</u>	<u>13,890,963</u>
Non-current assets:			
Restricted cash and investments	294,917	-	294,917
Franchise asset	-	806,772	806,772
Right-to-use asset, net	91,131	-	91,131
Capital assets, net	2,240,219	9,977,408	12,217,627
Total non-current assets	<u>2,626,267</u>	<u>10,784,180</u>	<u>13,410,447</u>
Total assets	<u>10,574,166</u>	<u>16,727,244</u>	<u>27,301,410</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	249,191	342,529	591,720
Deferred outflows of resources related to OPEB	7,724	43,766	51,490
Total deferred outflows of resources	<u>256,915</u>	<u>386,295</u>	<u>643,210</u>
Liabilities			
Current liabilities:			
Accounts payable	30,532	347,708	378,240
Accrued liabilities	16,276	20,804	37,080
Accrued interest payable	-	23,591	23,591
Compensated absences - current portion	19,423	35,541	54,964
Lease liability - current portion	39,117	-	39,117
Loans payable - current portion	-	322,150	322,150
Total current liabilities	<u>105,348</u>	<u>749,794</u>	<u>855,142</u>
Non-current liabilities:			
Compensated absences	58,271	106,622	164,893
OPEB liability	60,056	340,320	400,376
Lease liability - non-current portion	53,543	-	53,543
Loans payable	-	2,749,387	2,749,387
Net pension liability	653,832	1,000,363	1,654,195
Total non-current liabilities	<u>825,702</u>	<u>4,196,692</u>	<u>5,022,394</u>
Total liabilities	<u>931,050</u>	<u>4,946,486</u>	<u>5,877,536</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	53,681	(7,152)	46,529
Deferred inflows of resources related to OPEB	20,590	116,676	137,266
Total deferred inflows of resources	<u>74,271</u>	<u>109,524</u>	<u>183,795</u>
Net Position			
Net investment in capital assets	2,240,219	7,712,643	9,952,862
Restricted for:			
Fire and emergency services	7,172,378	-	7,172,378
Parks and recreation	287,264	-	287,264
Unrestricted (deficit)	125,899	4,344,886	4,470,785
Total net position	<u>\$ 9,825,760</u>	<u>\$ 12,057,529</u>	<u>\$ 21,883,289</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, 2025**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:						
Governmental activities:						
General government	\$ 821,549	\$ -	\$ -	\$ (821,549)	\$ -	\$ (821,549)
Fire protection	2,592,363	87,855	-	(2,504,508)	-	(2,504,508)
Drainage	60,329	-	62,636	2,307	-	2,307
Street lighting	9,384	15,998	-	6,614	-	6,614
Parks and recreation	2,481	-	-	(2,481)	-	(2,481)
Total governmental activities	<u>3,486,106</u>	<u>103,853</u>	<u>62,636</u>	<u>(3,319,617)</u>	<u>-</u>	<u>(3,319,617)</u>
Business-type activities:						
Water	2,318,364	3,091,895	113,637	-	887,168	887,168
Wastewater treatment project	17,727	22,241	-	-	4,514	4,514
Solid waste	130,689	401,543	-	-	270,854	270,854
Total business-type activities	<u>2,466,780</u>	<u>3,515,679</u>	<u>113,637</u>	<u>-</u>	<u>1,162,536</u>	<u>1,162,536</u>
Total primary government	<u>\$ 5,952,886</u>	<u>\$ 3,619,532</u>	<u>\$ 176,273</u>	<u>(3,319,617)</u>	<u>1,162,536</u>	<u>(2,157,081)</u>
General revenues:						
Taxes:						
Property taxes				3,216,975	61,163	3,278,138
Special assessments				797,410	-	797,410
Investment income				323,995	286,071	610,066
Other general revenues				812	3,935	4,747
Transfers				652,113	(652,113)	-
Total general revenues and transfers				<u>4,991,305</u>	<u>(300,944)</u>	<u>4,690,361</u>
Change in net position				1,671,688	861,592	2,533,280
Net position - beginning				<u>8,154,072</u>	<u>11,195,937</u>	<u>19,350,009</u>
Net position - ending				<u>\$ 9,825,760</u>	<u>\$ 12,057,529</u>	<u>\$ 21,883,289</u>

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

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

**LOS OSOS COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General	Fire Fund	Drainage	Nonmajor Governmental Funds	Total
Assets					
Cash and investments	\$ 171,535	\$ 6,406,328	\$ 482,556	\$ 43,988	\$ 7,104,407
Restricted cash and investments	-	-	-	294,917	294,917
Accounts receivable, net	759	25,055	-	-	25,814
Property tax receivable	-	760,394	3,132	147	763,673
Grants receivable	-	-	62,636	-	62,636
Prepaid items	64,488	97,607	776	-	162,871
Total assets	<u>\$ 236,782</u>	<u>\$ 7,289,384</u>	<u>\$ 549,100</u>	<u>\$ 339,052</u>	<u>\$ 8,414,318</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 6,812	\$ 14,657	\$ 785	\$ 8,278	\$ 30,532
Accrued liabilities	11,534	4,742	-	-	16,276
Loan from Water Fund	-	-	171,502	-	171,502
Total liabilities	<u>18,346</u>	<u>19,399</u>	<u>172,287</u>	<u>8,278</u>	<u>218,310</u>
Fund Balances					
Nonspendable					
Prepaid items	64,488	97,607	776	-	162,871
Restricted					
Fire and emergency services	-	7,172,378	-	-	7,172,378
Parks and recreation	-	-	-	287,264	287,264
Drainage services	-	-	376,037	-	376,037
Bayridge functions	-	-	-	40,998	40,998
Vista de Oro	-	-	-	2,512	2,512
Unassigned	153,948	-	-	-	153,948
Total fund balances	<u>218,436</u>	<u>7,269,985</u>	<u>376,813</u>	<u>330,774</u>	<u>8,196,008</u>
Total Liabilities and Fund Balances	<u>\$ 236,782</u>	<u>\$ 7,289,384</u>	<u>\$ 549,100</u>	<u>\$ 339,052</u>	<u>\$ 8,414,318</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total fund balances-governmental funds \$ 8,196,008

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

Right-to-use assets		91,131
Capital assets at historical cost	\$ 4,215,874	
Less: Accumulated depreciation	<u>(1,975,655)</u>	
Net		2,240,219

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	(77,694)	
Net pension liability	(653,832)	
Net OPEB liability	(60,056)	
Lease liability	<u>(92,660)</u>	
Total		(884,242)

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	249,191	
OPEB	7,724	
Deferred inflows of resources relating to:		
Pensions	(53,681)	
OPEB	<u>(20,590)</u>	
Total		<u>182,644</u>

