



Clean Water State Revolving Fund (CWSRF)

Policy

This policy is effective May 6, 2025. This document includes the guidance on applying for financial assistance for the Clean Water State Revolving Fund (CWSRF) and Water Recycling Funding Programs.

The CWSRF Policy consists of a main policy document and appendices. Applicants should also refer to the current [Intended Use Plan](#) for information about the current financing terms and fund availability.

Approvals given under previous versions of the Policy remain valid. If there are any contradictions between previous Policy requirements and current Policy requirements, Division staff will work with applicants to quickly resolve the differences.

[CWSRF Policy without Appendices](#)

[June 1 Updated Credit Appendix Workshop Recording | Workshop Slides](#)

Appendices (Appendices under development will be posted on this site in the near future)

A. [Reserved]

B. [Operating Agreement between the California State Water Resources Control Board and the United States Environmental Protection Agency Region IX for Activities and Functions in Managing the State Water Pollution Control Revolving Fund Program](#)

- [Appendix 1 - Division of Financial Assistance Organization Charts](#)
- [Appendix 2 - Policy for Implementing the CWSRF](#)
- [Appendix 3 - State Laws, Regulations, Opinions, and Agreements](#)
 - [3A - Porter-Cologne Water Quality Control Act as updated](#)
 - [3B - California Water Code: Clean Water State Revolving Fund Implementing Legislation as dated](#)[Opens in New Window](#)
 - [3C - Legal Authority for the Offices of the State Treasurer and the State Controller](#)
 - [3D - Memorandum of Understanding between the State Water Resources Control Board, the State Controller, and the State Treasurer's Office](#)
 - [3E - Attorney General's Opinion Regarding the Authority of the State Water Resources Control Board to Implement the Clean Water State Revolving Fund Program](#)
 - [3F - Attorney General's Certification Concurring with Chief Counsel of the State Water Resources Control Board and Certifying the State Water Resources Control Board is Authorized to Enter the 1989 Grant Agreement](#)
 - [3G - Interagency Agreement between the State Water Resources Control Board and the California Infrastructure and Economic Development Bank](#)
 - [3H - Master Trust Indenture and Master Payment and Pledge Agreement](#)
 - [3I - California Environmental Quality Act as updated](#)

- Appendix 4 - Accounting Office Functional Statement
- Appendix 5 - State Controllers Account Numbers
- Appendix 6 - California Public Records Act Guidelines as updated

C. Sample Match Financing Resolution

D. [Reserved]

E. Application Package for Planning/Design Financing

F. Disbursement Request Instructions

G. Application Package for Project Financing

H. Water Conservation Guidelines

I. State Environmental Review Process

J. Final Budget Approval Form, Submittal Instructions and DBE Compliance Guidelines

K. Sewer System Evaluation Guidelines

L. Post-Issuance Tax Compliance Policy for Tax-Exempt Bond Issues

M. Marketing Plan

N. Credit/Financial Guidelines

O. State and Federal Cross-Cutting Requirements

P. Water or Energy Audit Application | Instructions

Q. Legal Opinion Templates

R. Median Household Income Determination Guidelines

REQUIREMENTS FOR PREPARING THE CLEAN WATER STATE REVOLVING FUND (CWSRF) PLAN OF STUDY FOR PLANNING/DESIGN PROJECTS



Notes about preparing the plan of study: This document provides a required outline and content requirements for preparing a Plan of Study as a part of the CWSRF Planning/Design Application. Not all specific items listed in this paper are required if they are not applicable to a specific project. However, the outline and headings must be followed. Providing as much information as possible will assist in the processing of the application and the optimal identification of possible funding sources.

1. Overview

- Provide applicant name, project area name, and brief summary of the project;
- Describe any communication the applicant has had with the Regional Board regarding the project and/or planning/design application; and
- Describe previous efforts in support of the project and project alternatives, including any previous state or federal funding.

2. System Information

2.1. General

- Provide relevant background information;
- Describe any industrial flows or unique wastewater properties;
- Briefly describe any relevant violations, enforcement actions, and/or other orders from the applicant's Regional Water Quality Control Board (Regional Board) or any other agencies, the status of those violations/orders and explain how the project will address them. Provide an explanation if any outstanding violations and/or enforcement orders will not be addressed by the project; and
- Describe consolidation and regionalization options and considerations, and any efforts made for consolidation/regionalization.

2.2. Collection System (Only applicable if the community has an existing collection system)

- Describe the lift stations, including number, age, condition, etc.;
- Provide the approximate length and age of the collection system pipe, including if any portions are at or near capacity;
- Summarize the results of any inspections or studies (Closed Circuit Television [CCTV], I/I), etc.); and
- Describe any issues with access, easements, or private laterals. Provide details if there are any legal issues that could impact the project.

2.3. Treatment Facilities (Only applicable if the community has existing treatment facilities)

- Provide a general summary of treatment facilities (Process/technologies employed, age, condition, permitted treatment capacity, etc.);
- Describe the current discharge locations and explain if new discharge locations are anticipated;
- Describe any industrial flows or unique wastewater properties; and
- If water is being re-used, describe the relevant requirements.

2.4. Project Area Septic Tanks / Onsite Wastewater Treatment Systems (OWTS) (Only applicable if the project area contains OWTS)

- Provide a general summary of the OWTS in the project area, including general conditions, number of OWTS to be evaluated for local treatment or connection to an existing or new wastewater treatment system;
- Describe community engagement, surveys of residents, feasibility, homeowner's willingness to pay rates, and/or previous efforts to implement the proposed project; and
- Describe existing wastewater treatment systems near the project area. Include distances from project area to the existing collection systems, treatment facilities, and the treatment/conveyance capacity of those systems.

3. Project Information

3.1. Project Details

- Provide an in-depth explanation of the project purpose.
 - Explain any water quality or public health problems that will be addressed;
 - Provide details if the project is a result of enforcement orders or violations; and
 - Provide the reasons for upgrades/replacement/rehabilitation.
- Describe previous project related work performed, including funding/work with state or federal agencies, technical assistance providers, or other non-profit organizations (examples include application assistance, income survey, rate studies, etc.);
- Describe any studies that have been performed related to the project, such as feasibility studies, environmental reviews, in-depth technical analysis, etc.;
- If there is an urgency to complete the project, explain the targeted timeframe and factors affecting project timeline;
- Explain any geographic, demographic, political, industrial, or environmental considerations that could affect the project;
- Describe possible land acquisition / easement documents that may be required; and
- If the project is a septic-to-sewer project, provide a brief analysis of project alternatives including connecting to an existing sewer system, local treatment, and septic replacement, if feasible.

3.2. Scope of Work

Prepare a write-up explaining the project tasks and deliverables. List each task to be performed and provide a brief description of the work. **Clearly identify deliverables for each task.** Identify any tasks that will be completed with another funding source, such as with a Technical Assistance grant.

The Scope of Work should include items needed to apply for construction funding:

- Project Administration;
- CWSRF Planning Application;
- Project Report;
- Plans and Specifications;
- Environmental Documents;
- Fiscal Sustainability Plan; and
- CWSRF Construction Application (General, Technical, Financial, and Environmental Packages) with all associated attachments. The applicant will be required to submit a Draft Financial Package (audited financials, budget projections, debt docs, etc.) for review.

Additional tasks that may be applicable include, but are not limited to:

- Inflow & Infiltration (I&I) Study;
- Closed-Circuit Television (CCTV) Study;
- Rate Study/Proposition 218 Documentation;
- Debt Management Policy;
- Income Survey;
- Public Outreach;
- Memorandum of Understanding or Consolidation Agreement (for septic-to-sewer projects connecting to an existing system);
- Land acquisition / easements documents;
- Formation of Assessment Districts;
- Assistance with financial documents and fiscal controls; and
- Mapping/surveying.

If there are questions regarding what should be included in the Scope of Work, please work with the Division of Financial Assistance Project Manager.

3.3. Schedule and Budget

Proposed Eligible Work Start Date*: [Insert here]

*Eligible Work Start Date means the date after which any eligible costs incurred for this planning project would be reimbursable under a financing agreement. The financing agreement will establish the Eligible Work Start Date—any costs incurred prior to execution of the agreement are at the applicant’s own risk per the CWSRF Policy.

Table 1. Budget and Schedule

Task	Cost	Estimated Start	Estimated Draft Submittal	Estimated Final Submittal
Project Administration		N/A	N/A	N/A
CWSRF Planning Application		N/A	N/A	N/A
Project Report				
Plans and Specifications			N/A	
Environmental Documentation				
Fiscal Sustainability Plan				
CWSRF Construction Application General Package			N/A	
CWSRF Construction Application Technical Package			N/A	
CWSRF Construction Application Environmental Package			N/A	
CWSRF Construction Application Financial Security Package			N/A	
... add additional rows as necessary				
Total		N/A	N/A	N/A

Note: All durations are based on elapsed months following an executed agreement. Work on Plans and Specifications and Environmental Documents must not begin until after Division approval of the Draft Project Report.



STATE WATER RESOURCES CONTROL BOARD
 Division of Financial Assistance
 P. O. Box 944212, Sacramento, CA 94244-2120



Clean Water State Revolving Fund (CWSRF) Program Potential CWSRF Planning/Design **Flags** Worksheet

To avoid potential delays later in the application process, review the list of questions and statements and place a check (✓) beside each question or statement where the answer is “yes”.

Please discuss any potential flags or uncertainty with DFA staff at the earliest opportunity to identify issues up front that may require supplementary information or additional review time.

Applicant (Entity) Name:

Project Title:

Contact Person:

Email:

✓ if Yes	<u>LEGAL</u> Question / Statement
	1. Is there doubt about whether your governing statutes allow you to finance your project through the CWSRF?
	2. Is there existing or pending litigation regarding the source of repayment or implementation of the project?
	3. Are there any existing or pending inquiries or investigations of your agency by outside entities, for example, the Grand Jury?
	4. Was there a significant level of protests during the most recent rate setting process?
	5. Is there an existing or pending rate rollback initiative on an upcoming ballot, or are there any efforts within the community to initiate a rate rollback? Have rates been rolled back in the past due to a voter initiative?
	6. Has there been or is there currently significant disagreement within the community about the project?
	7. Will the project involve a public-private partnership?
	8. Are you a small community or a dependent special district with limited financing experience?
	9. Are you a State agency, a Native American Tribe, or a non-governmental entity?
	10. Are you a Joint Powers Authority or are there agreements with other entities related to the project?



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	11. Do you need to purchase or otherwise obtain legal access rights to the project property for the term of the financing to implement the project?
	12. Do you expect to use eminent domain so that you can implement your projects?
	13. Do you have any concerns regarding your ability to comply with the Exhibit C Standard Terms and Conditions used for all DFA funding agreements? Terms and conditions: https://www.waterboards.ca.gov/water_issues/programs/grants_loans/general_terms.html

✓ if Yes	<u>TECHNICAL</u> Question / Statement
	1. Do you anticipate that the plans & specifications will be completed before receiving an executed planning financing agreement?
	2. Is this a septic-to-sewer project or a regionalization project, or will the project be a joint effort with other agencies?
	3. Is your project a non-point source or estuary project?
	4. Is your project a recycled water project?

✓ if Yes	<u>ENVIRONMENTAL</u> Question / Statement
	1. Are the environmental documents already prepared or in the process of being prepared for the potential construction project?
	2. Is it anticipated that the Lead Agency for the potential construction project will be an agency other than the Applicant?
	3. Do you anticipate any controversy related to the environmental aspect of the project or potential CEQA document(s)?



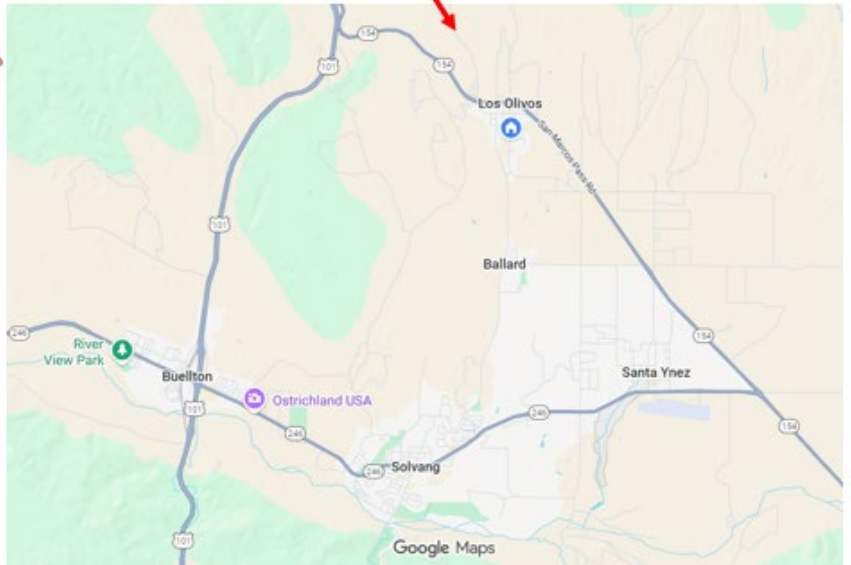
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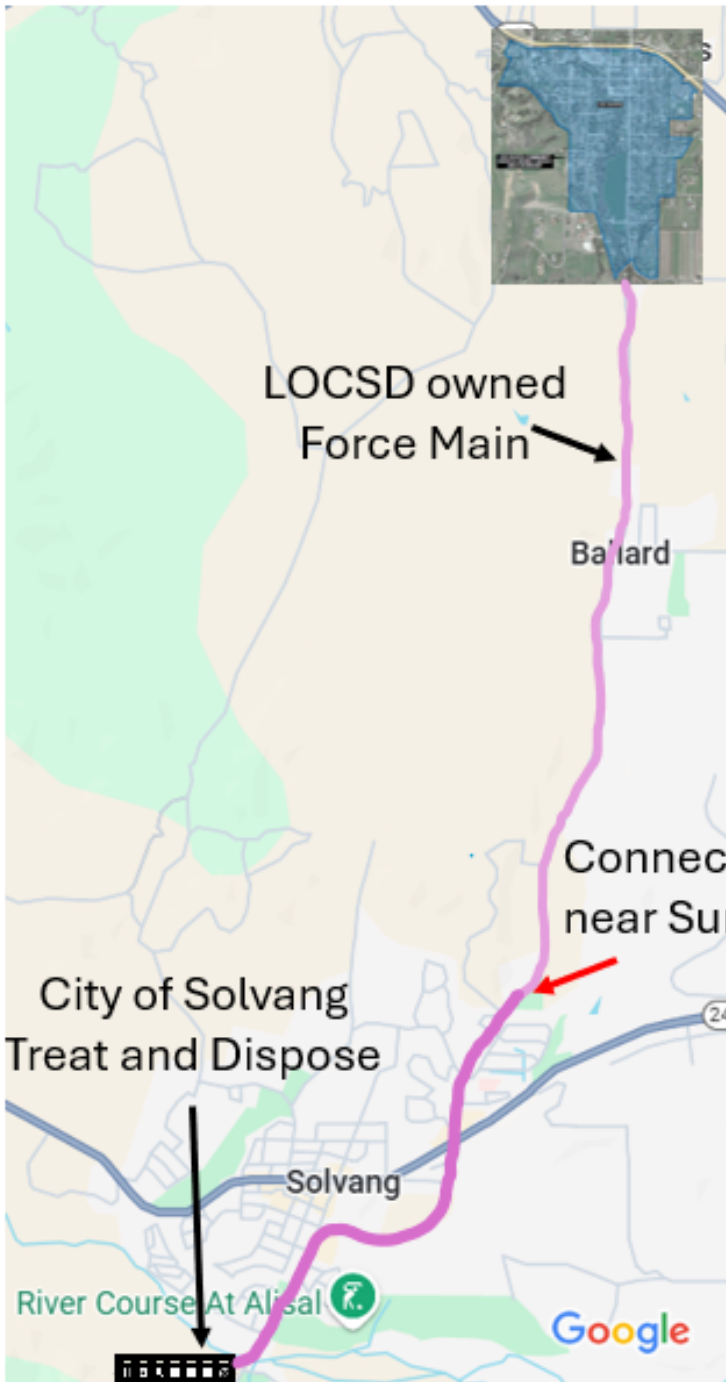
✓ if Yes or True	FINANCIAL Question / Statement
	1. Are you planning to pledge a repayment source other than Net Revenues of your Wastewater Enterprise Fund?
	2. Are your annual revenues currently insufficient to cover annual expenses?
	3. Will you be requesting approval of your CWSRF financing before rates, assessments, or other charges used to support repayment are adopted?
	4. Are you missing any portion of the necessary Project funding aside from what is being sought as part of this application? Please enter "N/A" in the box if no additional funding sources are necessary.
	5. Have you ever failed to make timely and sufficient payments on existing loans within the past 10 years? If none, please enter "N/A" in the box.
	6. Do you have outstanding fines or penalties due to non-compliance with a permit or order?
	7. Do you have existing debt that relies on the same source of revenue as the source you plan to pledge for repayment of the CWSRF financing?
	8. Do your existing debt covenants affect your ability to incur new parity debt, and/or are non-compliant with existing debt covenants?
	9. Will the Project be co-funded with funding other than the Clean Water State Revolving Fund?
	10. Was the last rate study completed over five years ago?
	11. Have you had a prior material event such as a bankruptcy, default, unscheduled draw on reserve funds, substitution of insurers on their failure to perform, or unscheduled draw on a credit enhancement in the preceding 10 years?
	12. Are you subject to a lien on any portion of the system property?
	13. If you are a government entity, do you have a local debt limit?
	14. Have you taken actions in anticipation of the sale of significant system assets?
	15. Have you taken actions in anticipation of restructuring, dissolution or filing of bankruptcy protection?
	16. Have you had a ratings downgrade within the last 12 months?
	17. Are you in compliance with the Generally Accepted Accounting Principles (GAAP), as issued by the Governmental Accounting Standards Board (GASB) or its successor?
	18. Have you received audit findings in the last three years?