Net position of governmental activities \$ 9,825,760

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, 2025

	General	Fire Fund	Drainage	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes	\$ -	\$ 3,035,922	\$ 181,053	\$ -	\$ 3,216,975
Special taxes and assessments	-	700,850	96,560	-	797,410
Grant revenue	-	-	62,636	-	62,636
Services charges and fees	-	87,855	-	15,998	103,853
Use of money and property	7,418	284,779	14,649	17,149	323,995
Other revenues	353	338	121	-	812
Total revenues	7,771	4,109,744	355,019	33,147	4,505,681
Expenditures:					
Personnel	443,059	206,429	9,583	-	659,071
Clothing and uniforms	-	73	-	-	73
Contract services	50,372	7,048	-	-	57,420
Contract services - Schedule A	-	2,005,851	-	-	2,005,851
Equipment and tools	-	45,343	-	-	45,343
Financial services	6,870	-	-	-	6,870
Insurance, licenses, and regulatory fees	67,293	82,659	10,180	1,791	161,923
Legal and professional	96,790	39,510	2,192	67,992	206,484
Office expenses	31,463	5,623	-	-	37,086
Other expenses	256	8,179	-	-	8,435
Rent and utilities	49,887	21,513	3,876	7,593	82,869
Travel and training	2,200	-	-	-	2,200
Repairs and maintenance	347	16,697	3,829	-	20,873
Vehicle maintenance and repairs	-	-	2,362	-	2,362
Capital outlay	-	49,271	53,278	-	102,549
Debt service:					
Interest and fiscal charges	-	-	8,803	-	8,803
Total expenditures	748,537	2,488,196	94,103	77,376	3,408,212
Excess (Deficiency) of Revenues Over (Under) Expenditures	(740,766)	1,621,548	260,916	(44,229)	1,097,469
Other Financing Sources (Uses):					
Transfers in	753,887	-	-	-	753,887
Transfers out	-	(79,158)	(15,077)	(7,539)	(101,774)
Total other financing sources (uses)	753,887	(79,158)	(15,077)	(7,539)	652,113
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	13,121	1,542,390	245,839	(51,768)	1,749,582
Fund balances - beginning	205,315	5,727,595	130,974	382,542	6,446,426
Fund balances - ending	<u>\$ 218,436</u>	<u>\$ 7,269,985</u>	<u>\$ 376,813</u>	<u>\$ 330,774</u>	<u>\$ 8,196,008</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, 2025**

Net change in fund balances - total governmental funds		\$ 1,749,582
Amounts reported for governmental activities in the statement of activities are different because:		
Amortization expense of right-to-use asset not reported in governmental funds		(39,056)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital asset adjustments	\$ 179,476	
Less: current year depreciation	<u>(175,805)</u>	
		3,671
Expenditures in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds:		
Change in the liability for compensated absences		(42,755)
Principal reduction in lease liability		38,247
Change in net pension liability		17,450
Change in deferred pension outflows		(60,446)
Change in deferred pension inflows		9,115
Change in net OPEB liability		(6,139)
Change in deferred OPEB outflows		(3,324)
Change in deferred OPEB inflows		<u>5,343</u>
Change in net position of governmental activities		<u><u>\$ 1,671,688</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, 2025

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 4,332,990	\$ 34,817	\$ 544,166	\$ 4,911,973
Accounts receivable, net	579,168	-	64,433	643,601
Property tax receivable	12,582	-	-	12,582
Inventory at cost	60,359	-	-	60,359
Prepays	142,147	-	-	142,147
Loan to other funds	171,502	-	-	171,502
Other assets	900	-	-	900
Total current assets	5,299,648	34,817	608,599	5,943,064
Non-current assets:				
Franchise asset	-	-	806,772	806,772
Capital assets, net	9,818,818	158,590	-	9,977,408
Total non-current assets	9,818,818	158,590	806,772	10,784,180
Total Assets	15,118,466	193,407	1,415,371	16,727,244
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	342,529	-	-	342,529
Deferred outflows of resources related to OPEB	43,766	-	-	43,766
Total deferred outflows of resources	386,295	-	-	386,295
Liabilities				
Current liabilities:				
Accounts payable	336,861	33	10,814	347,708
Accrued liabilities	17,200	-	3,604	20,804
Accrued interest payable	23,591	-	-	23,591
Compensated absences - current portion	35,541	-	-	35,541
Loans payable - current portion	202,150	-	120,000	322,150
Total current liabilities	615,343	33	134,418	749,794
Non-current liabilities:				
Compensated absences	106,622	-	-	106,622
OPEB liability	340,320	-	-	340,320
Loans payable	2,062,615	-	686,772	2,749,387
Net pension liability	1,000,363	-	-	1,000,363
Total non-current liabilities	3,509,920	-	686,772	4,196,692
Total Liabilities	4,125,263	33	821,190	4,946,486
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	(7,152)	-	-	(7,152)
Deferred inflows of resources related to OPEB	116,676	-	-	116,676
Total deferred inflows of resources	109,524	-	-	109,524
Net Position				
Net investment in capital assets	7,554,053	158,590	-	7,712,643
Unrestricted	3,715,921	34,784	594,181	4,344,886
Total Net Position	\$ 11,269,974	\$ 193,374	\$ 594,181	\$ 12,057,529

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, 2025

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Total
Operating Revenues:				
Utility	\$ 3,091,895	\$ 22,241	\$ 401,543	\$ 3,515,679
Total operating revenues	<u>3,091,895</u>	<u>22,241</u>	<u>401,543</u>	<u>3,515,679</u>
Operating Expenses:				
Personnel	1,113,446	-	-	1,113,446
Clothing and uniforms	3,291	-	-	3,291
Contract services	75,069	-	-	75,069
Equipment and tools	11,728	-	-	11,728
Financial services	-	1,815	-	1,815
Insurance, licenses, and regulatory fees	135,342	276	-	135,618
Legal and professional	273,694	15,636	7,491	296,821
Office expenses	62,760	-	245	63,005
Other expenses	23,120	-	2,953	26,073
Rent and utilities	173,297	-	-	173,297
Travel and training	409	-	-	409
Repairs and maintenance	45,853	-	-	45,853
Vehicle maintenance and repairs	11,273	-	-	11,273
Depreciation and amortization	324,666	-	120,000	444,666
Total operating expenses	<u>2,253,948</u>	<u>17,727</u>	<u>130,689</u>	<u>2,402,364</u>
Operating Income	837,947	4,514	270,854	1,113,315
Non-operating Revenue (Expenses):				
Property taxes and assessments	61,163	-	-	61,163
Investment income	268,551	-	17,520	286,071
Government grants	113,637	-	-	113,637
Other non-operating revenue	3,935	-	-	3,935
Interest expense and fiscal charges	(64,416)	-	-	(64,416)
Total non-operating revenue (expenses)	<u>382,870</u>	<u>-</u>	<u>17,520</u>	<u>400,390</u>
Income before transfers	1,220,817	4,514	288,374	1,513,705
Transfers out	<u>(572,955)</u>	<u>(3,769)</u>	<u>(75,389)</u>	<u>(652,113)</u>
Change in net position	647,862	745	212,985	861,592
Net position - beginning	<u>10,622,112</u>	<u>192,629</u>	<u>381,196</u>	<u>11,195,937</u>
Net position - ending	<u>\$ 11,269,974</u>	<u>\$ 193,374</u>	<u>\$ 594,181</u>	<u>\$ 12,057,529</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED
JUNE 30, 2025**

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Cash collected from customers	\$ 3,078,949	\$ 22,241	\$ 390,836	\$ 3,492,026
Cash payments to suppliers for goods and services	(560,762)	(14,661)	(15,219)	(590,642)
Cash payments for employee services	(1,004,258)	-	3,604	(1,000,654)
Net cash provided by operating activities	<u>1,513,929</u>	<u>7,580</u>	<u>379,221</u>	<u>1,900,730</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,101,609)	-	-	(1,101,609)
Government grants	405,984	-	-	405,984
Principal paid on debt	(197,221)	-	-	(197,221)
Interest paid on debt	(66,471)	-	-	(66,471)
Net cash used in capital and related financing activities	<u>(959,317)</u>	<u>-</u>	<u>-</u>	<u>(959,317)</u>
Cash Flows From Non-capital Financing Activities:				
Transfers to other funds	(572,955)	(3,769)	(75,389)	(652,113)
Property taxes and assessments	60,946	-	-	60,946
Other non-operating revenue	3,935	-	-	3,935
Amount paid to County for Solid Waste Franchise Agreement loan	-	-	(120,000)	(120,000)
Principal paid on interfund debt	57,463	-	-	57,463
Net cash used in non-capital financing activities	<u>(450,611)</u>	<u>(3,769)</u>	<u>(195,389)</u>	<u>(649,769)</u>
Cash Flows from Investing Activities:				
Interest on investments	268,551	-	17,520	286,071
Net cash provided by investing activities	<u>268,551</u>	<u>-</u>	<u>17,520</u>	<u>286,071</u>
Net increase in cash and cash equivalents	372,552	3,811	201,352	577,715
Cash and cash equivalents, beginning of year	3,960,438	31,006	342,814	4,334,258
Cash and cash equivalents, end of year	<u>\$ 4,332,990</u>	<u>\$ 34,817</u>	<u>\$ 544,166</u>	<u>\$ 4,911,973</u>

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

LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED
JUNE 30, 2025

	Water Fund	Wastewater Treatment Project Fund	Solid Waste Fund	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating Income	\$ 837,947	\$ 4,514	\$ 270,854	\$ 1,113,315
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization of fixed assets	324,666	-	120,000	444,666
Changes in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:				
Receivables, net	(12,946)	-	(10,707)	(23,653)
Prepays	1,370	3,098	-	4,468
Deposits	10,000	-	-	10,000
Inventory	11,453	-	-	11,453
Deferred outflows - pension	116,297	-	-	116,297
Deferred outflows - OPEB	18,841	-	-	18,841
Accounts payable	232,251	(32)	(4,530)	227,689
Accrued liabilities	824	-	3,604	4,428
Compensated absences	19,822	-	-	19,822
OPEB liability	34,791	-	-	34,791
Net pension liability	(33,574)	-	-	(33,574)
Deferred inflows - pension	(17,536)	-	-	(17,536)
Deferred inflows - OPEB	(30,277)	-	-	(30,277)
Net cash provided by operating activities	\$ 1,513,929	\$ 7,580	\$ 379,221	\$ 1,900,730

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	Wastewater Assessment District No. 1 Fund	Low Income Assistance Fund	Total Fiduciary Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 26	\$ 9,353	\$ 9,379
Cash with fiscal agents	2,132,330	-	2,132,330
Accounts receivable, net	4,427	-	4,427
Accrued property tax receivable	17,646	-	17,646
Total assets	<u>2,154,429</u>	<u>9,353</u>	<u>2,163,782</u>
Fiduciary Net Position	<u>\$ 2,154,429</u>	<u>\$ 9,353</u>	<u>\$ 2,163,782</u>

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

**LOS OSOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED
JUNE 30, 2025**

	Wastewater Assessment District No. 1 Fund	Low Income Assistance Fund	Total Fiduciary Funds
Additions			
Property tax revenue	\$ 999,352	\$ -	\$ 999,352
Investment income	127,701	-	127,701
Total additions	<u>1,127,053</u>	<u>-</u>	<u>1,127,053</u>
Deductions			
Debt service - principal	675,000	-	675,000
Debt service - interest	352,191	-	352,191
Total deductions	<u>1,027,191</u>	<u>-</u>	<u>1,027,191</u>
Net change in fiduciary net position	99,862	-	99,862
Fiduciary net position - beginning	<u>2,054,567</u>	<u>9,353</u>	<u>2,063,920</u>
Fiduciary net position - ending	<u>\$ 2,154,429</u>	<u>\$ 9,353</u>	<u>\$ 2,163,782</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

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 (County) in specific benefits zones of what was formerly County Service Area 9. After formation, the District added solid waste services providing service to all properties in the District. It operates pursuant to Section 61000 of the California Government Code. It is currently authorized to provide fire protection, water, solid waste, street lighting, drainage, and parks and recreation services. It is governed by a five-member Board of Directors with an operations staff headed by a general manager.

B. Basis of Presentation

Fund Financial Statements:

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

Proprietary Funds

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

Proprietary Funds are as follows:

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

Fiduciary Funds

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

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

Major Funds

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting

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

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

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

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

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

The fiduciary funds are accounted for on the accrual basis of accounting. Both a statement of fiduciary net position and a statement of changes in fiduciary net position are presented for these funds.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes

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

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

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

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

E. Cash and Investments

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments (continued)

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

F. Accounts, Grants, and Interest Receivable

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

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

G. Prepaid Expenses and Inventory

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

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

H. Restricted Assets

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Accumulated Compensated Absences

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

K. Long-Term Liabilities

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

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

L. Pensions

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

M. Other Post-Employment Benefits (OPEB)

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows and Inflows of Resources

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

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

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

O. Interfund Transactions

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Equity Classifications

Government-Wide Statements

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

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

Q. Implementation of GASB Statement 101

In June 2022, the GASB issued Statement No. 101, Compensated Absences. The guidance in this statement amended the existing disclosure requirements for compensated absences. Under the new guidance, governments will be allowed to disclose only the net change in compensated absences liability. The new standard is effective for fiscal years beginning after December 15, 2023. The District implemented this standard as of July 1, 2024.