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CERTIFICATION AND SIGNATURE OF AUTHORIZED REPRESENTATIVE	
To the best of my knowledge and belief, I certify that the information provided in this Worksheet is true and correct.	
Name of Authorized Representative: _____	Title: _____
Signature of Authorized Representative: <u>Gayle S. Garcia</u>	Date: _____

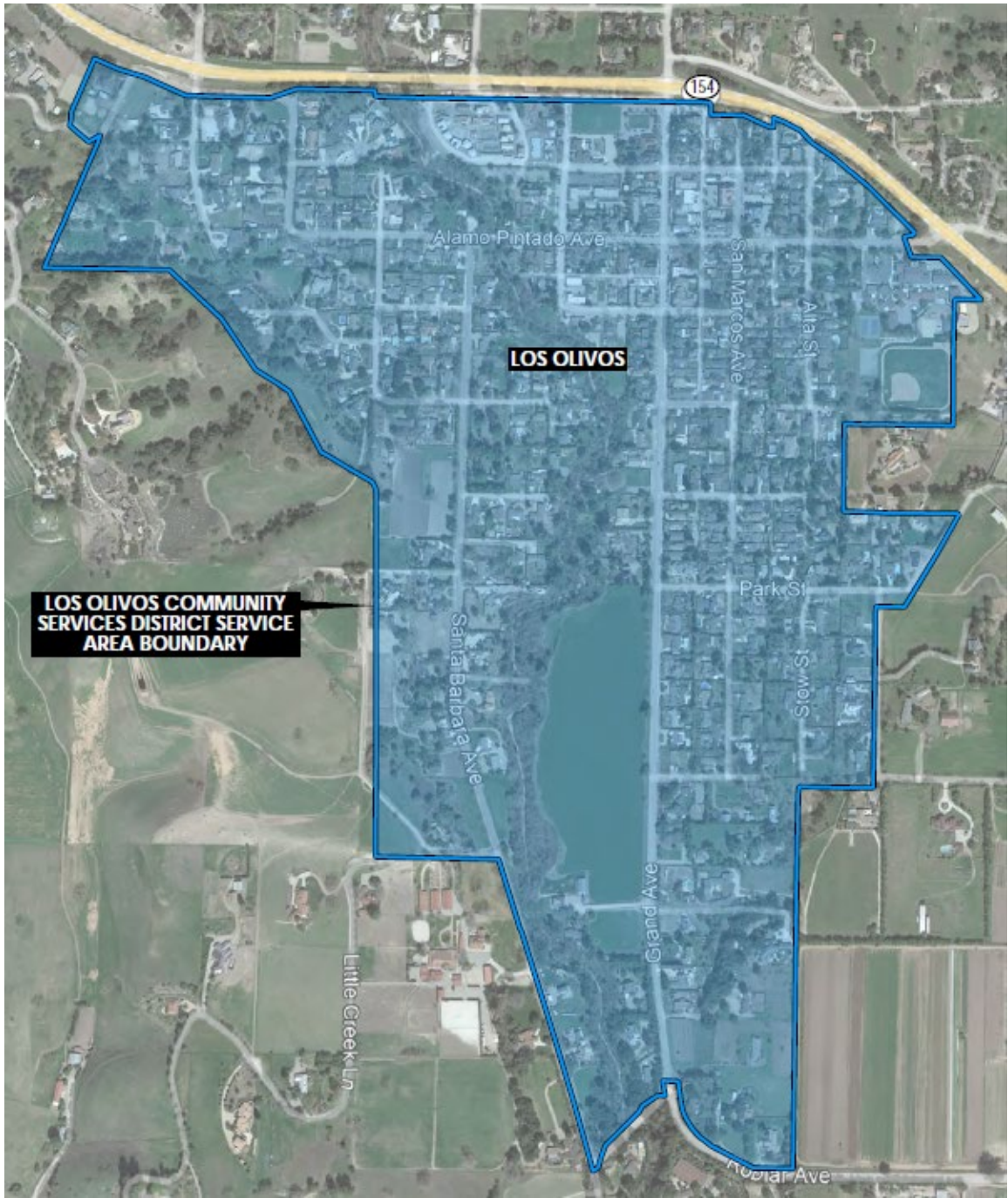


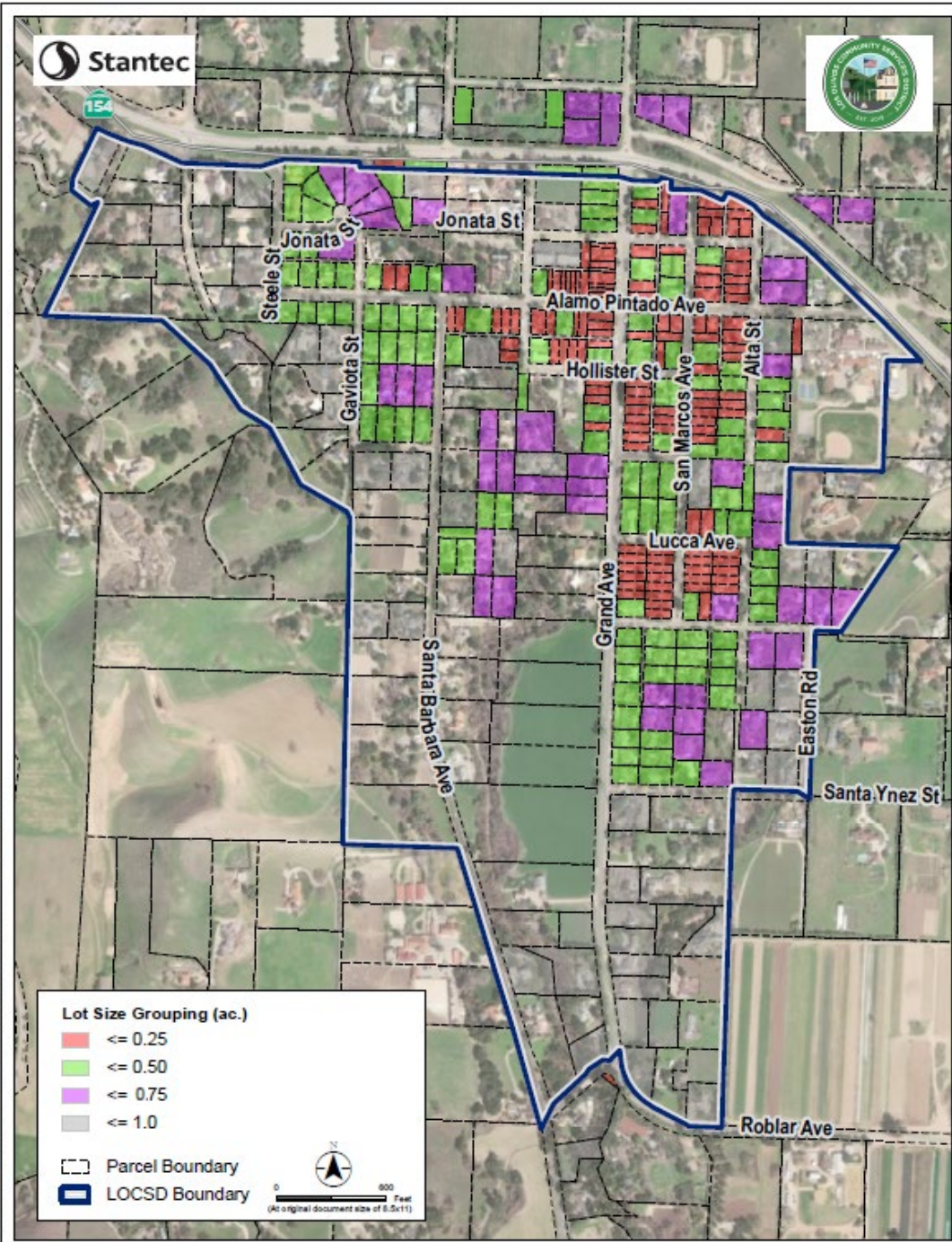


Collect using gravity fed, effluent, or both

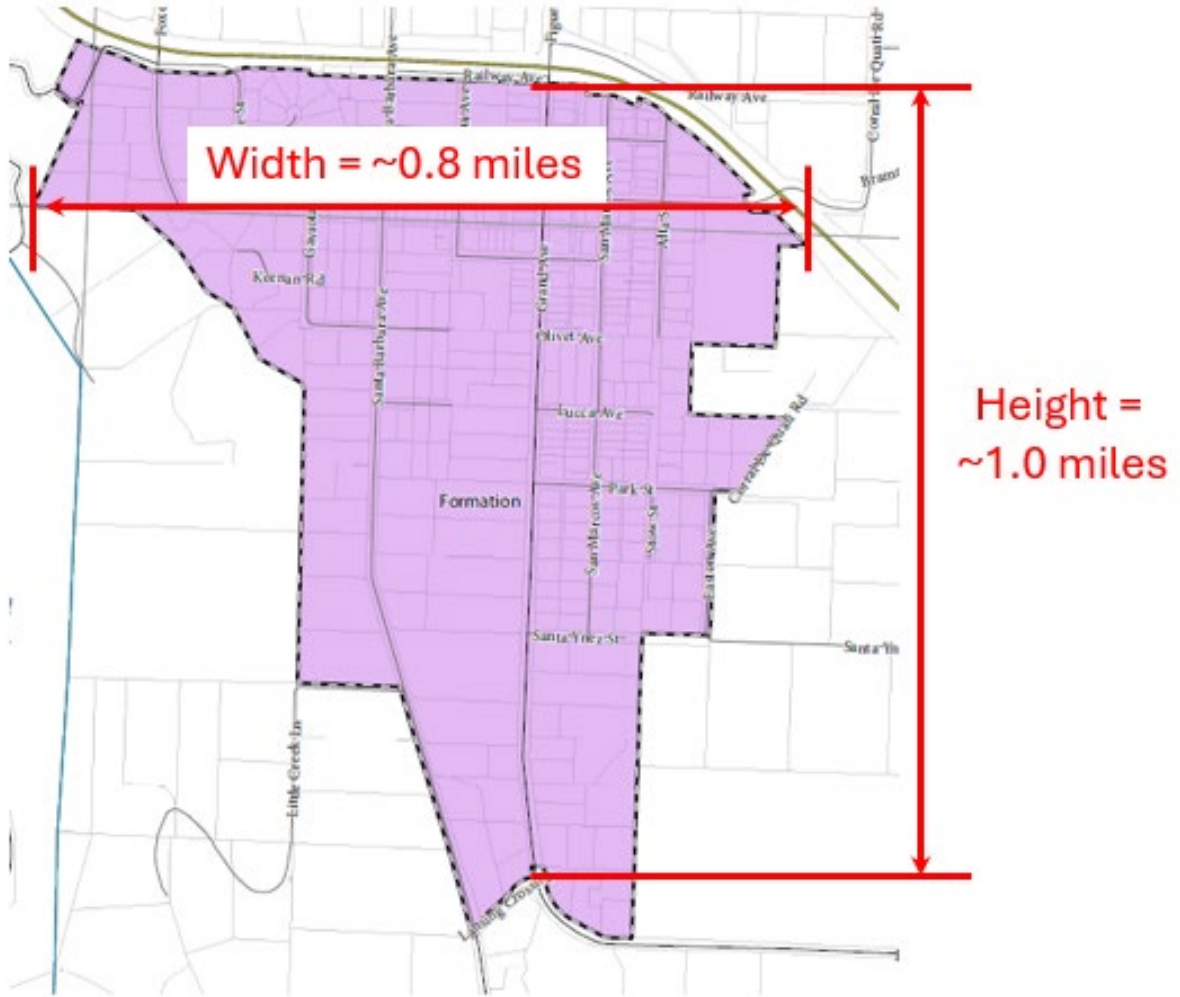
City of Solvang Treat and Dispose

Connect to City of Solvang near Sunny Field Park





Los Olivos Community Services District Lot Sizes



RESOLUTION NO. 25-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS OLIVOS COMMUNITY SERVICES DISTRICT ADOPTING A PROJECT DESCRIPTION FOR THE LOS OLIVOS COMMUNITY WASTEWATER PROJECT, AND DECLARING INTENT TO BEGIN, CONSISTENT WITH THE ADOPTED PROJECT DESCRIPTION, SPECIAL STUDIES, THE ENVIRONMENTAL PROCESS, PURSUIT OF GRANT AND LOAN FUNDING AND THE PROPOSITION 218 PROCESS