R. Future Accounting Pronouncements

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

Statement No.103	<i>“Financial Reporting Model Improvements”</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
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S. Use of Estimates

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 2 – CASH AND INVESTMENTS

The District’s cash and investments at June 30, 2025 consisted of the following:

Cash and Investments:

Cash on hand	\$	700
Deposits with Financial Institutions		335,602
Investments:		
Investments cash account		109,079
Local agency investment fund		17,477
California Asset Management Program (CAMP)		3,731,587
Money market funds		543,128
Certificate of deposits		2,248,226
U.S. Government Issues		5,334,877
Money market funds - held by trustees		1,384,549
U.S. Government Issues - held by trustees		747,781
Subtotal - investments		<u>14,116,704</u>
Total Cash and Investments	\$	<u>14,453,006</u>

The composition of cash and investments as of June 30, 2025, by fund type and restriction is as follows:

	<u>Available for Operations</u>	<u>Restricted</u>	<u>Total</u>
General Fund	\$ 171,535	\$ -	\$ 171,535
Special Revenue Funds	6,932,872	294,917	7,227,789
Proprietary Funds	4,911,973	-	4,911,973
Fiduciary Funds	9,379	2,132,330	2,141,709
	<u>\$ 12,025,759</u>	<u>\$ 2,427,247</u>	<u>\$ 14,453,006</u>

Investments

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

Classification

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments of the District as of June 30, 2025

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

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

Disclosure Relating to Interest Rate Risk

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosure Relating to Interest Rate Risk (continued)

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustees) to market rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2025:

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End		
			Aa1	Aa	Not Rated
Investments cash account	\$ 109,079	N/A	\$ -	\$ -	\$ 109,079
LAIF	17,477	N/A	-	-	17,477
CAMP	3,731,587	N/A	-	-	3,731,587
Money market funds	543,128	N/A	-	-	543,128
Certificate of deposits	2,248,226	N/A	-	-	2,248,226
U.S. Government Issues	5,334,877	N/A	4,784,063	-	550,814
Held by bond trustees:					
Money market funds	1,384,549	N/A	-	-	1,384,549
U.S. Government Issues	747,781	N/A	747,781	-	-
	<u>\$ 14,116,704</u>		<u>\$ 5,531,844</u>	<u>\$ -</u>	<u>\$ 8,584,860</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year ended June 30, 2025 for each investment type.

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
Investments cash account	\$ 109,079	\$ 109,079	\$ -	\$ -	\$ -
LAIF	17,477	17,477	-	-	-
CAMP	3,731,587	3,731,587	-	-	-
Money market funds	543,128	543,128	-	-	-
Certificate of deposits	2,248,226	496,191	750,170	1,001,865	-
U.S. Government Issues	5,334,877	749,748	782,565	3,802,564	-
Held by bond trustees:					
Money market funds	1,384,549	1,384,549	-	-	-
U.S. Government Issues	747,781	323,858	102,031	321,892	-
	<u>\$ 14,116,704</u>	<u>\$ 7,355,617</u>	<u>\$ 1,634,766</u>	<u>\$ 5,126,321</u>	<u>\$ -</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

The largest investments of the District are in U.S. government issues (43.1%), certificate of deposits (15.9%), money market funds (13.7%), and CAMP (26.4%). These are managed by the District's bank and investment advisor. These investments are indexed to earn ten basis points above that earned monthly by the State Investment Pool. These are collateralized up to 110%, in compliance with State law, with the collaterals held by a separate trustee bank.

The remaining portion of the District's investments, is investment in the State Investment Pool, more commonly known as LAIF. Investment in LAIF comprises less than 1.0% of all invested funds. This fund is not registered with the Securities and State Commission as an investment company but is required to invest according to California State Code. The fund is under the oversight of the Treasurer of the State of California through the Local Investment Advisory Board that consists of five members as designated by statute. Market valuation is conducted quarterly by the State Treasurer's office. In addition, it also conducts a monthly fair market valuation of all securities held against carrying costs. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value of the entire portfolio net of any amortized costs as provided by LAIF.

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

Custodial Credit Risk

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

The investment in the State Investment Pool is not required to be collateralized. The fair value of securities in the pool is based on quoted market prices. The State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying costs. Reports of valuations and financial statements are available to participants on the State Treasurer's website.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 3 – INTERFUND TRANSACTIONS

Interfund activity during the fiscal year ended June 30, 2025, was as follows:

Interfund Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Funds</u>		
General	\$ 753,887	\$ -
Fire	-	79,158
Drainage	-	15,077
<u>Nonmajor Governmental Funds</u>		
Bayridge	-	1,885
Vista de Oro	-	1,885
Parks and Recreation	-	3,769
<u>Proprietary Funds</u>		
Water	-	572,955
Wastewater Treatment Plan	-	3,769
Solid Waste	-	75,389
	<u>\$ 753,887</u>	<u>\$ 753,887</u>

Interfund Loans:

In February 2023, the board of directors approved a loan of \$300,000 from the Water Fund to the Drainage Fund, with a 5-year term, at an interest rate adjusted annually to the quarterly LAIF rate for the quarter ending in March. Principal and interest payments for the year ended June 30, 2025, were \$57,464 and \$8,803, respectively. The balance of the loan at June 30, 2025 was as follows:

	<u>Loan Receivable</u>	<u>Loan Payable</u>
<u>Major Governmental Fund</u>		
Drainage	\$ -	\$ 171,502
<u>Proprietary Fund</u>		
Water	171,502	-
	<u>\$ 171,502</u>	<u>\$ 171,502</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 4 – CAPITAL ASSETS

<u>Government-Type Activities</u>	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers/ Adjustments</u>	<u>Balance at June 30, 2025</u>
Capital assets not being depreciated:					
Land	\$ 57,375	\$ -	\$ -	\$ -	\$ 57,375
Construction in progress	845,677	120,873	-	-	966,550
Total capital assets not being depreciated	<u>903,052</u>	<u>120,873</u>	<u>-</u>	<u>-</u>	<u>1,023,925</u>
Capital assets being depreciated:					
Buildings, structures, and improvements	598,871	-	-	-	598,871
Infrastructure	378,519	-	-	-	378,519
Plant and equipment	2,155,955	58,603	-	-	2,214,558
Total capital assets being depreciated	<u>3,133,345</u>	<u>58,603</u>	<u>-</u>	<u>-</u>	<u>3,191,948</u>
Less: accumulated depreciation					
Buildings, structures, and improvements	(544,144)	(7,669)	-	-	(551,813)
Infrastructure	(218,634)	(21,589)	-	-	(240,223)
Plant and equipment	(1,037,071)	(146,547)	-	-	(1,183,618)
Total accumulated depreciation	<u>(1,799,849)</u>	<u>(175,805)</u>	<u>-</u>	<u>-</u>	<u>(1,975,654)</u>
Net capital assets being depreciated	<u>1,333,496</u>	<u>(117,202)</u>	<u>-</u>	<u>-</u>	<u>1,216,294</u>
Governmental-type activities capital assets, net	<u>\$ 2,236,548</u>	<u>\$ 3,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,240,219</u>
<u>Business-Type Activities</u>	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers/ Adjustments</u>	<u>Balance at June 30, 2025</u>
Capital assets not being depreciated:					
Land	\$ 498,429	\$ -	\$ -	\$ -	\$ 498,429
Construction in progress	3,041,420	957,331	-	(648,364)	3,350,387
Total capital assets not being depreciated	<u>3,539,849</u>	<u>957,331</u>	<u>-</u>	<u>(648,364)</u>	<u>3,848,816</u>
Capital assets being depreciated:					
Building and improvements	268,178	-	-	-	268,178
Infrastructure	11,413,116	130,788	-	648,364	12,192,268
Plant and equipment	587,092	13,490	-	-	600,582
Total capital assets being depreciated	<u>12,268,386</u>	<u>144,278</u>	<u>-</u>	<u>648,364</u>	<u>13,061,028</u>
Less: accumulated depreciation					
Building and improvements	(34,973)	(8,773)	-	-	(43,746)
Infrastructure	(6,022,524)	(287,165)	-	-	(6,309,689)
Plant and equipment	(550,273)	(28,728)	-	-	(579,001)
Total accumulated depreciation	<u>(6,607,770)</u>	<u>(324,666)</u>	<u>-</u>	<u>-</u>	<u>(6,932,436)</u>
Net capital assets being depreciated	<u>5,660,616</u>	<u>(180,388)</u>	<u>-</u>	<u>648,364</u>	<u>6,128,592</u>
Business-type activities, capital assets, net	<u>\$ 9,200,465</u>	<u>\$ 776,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,977,408</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

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	\$ 778
Fire protection	153,438
Drainage	19,504
Parks and recreation	2,085
Total governmental activities depreciation expense	<u>\$ 175,805</u>
Business-Type Activities:	
Water services	\$ 324,666
Total business-type activities depreciation expense	<u>\$ 324,666</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, 2025:

	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2025</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Governmental Activities:						
Compensated absences	\$ 34,939	\$ 42,755	\$ -	\$ 77,694	\$ 19,423	\$ 58,271
Other post-employment benefits liability	53,917	6,139	-	60,056	-	60,056
Lease liability	130,907	-	(38,247)	92,660	39,117	53,543
Net pension liability	671,282	-	(17,450)	653,832	-	653,832
Total Governmental Activities	<u>\$ 891,045</u>	<u>\$ 48,894</u>	<u>\$ (55,697)</u>	<u>\$ 884,242</u>	<u>\$ 58,540</u>	<u>\$ 825,702</u>
Business-Type Activities:						
Compensated absences	\$ 122,341	\$ 19,822	\$ -	\$ 142,163	\$ 35,541	\$ 106,622
Other post-employment benefits liability	305,529	34,791	-	340,320	-	340,320
Water Fund						
Loan payable - Direct borrowing	2,461,986	-	(197,221)	2,264,765	202,150	2,062,615
Solid Waste Fund						
Loan payable	926,772	-	(120,000)	806,772	120,000	686,772
Net pension liability	1,033,937	-	(33,574)	1,000,363	-	1,000,363
Total Business-Type Activities	<u>\$ 4,850,565</u>	<u>\$ 54,613</u>	<u>\$ (350,795)</u>	<u>\$ 4,554,383</u>	<u>\$357,691</u>	<u>\$4,196,692</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 6 – LOANS PAYABLE

California Infrastructure and Economic Development Bank – Direct Borrowing

On December 6, 2004, the District entered into a direct borrowing loan agreement with the California Infrastructure and Economic Development Bank (CIEDB) for a principal amount of \$5 million for the purpose of constructing and upgrading water delivery facilities. The loan is for a term of thirty years ending on August 1, 2034, with an interest rate of 3.05% per annum. The loan was modified on October 1, 2021, to a rate of 2.50% per annum and the same expiration date of August 1, 2034. Debt service payments are due in August and February each year. Net water system revenues were pledged to guarantee the loan. All projects covered by the loan were completed and closed out in January 2009. The outstanding principal balance of the loan at June 30, 2025, was \$2,264,765. In the event of a default, all unpaid principal and accrued interest would come due immediately in full with overdue installment payments accruing interest at the lesser of 12% per annum or the maximum rate permitted by law.

Future annual repayment requirements for this debt are as follows:

Fiscal Year Ended June 30	Principal	Interest	Annual Administrative Fee	Total
2026	\$ 202,150	\$ 54,092	\$ 6,794	\$ 263,036
2027	207,204	48,975	6,188	262,367
2028	212,384	43,731	5,566	261,681
2029	217,694	38,355	4,929	260,978
2030	223,136	32,844	4,276	260,256
2031-2035	<u>1,202,197</u>	<u>76,621</u>	<u>10,998</u>	<u>1,289,816</u>
Total	<u>\$ 2,264,765</u>	<u>\$ 294,618</u>	<u>\$ 38,751</u>	<u>\$ 2,598,134</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 6 – LOANS PAYABLE (CONTINUED)

Solid Waste Collection Franchise Agreement

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

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

Fiscal Year	
<u>Ended June 30</u>	
2026	\$ 120,000
2027	120,000
2028	120,000
2029	120,000
2030	120,000
2031-2032	<u>206,772</u>
Total	<u><u>\$ 806,772</u></u>

NOTE 7 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

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, 2024. The Plans’ provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous	
	Hired Prior to January 1, 2013*	Hired on or After January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 63	52 - 67
Required employee contribution rates	7.00%	8.25%
Required employer contribution rates	13.31% + \$93,089	8.18% + \$6,972

	Safety	
	Hired Prior to January 1, 2013*	Hired on or After January 1, 2013
Hire Date		
Benefit formula	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 57
Required employee contribution rates	9.00%	14.50%
Required employer contribution rates	21.92% + \$58,998	14.72% + \$1,336

* 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, 2025

NOTE 7 – PENSION PLANS (CONTINUED)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$60,334 for the Safety Plan and \$205,866 for the Miscellaneous Plan for the fiscal year ended June 30, 2025.