WHEREAS, the Los Olivos Community Services District ("District") is authorized and empowered to collect, treat, or dispose of sewage, wastewater, recycled water, and storm water, per Government Code section 61110(b); and

WHEREAS, the District Board of Directors has a charge to seek public input and provide transparency and cooperative decision making with the community; and

WHEREAS, the District Board of Directors has directed, conducted and presented a series of Public Workshops with the purpose of describing project options, developing cost estimates, obtaining public input, and identifying a Project Description; and

WHEREAS, Public input was received, considered and substantially influenced the development of this Project Description; and

WHEREAS, the District has also worked in a partnership relationship with the Central Coast Regional Water Quality Control Board and the County of Santa Barbara to affirm their agreement and cooperation with the general approach as described in the Project Description; and

WHEREAS, the District has drafted the Project Description consistent with and input from the property owners and citizens of the District, community surrounding the District, the City of Solvang, the Central Coast Regional Water Quality Control Board and the County of Santa Barbara.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Los Olivos Community Service District, as follows:

1. The above recitals are true and correct;
2. The Board of Directors hereby repeals any and all prior Resolutions which adopted any project description, including Resolution 19-04;
3. The Project Description as attached hereto is hereby adopted;
4. The Board of Directors does declare the intent, based upon this Project Description, to begin special studies, the environmental process, pursuit of grant and loan funding, the proposition 218 process and to initiate all other tasks associated with Project planning, development, implementation, and funding, all to be consistent with

the Project Description; and

5. The Board of Directors authorizes and directs the General Manager, its Technical Committee, as well as other committees or subcommittees that may be formed, and individual Directors as tasks are assigned, to implement this Project consistent with the Project Description.

I **HEREBY CERTIFY** that the foregoing Resolution was passed and adopted by the Board of Directors of the Los Olivos Community Services District at a regularly scheduled meeting held on the 11th day of June 2025, by the following vote:

AYES: Directors Kennedy, Palmer, Fayram, Parks, Nelson

NOES: None

ABSENT: None

ABSTAIN: None

ATTEST:



GUY SAVAGE, General Manager

LOS OLIVOS COMMUNITY SERVICES DISTRICT

By: 
JULIE KENNEDY, Board President

APPROVED AS TO FORM:

By: 
MARTIN KOCZANOWICZ, District Counsel

I, Guy W. Savage, Board Secretary of the Los Olivos Community Services, Santa Barbara County, California, DO **HEREBY CERTIFY** that the foregoing is a true and accurate copy of the Resolution passed and adopted by the Board of Directors of the Los Olivos Community Services District on the date and by the vote indicated herein.

ATTACHMENT "1"

**Los Olivos Community Wastewater System
Project Description**



June 11, 2025

Los Olivos Community Services District Wastewater System Project Description

OUR PURPOSE

The Los Olivos Community Services District (District) was formed by voters in 2018 to help ensure local control over the planning, development, construction, and operation of the infrastructure necessary to collect, treat, and dispose of wastewater generated within the boundaries of the Los Olivos Community Services District, an unincorporated community in the County of Santa Barbara.

PROJECT GOAL

The purpose of the Los Olivos Wastewater System Project (Project) is to implement an economically viable wastewater treatment and reclamation solution or solutions for property owners and businesses within the District that meets public health needs and the regulatory requirements of the Central Coast Regional Water Quality Board and County of Santa Barbara Public Health Department - Environment Health Services.

The Project is comprised of the following distinct components:

1. A collection system consisting of gravity fed, effluent, or a mix of gravity fed and effluent collection for properties within the boundaries of the Los Olivos Community Services District;
2. A force main and related infrastructure, to be used solely by the District, that connects the District collection system to the City of Solvang sewer main;
3. Completion of Environmental Review and associated documentation for the Project;
4. Connection to the City of Solvang sewer main for the treatment and disposal of District wastewater, including any necessary upgrades to City infrastructure;
5. Working with officials from the County of Santa Barbara, Central Coast Regional Waste Quality Control Board, State of California, and U.S. Government to ensure planning and regulatory requirements are met and to seek financial assistance for the Project; and
6. Performing financial outreach to secure other available grants and other assistance for the development, design, environmental review, construction and on-going operation of the Project.

General Approach

The District's Project will be developed, designed and environmentally reviewed in its entirety. Construction and on-going operations may occur in phases. Should phasing be used, the downtown core, including all commercially zoned parcels, shall be included in the initial phase. An area to the south of the downtown core, along San Marcos Avenue and north of Olivet Avenue, is known to contain small lots and should be considered for inclusion in any initial phase. Other areas for consideration in an initial or early phase are the small lots along San Marcos Avenue north of Park Street and other small lots within one block of the downtown core. In addition, where a segment of the community collection system passes any side of a parcel, such parcels should be considered for inclusion in the phase being then constructed.

The District intends to seek grant funding to the maximum extent possible to defray the costs of constructing and operating the Project. Where grant funds are insufficient to cover costs, parcel owners will be responsible for a fair-share cost. The District acknowledges that grants may drive construction timing and phasing.

The District recognizes that grants may be available to individual lower-income parcel owners, households on a fixed income, or for reasons not applicable to the majority of parcel owners (e.g. specific veteran's benefits). While the District will attempt to help these individual parcel owners obtain grant funding related to their unique circumstance, the responsibility for these unique grants will remain with the recipient property owner.

Community Collection System

The community collection system serves as "backbone" of the Project. The community collection system will consist of underground sewer pipes strategically placed under community streets and alleys to allow for the closest and most economically feasible connection for most parcels in the District.

The community collection system will include a subsurface wastewater collection structure consisting of pipelines and lift stations. The community collection system will be installed in the most cost-effective manner feasible. Where possible, the collection system will be installed using lateral boring, as opposed to open cut trenching, to minimize community impacts to the extent possible.

Structures will be connected to the District-owned community collection system via privately installed, owned, and maintained laterals. Unless effluent systems are used, certain laterals may be successfully connected with gravity flow while some may require small private grinder pumps to move the sewage into the collection system. District participation in lateral, grinder pump and septic abandonment or reuse costs will depend on grant and funding sources. Property owners will be responsible for the installation, replacement, and regular maintenance of components installed on their property. The District will perform an inspection at the point of the lateral connection to the community collection system.

Should individual parcels use effluent systems for the initial solids separation and pressurization of wastewater flows, the District will provide a standardized tank system, where required, for initial construction. If such collection system is used, it is expected that some properties may be able to reuse their existing septic tank as opposed to replacing it with a new effluent tank. Effluent system maintenance shall include an annual inspection of effluent system components by a District authorized individual or contractor, and periodic pumping of solids from the effluent system tank. Where possible, the District will establish "master contracts" that individual property owners can leverage for their effluent system management and maintenance needs. The master contracts will include allowances for power outage or other emergency pumping, urgent part replacement due to system failure, as well as regular maintenance of systems.