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

At June 30, 2025, the District reported net pension liabilities for its proportionate shares of the net position liability of each plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 1,103,020
Safety	551,175
	<u>\$ 1,654,195</u>

The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2025, the District’s proportionate share of the net pension liability for each Plan as of June 30, 2024 and June 30, 2025 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2024	0.02242%	0.00781%	0.01367%
Proportion - June 30, 2025	0.02281%	0.00756%	0.01364%
Change - Increase (Decrease)	<u>0.00039%</u>	<u>-0.00025%</u>	<u>-0.00003%</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 7 – PENSION PLANS (CONTINUED)

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

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$365,268. 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, 2025, 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	\$ 41,930	\$ -
Differences between actual and expected experience	140,347	5,184
Net differences between projected and actual earnings on pension plan investments	90,141	-
Differences between employer's contributions and proportionate share of contributions	23,554	13,374
Change in employer's proportion	29,548	27,971
District contributions subsequent to the measurement date	266,200	-
Total	<u>\$ 591,720</u>	<u>\$ 46,529</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.

\$266,200 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, 2026.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 7 – PENSION PLANS (CONTINUED)

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
2026	\$ 102,443
2027	205,281
2028	2,143
2029	<u>(30,876)</u>
Total	<u>\$ 278,991</u>

Actuarial Assumptions

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

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.80% Net Pension Plan Investment and Administrative Expenses; Includes Inflation
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit	Contract COLA up to 2.30% until PPPA (2) floor on purchasing power applies, 2.30% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries.
- (2) Purchasing Power Protection Allowance (PPPA) is a benefit designed to restore the original purchasing power of CalPERS retirees to a predetermined limit.

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2025

NOTE 7 – PENSION PLANS (CONTINUED)

Discount Rate

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

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

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2025

NOTE 7 – PENSION PLANS (CONTINUED)

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

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

(1) An expected price inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

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

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90 percent) or 1- percentage point higher (7.90 percent) than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 1,818,142	\$ 824,740
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 1,103,020	\$ 551,175
1% Increase	7.90%	7.90%
Net Pension (Asset) Liability	\$ 514,369	\$ 327,438

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2025

NOTE 7 – PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2025, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2025.

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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

Employees become eligible to retire and receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The District’s contribution on behalf of retirees is the same as for active employees – 100% of the PEMHCA premium for retiree and covered dependents, but not to exceed \$158 per month in 2025. 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 0.24% of premium administrative fee on behalf of employees and retirees.

Employees Covered

As of June 30, 2023, actuarial valuation date, the following current and former employees were covered by the benefit terms under the District’s Plan:

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

Contributions

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2025

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

Net OPEB Liability

The District’s Net OPEB Liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2023. Standard actuarial update procedures were used to project discount from valuation to measurement dates.

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

Salary increases	2.80%
Inflation rate	2.30%
Healthcare cost trend rate	5.50% for 2024 through 2034; 4.50% for 2035 through 2074; and 4.00% for 2075 and later years

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

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

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

<u>Reporting Date</u>	<u>Measurement Date</u>	Fidelity GO AA 20 Years Municipal Index	Discount Rate
June 30, 2024	June 30, 2023	3.86%	3.86%
June 30, 2025	June 30, 2024	3.97%	3.97%

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2025

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

Changes in OPEB Liability

	<u>Net OPEB Liability</u>
Balance at June 30, 2024	\$ 359,446
Changes recognized for the measurement period:	
Service cost	33,280
Interest	15,124
Changes of assumptions	(5,626)
Contributions - employer	<u>(1,848)</u>
Net Changes	<u>40,930</u>
Balance at June 30, 2025	<u><u>\$ 400,376</u></u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.97 percent) or 1-percentage-point higher (4.97 percent) than the current discount rate:

	<u>1% Decrease (2.97%)</u>	<u>Discount Rate (3.97%)</u>	<u>1% Increase (4.97%)</u>
Net OPEB Liability	\$ 455,868	\$ 400,376	\$ 353,869

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2025

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

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

	1% Decrease (4.50% current, 3.00% ultimate, 3.00% Medicare)	Trend Rate (5.50% current, 4.00% ultimate, 4.00% Medicare)	1% Increase (6.50% current, 5.00% ultimate, 5.00% Medicare)
Net OPEB Liability	\$ 340,987	\$ 400,376	\$ 474,735

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

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$24,876. As of the fiscal year ended June 30, 2025, 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	\$ 32,459	\$ 60,390
Changes in assumptions	19,031	76,876
Total	<u>\$ 51,490</u>	<u>\$ 137,266</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
2026	\$ (25,275)
2027	(26,759)
2028	(25,286)
2029	(10,650)
2030	1,352
Thereafter	<u>842</u>
Total	<u>\$ (85,776)</u>

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2025

NOTE 9 – OPERATING LEASES

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

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

	Balance at
	June 30, 2025
Governmental Activities:	
Buildings	\$ 156,224
Less: accumulated amortization	(65,093)
Total	<u>\$ 91,131</u>

Amortization expense for the year ended June 30, 2025 was \$39,056.

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

Fiscal Year	Principal	Interest	Total
<u>Ended June 30</u>	<u> </u>	<u> </u>	<u> </u>
2026	\$ 39,117	\$ 1,683	\$ 40,800
2027	40,006	794	40,800
2028	13,537	63	13,600
Total	<u>\$ 92,660</u>	<u>\$ 2,540</u>	<u>\$ 95,200</u>

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

NOTE 10 – FIDUCIARY BONDED DEBT – NON-DISTRICT DEBT

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

LOS OSOS COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2025

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

Future annual repayment requirements for this debt are as follows:

Fiscal Year Ended June 30	Wastewater Improvement Refunding Bonds		
	Principal	Interest	Total
2026	\$ 705,000	\$ 295,450	\$ 1,000,450
2027	740,000	259,325	999,325
2028	775,000	221,450	996,450
2029	820,000	181,575	1,001,575
2030	860,000	139,575	999,575
2031-2034	3,775,000	244,138	4,019,138
Total	<u>\$ 7,675,000</u>	<u>\$ 1,341,513</u>	<u>\$ 9,016,513</u>

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property loss and damage, errors and omissions, and employee injury. The District carries all its insurance coverage over these risks and also for Workers’ Compensation through the Special Districts Risk Management Authority (SDRMA). This agency is a Joint Powers Authority (JPA) consisting of special districts in the State of California. It is governed by a seven-member Board of Directors. All seven are elected at large from the membership to serve four-year terms. It has about 503 public agencies participating in the Property/Liability program and 423 agencies in its Workers’ Compensation program. SDRMA’s audit report for the fiscal year 2023-24, the latest one available, shows it had Net Position of about \$85.2 million.