Existing septic systems and leach fields will be abandoned as required by State laws and local codes.

Connecting to the City of Solvang sewer system will require a pipeline to be installed between the District and the City of Solvang. Preliminary designs are based on a force main (pressurized line) travelling underground along Alamo Pintado Road from the southern tip of the District to an existing manhole near Sunny Field Park. The pipeline will be sized to meet the wastewater flow requirements of the District and will not include capacity for wastewater flow needs of parcels outside the District. Additionally, the City of Solvang has identified a small number of segments of their existing infrastructure that will need to be replaced to accommodate LOCSD flows. The District will financially participate in these upgrades.

Treatment and Disposal Facilities

The District is proposing to connect to the City of Solvang's sewer main for transmission to the Wastewater Treatment Plant (WTP) for treatment and disposal of wastewater. The resulting collaboration will result in a further consolidation of wastewater treatment within the Santa Ynez Valley. The existing City of Solvang WTP has the capacity to process the District's wastewater. The District anticipates a contract similar to those that currently exist between the City of Solvang and the Santa Ynez Community Services District (SYCSD) for treatment and disposal of wastewater. The contract between the City of Solvang and the District will be based on the wastewater flows of District parcels and will not include "excess" capacity for parcels outside the District.

The District anticipates that should it use effluent system collection, the City of Solvang will be able to reduce the treatment costs (i.e. when compared to those charged to the SYCSD), as no solids would be transmitted to the City.

Because the City of Solvang's WTP processes up to 1,500,000 gallons of waste per day, it falls under the jurisdiction of the Central Coast Regional Wastewater Quality Control Board, as the lead regulating agency. Where possible and economically feasible, the District will advocate for the use of reclaimed water from the City's WTP to be used by customers or for other groundwater basin beneficial uses.

Operations and Maintenance

The community collection system is anticipated to be operated and maintained initially by contract system operators. The City of Solvang will operate and maintain its own WTP. System costs will be shared in an equitable manner by those connected to and benefitting from District infrastructure. The District will review and consider established formulas for this participation that may include zoning, parcel size, water use, fixture unit counts and other factors.

District parcels not connected to the District infrastructure will be subject to the County of Santa Barbara's Local Agency Management Plan (LAMP) and will contribute to the cost of management, inspection and enforcement of the LAMP and related operating costs of the District.

Ongoing monitoring and reporting of the Project will occur in accordance with operating requirements as specified by the Central Coast Regional Water Quality Control Board and the County of Santa Barbara.

Construction Implementation and Timing

Construction will generally consist of the following phases:

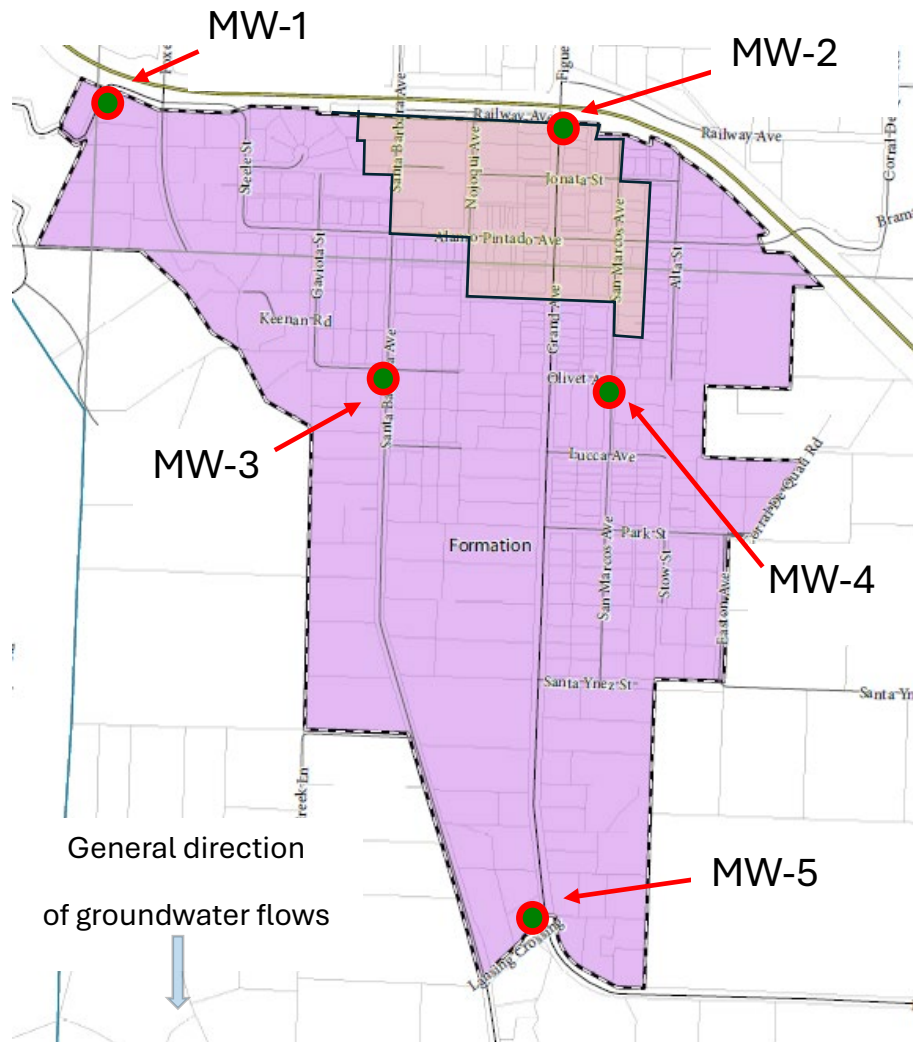
1. Detailed design, planning, budgeting, and environmental review.
2. Assessment engineering – a process wherein the proportional special benefit conferred by each parcel is determined.
3. Proposition 218 (property owner) vote.
4. Final Design, including preparation of final plans, specifications and cost estimates.
5. Advertising and bidding of the various components. The District will procure professional and construction services in accordance with the applicable State laws.
6. Construction of the community collection system, including the force main to the City of Solvang and upgrades to City infrastructure. As noted above, District construction will start with the downtown core parcels. Construction in the downtown core and along Grand, Alamo Pintado, and Santa Barbara Avenues will be expedited in such a manner to limit the impacts to the users of those main transportation arteries.
7. Connection to the City of Solvang's wastewater treatment infrastructure.
8. Service lateral connection. Connections will be coordinated with and completed in conjunction with sewer backbone installation and connection to the City of Solvang's WTP.
9. System operation and maintenance.

Some of the steps shown above may occur concurrently. For example, assessment engineering may be concurrent with detailed design and environmental review activities.

Project timing will be affected by many factors, including obtaining grants and other funding, environmental processes, and actual construction. Lateral connections are anticipated to require significant property owner participation and cooperation.

The District anticipates a minimum of three years to design, review, permit, finance and construct the Project. The timeline includes property owner voting process. Per early studies completed in cooperation with the City of Solvang, the District will not connect to the City's WTP until after City's current WTP project is completed. That project is targeted for completion in late 2028.