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

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Interlocutory Stipulated Judgment

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

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 1, 2025, the date which the financial statements were available to be issued. Based upon this evaluation, it was determined that there were no subsequent events that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**LOS OSOS COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ 2,500	\$ 4,500	\$ 7,418	\$ 2,918
Other revenues	-	-	353	353
Total revenues	2,500	4,500	7,771	3,271
Expenditures:				
Personnel	430,080	432,230	443,059	(10,829)
Clothing and uniforms	200	200	-	200
Contract services	52,654	52,770	50,372	2,398
Financial services	7,500	7,500	6,870	630
Insurance, licenses, and regulatory fees	66,530	67,628	67,293	335
Legal and professional	122,300	106,300	96,790	9,510
Office expenses	19,400	33,785	31,463	2,322
Other expenses	225	225	256	(31)
Rent and utilities	50,174	50,460	49,887	573
Travel and training	4,700	4,500	2,200	2,300
Repairs and maintenance	125	290	347	(57)
Total expenditures	753,888	755,888	748,537	7,351
Excess (Deficiency) of Revenues Over (Under) Expenditures	(751,388)	(751,388)	(740,766)	10,622
Other Financing Sources:				
Transfers in	753,888	753,888	753,887	(1)
Total other financing sources	753,888	753,888	753,887	(1)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,500	2,500	13,121	10,621
Fund balances - beginning	205,315	205,315	205,315	-
Fund balances - ending	<u>\$ 207,815</u>	<u>\$ 207,815</u>	<u>\$ 218,436</u>	<u>\$ 10,621</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
FOR THE YEAR ENDED
JUNE 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 2,893,200	\$ 2,893,200	\$ 3,035,922	\$ 142,722
Special taxes and assessments	700,850	700,850	700,850	-
Services charges and fees	67,134	67,134	87,855	20,721
Use of money and property	80,000	150,000	284,779	134,779
Other revenues	-	-	338	338
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	3,741,184	3,811,184	4,109,744	298,560
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Personnel	304,625	304,625	206,429	98,196
Clothing and uniforms	5,000	5,000	73	4,927
Contract services	11,100	11,600	7,048	4,552
Contract services - Schedule A	2,819,174	2,819,174	2,005,851	813,323
Equipment and tools	130,725	132,925	45,343	87,582
Financial services	60	60	-	60
Insurance, licenses, and regulatory fees	84,950	84,950	82,659	2,291
Legal and professional	24,500	24,500	39,510	(15,010)
Office expenses	11,400	11,400	5,623	5,777
Other expenses	3,000	10,000	8,179	1,821
Rent and utilities	18,705	21,648	21,513	135
Travel and training	1,400	1,400	-	1,400
Repairs and maintenance	33,250	33,250	16,697	16,553
Capital outlay	230,000	181,494	49,271	132,223
Contingency	90,000	90,000	-	90,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,767,889	3,732,026	2,488,196	1,243,830
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,705)	79,158	1,621,548	1,542,390
Other Financing Uses:				
Transfers out	(79,158)	(79,158)	(79,158)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing uses	(79,158)	(79,158)	(79,158)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	(105,863)	-	1,542,390	1,542,390
Fund balances - beginning	5,727,595	5,727,595	5,727,595	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 5,621,732	\$ 5,727,595	\$ 7,269,985	\$ 1,542,390
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**LOS OSOS COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
DRAINAGE FUND
FOR THE YEAR ENDED
JUNE 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 179,706	\$ 179,706	\$ 181,053	\$ 1,347
Special taxes and assessments	95,248	95,248	96,560	1,312
Intergovernmental revenue	-	-	62,636	62,636
Use of money and property	600	12,000	14,649	2,649
Other revenues	-	-	121	121
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	275,554	286,954	355,019	68,065
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Personnel	9,200	9,200	9,583	(383)
Equipment and tools	3,000	3,000	-	3,000
Insurance, licenses, and regulatory fees	10,150	10,150	10,180	(30)
Legal and professional	11,000	11,000	2,192	8,808
Office expenses	1,050	1,050	-	1,050
Other expenses	300	300	-	300
Rent and utilities	4,500	4,500	3,876	624
Repairs and maintenance	4,050	4,050	3,829	221
Vehicle maintenance and repairs	3,000	3,000	2,362	638
Capital outlay	70,000	70,000	53,278	16,722
Debt service:				
Interest and fiscal charges	8,721	8,721	8,803	(82)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	124,971	124,971	94,103	30,868
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues				
Over Expenditures	150,583	161,983	260,916	98,933
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Uses:				
Transfers out	(15,078)	(15,078)	(15,077)	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing uses	(15,078)	(15,078)	(15,077)	1
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	135,505	146,905	245,839	98,934
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - beginning	130,974	130,974	130,974	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - ending	<u>\$ 266,479</u>	<u>\$ 277,879</u>	<u>\$ 376,813</u>	<u>\$ 98,934</u>

LOS OSOS COMMUNITY SERVICES DISTRICT
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
June 30, 2025

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

Last 10 Fiscal years

Measurement Date	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Proportion of the net pension liability	0.00994%	0.01108%	0.01131%	0.01150%	0.01192%
Proportionate share of the net pension liability	682,047	958,726	1,121,683	1,108,225	1,221,783
Covered payroll	619,826	655,035	554,757	557,148	647,852
Proportionate share of the net pension liability as a percentage of its covered payroll	110.04%	146.36%	202.19%	198.91%	188.59%
Plan's total pension liability (\$ in millions)	31,771	33,359	37,161	38,945	41,426
Plan Fiduciary net position (\$ in millions)	24,907	24,706	27,244	29,309	31,179
Plan Fiduciary net position as a percentage of the total pension liability	78.40%	74.06%	73.31%	75.26%	75.26%
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Proportion of the net pension liability	0.01238%	0.01298%	0.01388%	0.01367%	0.01364%
Proportionate share of the net pension liability	1,347,404	702,001	1,603,561	1,705,219	1,654,195
Covered payroll	885,730	791,876	1,081,269	883,525	936,999
Proportionate share of the net pension liability as a percentage of its covered payroll	152.12%	88.65%	148.30%	193.00%	176.54%
Plan's total pension liability (\$ in millions)	43,703	46,175	49,526	52,442	55,321
Plan Fiduciary net position (\$ in millions)	32,823	40,767	37,975	39,967	43,194
Plan Fiduciary net position as a percentage of the total pension liability	75.10%	88.29%	76.68%	76.21%	78.08%