Groundwater Monitoring Well Infrastructure and Test Results



Nitrate Concentrations					
Well	Nov 2022	March 2024	May 2024	Nov 2024	May 2025
MW-1	2.6	2.5	2.2	2.5	2.2
MW-2	10	11	9.9	12	12
MW-3		6.3	6.1	6.2	5.9
MW-4		11	14	13	9.9
MW-5		4.5	4.7	4.9	4.3
Maximum Contaminate Level (MCL) allowed is 10					
Groundwater Basin Plan target is 1					

Water Depths (feet below ground surface)					
Well	Nov 2022	Mar 2024	May 2024	Nov 2024	May 2025
MW-1			26.08	26.78	24.75
MW-2			31.89	27.13	24.4
MW-3			17.73	14.05	11.78
MW-4	Not Measured	Not Measured	20.72	17	15.4
MW-5			10.08	8.08	5.28

Central Coast Regional Water Quality Control Board

April 3, 2025

Guy Savage, General Manager
Los Olivos Community Services District
P.O. Box 345
Los Olivos, CA 93441
Email: gm.locsd@gmail.com

Sent Via Electronic Mail

Dear Guy Savage:

LOS OLIVOS COMMUNITY SERVICES DISTRICT (CSD); ACTIONS THE CENTRAL COAST WATER BOARD COULD TAKE IN RESPONSE TO A 'NO PROJECT' SEWER PROJECT DECISION BY THE CSD

California law requires the California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) to regulate waste discharges (including those from onsite wastewater treatment systems or OWTS) to ensure long-term water quality protection. The Central Coast Water Board has direct regulatory authority over individual septic systems and community wastewater systems in the Central Coast Region. Throughout the past several decades, the Central Coast Water Board has supported and continues to support Santa Barbara County's and the Los Olivos Community Services District's efforts to replace OWTS with some form of a community wastewater treatment and disposal system or connection to an existing collection and treatment system for the Los Olivos community. The Central Coast Water Board has worked with similar communities where the size and density of individual septic systems, also known as OWTS, can no longer handle the load of increasing wastewater demands. In these cases, helping communities transition to community wastewater systems is a high priority for the Central Coast Water Board.

You posed a question to the Central Coast Water Board in an email dated February 13, 2025, asking how the Central Coast Water Board would respond to a 'No Project' decision made by the Los Olivos CSD for a Los Olivos community sewer system or connection to an existing collection and treatment system. The Central Coast Water Board encourages the CSD to be proactive and not take a 'No Project' path. As explained most recently in letters to the CSD on February 14, 2017,¹ and September 23, 2022,² it is the Central Coast Water Board's position that OWTS must be phased out in Los Olivos and that a community collection, treatment, and disposal system or

¹ <https://geotracker.waterboards.ca.gov/?surl=kq3v5>

² <https://geotracker.waterboards.ca.gov/?surl=cbbpds>

connection to an existing collection and treatment system is required for water quality protection.

In response to your February 13, 2025 email, this letter presents regulatory options that the Central Coast Water Board could impose if a 'No Project' decision was to be made. We have identified a variety of possible regulatory options. Continued use of individual OWTS is not protective of water quality and must be discontinued. If the Los Olivos CSD pursues a 'No Project' option, the Central Coast Water Board could:

- 1) Designate groundwater in the Los Olivos area as impaired by OWTS and require that San Barbara County develop and implement an advanced groundwater management plan, as described by the county's Local Agency Management Program (LAMP). This would shift responsibility to the county to develop a plan to replace OWTS with another type of wastewater service.
- 2) Develop, implement, and enforce a prohibition on discharges of waste from individual OWTS. This could prompt actions by a government agency, such as the county or the CSD, to develop a plan to replace OWTS with another type of wastewater service. A prohibition could also provide the Central Coast Water Board with the option to hold individual property owners responsible to comply with the prohibition if a government agency does not successfully implement an alternative. Follow-up enforcement actions that the Central Coast Water Board could take for failure to comply with the prohibition include:
 - a. Issuance of cease and desist orders to each property owner.
 - b. Issuance of cleanup and abatement orders to each property owner.
 - c. Imposition of monetary penalties on each property owner.
- 3) Designate all OWTS within the Los Olivos community as Tier 4 as described in the state's OWTS policy.³ This would trigger requirements that OWTS owners upgrade their systems.

Please note that this is just a list of regulatory tools available to the Central Coast Water Board to address the water quality issues in the Los Olivos CSD area. By identifying the regulatory options set forth above, the Central Coast Water Board is not committing to implementing any one or all of those options.

In conclusion, continued use of OWTS in Los Olivos will lead to increasingly degraded water quality. A community alternative is required by existing laws and regulations. The CSD must push an alternative forward. The Central Coast Water Board is ready to assist the community and the CSD, preferably with grant funding and technical assistance. If there is no change, and the CSD does nothing to correct the threat to water quality, the Central Coast Water Board may use its regulatory authority against

³ https://www.waterboards.ca.gov/water_issues/programs/owts/

the CSD, the county, and even individuals as a last resort to protect water quality within its jurisdiction.

If you have any questions regarding this letter, please contact Harvey Packard at (805) 542-4639 or by email at harvey.packard@waterboards.ca.gov or Jennifer Epp at jennifer.epp@waterboards.ca.gov.

Sincerely,

Ryan E. Lodge
Executive Officer

cc:

Julie Kennedy, Los Olivos CSD President,
julie.kennedy.locsd@gmail.com

Lars Seifert, Santa Barbara County, Deputy Director of Operations,
lars.seifert@sbcphd.org

Jason Johnston, Santa Barbara County, Environmental Health Services Director,
jjohnston@sbcphd.org

Supervisor Joan Hartmann, Third District, Santa Barbara County Board of Supervisors,
jHartmann@countyofsb.org

Mike Prater, Executive Officer, Santa Barbara County Local Agency Formation
Commission, lafco@sblafco.org

WDR Program, RB3-WDR@Waterboards.ca.gov GeoTracker

**PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE LOS OLIVOS COMMUNITY SERVICES DISTRICT
AND
WALLACE GROUP**

This agreement is made and entered into, effective October 8, 2025 between the LOS OLIVOS COMMUNITY SERVICES DISTRICT, a California special district (“District” or “LOCSD”), and WALLACE GROUP, a California corporation, (“Consultant”).

RECITALS

WHEREAS, the District approved Resolution 25-01 on June 11, 2025; and

WHEREAS, the District desires to contract with Consultant for certain professional engineering services necessary for the creation of 90% design and cost documents that detail design, development and cost estimation for a collection system within the District and a force main conveyance pipeline between the District and the City of Solvang’s Waste Water Treatment Infrastructure and Plant (“WWTP”) at a point of connection identified near the City of Solvang’s community park known as Sunny Field Park. Such contracted effort shall be known as the “Project” or “90% Design and Cost Estimating”; and

WHEREAS, the Consultant was selected through a competitive process which sought qualified consultants through an open and public Request for Proposal (RFP) process, which began on or about June 25, 2025; and

WHEREAS, the District seeks to understand the near final design, impacts and costs of completing a community collection system within the District to consist of gravity fed collection, effluent system collection, or a mix of the two; and

WHEREAS, the District seeks to understand the near final design, impacts, and costs of a pipeline which will convey wastewater generated from within the District’s legal boundaries to the City of Solvang’s WWTP through the use of a sewage lift station(s), sewer force main, and equalization tank(s); and

WHEREAS, the City of Solvang is not a direct participant in this agreement but has agreed to allow the District and Consultant to investigate, study, and develop engineering approaches to allow for the District to connect to the City’s WWTP; and

WHEREAS, Consultant has previously provided professional and engineering services related to collection, treatment, and/or disposal of wastewater; and

WHEREAS, Consultant represents that it has the licenses, qualifications and technical skills, experience and expertise to perform these services for the District.