LOS OSOS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2025

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

Last 10 Fiscal Years

Measurement Date	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Actuarially determined contribution	\$ 109,190	\$ 89,855	\$ 97,967	\$ 124,126	\$ 132,010
Contributions in relation to the actuarially determined contribution	<u>109,190</u>	<u>89,855</u>	<u>97,967</u>	<u>124,126</u>	<u>132,010</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 619,826	\$ 655,035	\$ 554,757	\$ 557,148	\$ 647,852
Contributions as a percentage of covered payroll	17.62%	13.72%	17.66%	22.28%	20.38%
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Actuarially determined contribution	\$ 182,935	\$ 212,396	\$ 233,721	\$ 232,092	\$ 266,200
Contributions in relation to the actuarially determined contribution	<u>182,935</u>	<u>212,396</u>	<u>233,721</u>	<u>232,092</u>	<u>266,200</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 885,730	\$ 791,876	\$ 1,081,269	\$ 883,525	\$ 936,999
Contributions as a percentage of covered payroll	20.65%	26.82%	21.62%	26.27%	28.41%

LOS OSOS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

Schedule of Changes in Net OPEB Liability

June 30, 2025

Last 10 Fiscal years*

	2018	2019	2020	2021	2022
Net OPEB liability					
Service cost	\$ 16,079	\$ 16,561	\$ 17,904	\$ 20,634	\$ 30,439
Interest	9,870	10,271	12,311	11,519	10,847
Differences between expected and actual experience	-	-	(24,615)	-	(143,682)
Change in assumptions	-	(22,494)	26,747	38,564	41,751
Benefit payments	(13,190)	(13,120)	(7,433)	(6,872)	(4,698)
Net change in Net OPEB liability	<u>12,759</u>	<u>(8,782)</u>	<u>24,914</u>	<u>63,845</u>	<u>(65,343)</u>
Net OPEB liability - beginning	<u>321,892</u>	<u>334,651</u>	<u>325,869</u>	<u>350,783</u>	<u>414,628</u>
Net OPEB liability - ending	<u>\$ 334,651</u>	<u>\$ 325,869</u>	<u>\$ 350,783</u>	<u>\$ 414,628</u>	<u>\$ 349,285</u>
Covered payroll	\$ 430,762	\$ 567,108	\$ 815,856	\$ 775,403	\$ 809,885
Net OPEB liability as a percentage of covered payroll	77.7%	57.5%	43.0%	53.5%	43.1%
OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Net OPEB liability					
Service cost	\$ 36,498	\$ 34,267	\$ 33,280		
Interest	7,384	12,243	15,124		
Differences between expected and actual experience	-	43,281	-		
Change in assumptions	(92,036)	(26,618)	(5,626)		
Benefit payments	(2,396)	(2,462)	(1,848)		
Net change in Net OPEB liability	<u>(50,550)</u>	<u>60,711</u>	<u>40,930</u>		
Net OPEB liability - beginning	<u>349,285</u>	<u>298,735</u>	<u>359,446</u>		
Net OPEB liability - ending	<u>\$ 298,735</u>	<u>\$ 359,446</u>	<u>\$ 400,376</u>		
Covered payroll	\$ 861,702	\$ 1,056,695	\$ 1,098,184		
Net OPEB liability as a percentage of covered payroll	34.7%	34.0%	36.5%		
OPEB liability	0.00%	0.00%	0.00%		

As of June 30, 2025, 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

**LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	<u>Bayridge</u>	<u>Vista de Oro</u>	<u>Parks and Recreation</u>	<u>Total</u>
Assets				
Cash and investments	\$ 41,205	\$ 2,783	\$ -	\$ 43,988
Restricted cash and investments	-	-	294,917	294,917
Property tax receivable	105	42	-	147
Total Assets	<u>\$ 41,310</u>	<u>\$ 2,825</u>	<u>\$ 294,917</u>	<u>\$ 339,052</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 312	\$ 313	\$ 7,653	\$ 8,278
Total liabilities	<u>312</u>	<u>313</u>	<u>7,653</u>	<u>8,278</u>
Fund Balances				
Restricted	<u>40,998</u>	<u>2,512</u>	<u>287,264</u>	<u>330,774</u>
Total fund balances	<u>40,998</u>	<u>2,512</u>	<u>287,264</u>	<u>330,774</u>
Total Liabilities and Fund Balances	<u>\$ 41,310</u>	<u>\$ 2,825</u>	<u>\$ 294,917</u>	<u>\$ 339,052</u>

LOS OSOS COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2025

	<u>Bayridge</u>	<u>Vista de Oro</u>	<u>Parks and Recreation</u>	<u>Total</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Services charges and fees	9,999	5,999	-	15,998
Use of money and property	958	-	16,191	17,149
Total revenues	<u>10,957</u>	<u>5,999</u>	<u>16,191</u>	<u>33,147</u>
Expenditures:				
Insurance, licenses, and regulatory fees	1,089	702	-	1,791
Legal and professional	-	-	67,992	67,992
Rent and utilities	5,456	2,137	-	7,593
Total expenditures	<u>6,545</u>	<u>2,839</u>	<u>67,992</u>	<u>77,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,412	3,160	(51,801)	(44,229)
Other Financing Uses:				
Transfers out	(1,885)	(1,885)	(3,769)	(7,539)
Total other financing uses	<u>(1,885)</u>	<u>(1,885)</u>	<u>(3,769)</u>	<u>(7,539)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	2,527	1,275	(55,570)	(51,768)
Fund balances - beginning	<u>38,471</u>	<u>1,237</u>	<u>342,834</u>	<u>382,542</u>
Fund balances - ending	<u>\$ 40,998</u>	<u>\$ 2,512</u>	<u>\$ 287,264</u>	<u>\$ 330,774</u>

**OTHER REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

**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, 2025, and the related notes to the financial statements, which collectively comprise the Los Osos Community Services District's basic financial statements and have issued our report thereon dated December 1, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

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

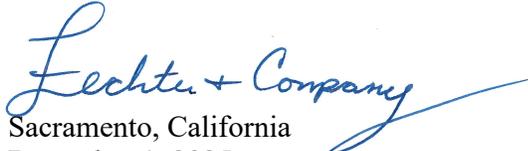
Report on Compliance and Other Matters

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

Purpose of this Report

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

Fechter & Company
Certified Public Accountants


Sacramento, California
December 1, 2025