NOW THEREFORE, based on the terms and conditions herein, the parties agree as follows:

1. Scope of Services

Consultant shall perform the professional services required to complete the Project for the District as described in the Scope of Work attached as Exhibit “B” and incorporated by reference herein.

All work and services by Consultant shall be performed in a diligent and customarily accepted professional manner.

Consultant represents, and District relies on such representation, that its work and services shall be performed, within the limits prescribed by the District, in a manner consistent with the level of care and skill ordinarily exercised by environmental, planning, and engineering professionals under similar circumstances at the time its services are performed. No other representation, express or implied, is included or intended by Consultant’s Proposal, this Agreement, or any reports or documents prepared herewithin.

Consultant agrees to undertake the discrete tasks outlined in Exhibit “B” only upon consultation with and authorization from the District’s General Manager .

As further described on Exhibit “B”, Consultant’s Services include, but are not limited to:

1. Participation in meetings to include: (a) a kick-off meeting and site walk with District representatives (b) monthly status and progress meetings to report progress, exchange technical information, resolve technical issues, and engage in general coordination and communications activities with the District’s General Manager, Engineer, and Technical Subcommittee, (c) in-person attendance at no less than one District Board of Director’s meeting prior to finalizing the Project and related documentation. Note unless otherwise stipulated, such meetings may be held via remote telecommunications technologies such as Zoom or Microsoft Teams and be subject to the Brown Act.
2. Performing a review of applicable District, City of Solvang, County of Santa Barbara, State of California, and Federal documents for the purpose of completing the Project and making recommendations, including any applicable value engineering, related to the collection of wastewater within the District and transportation of wastewater from the District to the City

of Solvang. The review expressly includes all documentation provided as part of LOCSD Request for Proposal 2501 which includes basis of design and 30% design documents generated by Stantec Consulting and REGEN Engineering.

3. Developing a 90% Design Package of design drawings, plans, and specifications for (1) a gravity fed collection system within the District, (2) an effluent system collection system within the District, (3) a force main conveyance system between the District and the City of Solvang.
 - a) The 90% Design Package will be based on the findings and results of previous design engineering tasks completed by Stantec Consulting and REGEN Engineering.
 - i. When evaluating effluent systems, Consultant will prepare a list of recommendations regarding ownership of effluent system components and a list of property easement considerations.
 - b) In developing the 90% Design Package, Consultant will prepare and submit plans and specifications at an approximate completion level of 90%. The 90% Design Package will be a complete project package, with all design drawings, details, and specifications completed.
 - c) Specifications included in the 90% Design Package will include required or proposed construction sequencing and constraints, general criteria, installation requirements and testing procedures, and listing of proposed bid item breakdown.
 - d) The 90% Design Package plans will include civil, architectural, mechanical, electrical, landscape, instrumentation, details and controls, as necessary.
 - e) All plans shall include any necessary construction specific mitigation measures to comply with identified project environmental constraints as well as regulatory agency requirements where applicable.
 - f) All plans shall document completed work to identify areas for value engineering of designs, optimization of collection and conveyance systems, and examination of the number and location of lift stations and equalization tanks.
4. Developing a budgetary opinion of probable construction costs related to the Project to expressly include (1) gravity collection system costs, (2) effluent system collection costs, and (3) District to City of Solvang WWTP conveyance system costs. Budgetary opinion shall be inclusive of necessary right-of-way acquisition costs.

5. Completing project closeout activities which includes providing electronic copies of all final documents, designs, drawings, and spreadsheets used to complete the Project.

2. Term of Contract

Unless otherwise earlier terminated as specified in Section 9, this Agreement shall commence on the date set forth above and shall expire at completion of the Project no later than April 15, 2027. Consultant shall complete all work in accordance with the timelines set forth in the Proposal, unless both the District and Consultant agree, in writing, to an extension. Any such extension to the Term of Contract shall specify a date by which all work shall be completed.

3. Force Majeure

The time period(s) specified in the Schedule of Performance for performance of the services rendered pursuant to this Agreement will be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Consultant, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, pandemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the District, if the Consultant shall, within ten (10) days of the commencement of such delay, notify the District's Project Manager in writing of the causes of the delay. The Project Manager shall ascertain the facts and the extent of delay and extend the time for performing the services for the period of the enforced delay when and if, in the judgment of the Project Manager, such delay is justified. The Project Manager's determination is final. In no event will Consultant be entitled to recover damages against the District for any delay in the performance of this Agreement, however caused; Consultant's sole remedy being extension of the Agreement pursuant to this Section.

4. Independent Consultant Relationship

- a. It is expressly understood between the parties that no employee/employer relationship is intended, the relationship of Consultant to District being that of an independent Consultant. District shall not be required to make any payroll deductions or provide Workers' Compensation Insurance coverage or health benefits to Consultant.
- b. Consultant is solely responsible for selecting the means, methods and procedures for performing its services hereunder as assigned by the District and for coordinating all portions of the work so the results will be in accordance with the terms and conditions of this Agreement. Consultant will supply all tools and instruments required to perform its services under this Agreement.

- c. Pursuant to this Agreement, Consultant is rendering professional services only and any payments made to it are compensation solely for such services as it may render and recommendations it may make in the performance of services.

5. Compliance with Laws

Consultant will be solely responsible for giving all notices and complying with any and all applicable laws, ordinances, rules, regulations and lawful orders of any public authority relating to Consultant's work, including but not limited to those relating to prevailing wage, copyright, trademark or other intellectual property matters.

6. Environmental Laws.

Consultant shall comply with all applicable environmental laws, ordinances, codes and regulations of Federal, State, and local governments. Consultant shall also comply with all applicable mandatory standards and policies relating to energy efficiency.

7. Acknowledgment of Relationship

- a. Consultant agrees that all dealings of the parties under this Agreement shall be confidential, and writings, reports, data, information or communication developed, prepared or assembled by Consultant under this Agreement, or any information made available to Consultant by District, shall not be revealed, disseminated or made available by Consultant to any person or entity other than District without the prior written consent of District, unless otherwise required by subpoena or applicable law.
- b. The Parties acknowledge that the City of Solvang is an indirect party to this agreement. The City of Solvang has no direct financial interests related to the execution of this contract nor is the City of Solvang in any manner responsible for payment to Consultant for services rendered under this contract. City of Solvang representative(s) may attend any meetings held between the Parties.
- c. The Parties agree that confidentiality, as specified in paragraph 8.a above, does not include the City of Solvang and its representatives. Any and all information gathered, developed, prepared, or assembled by Consultant may be shared with City of Solvang and its representatives, with notice of such request and response provided to the District.

8. Payment to Consultant

- a. District shall pay Consultant monthly in proportion to the services performed plus reimbursable expenses and charges for any additional services within thirty (30) days after receipt of Consultant's invoices in a form approved by District's, with the exception of any disputed amounts which shall be withheld until resolution of the dispute. Payment terms are further described on Exhibit "C".

Total Project Cost not to Exceed: Phase 1: \$474,581 (Four Hundred Seventy-Four Thousand, Five Hundred and Eighty-one dollars) and Phase 2: \$1,485,435 (One Million, Four Hundred Eighty-Five Thousand, Four Hundred and Thirty-five dollars).

- b. No payment made under this Agreement shall be conclusive evidence of Consultant's performance of the Agreement, either wholly or in part, and no payment shall be construed to be an acceptance of Consultant's work.

9. Assistance by District

District agrees to provide the Consultant with any available information of relevance to Consultant's work, including all data and documents pertaining to the Project. District pledges to work cooperatively with Consultant and render all reasonable assistance toward completion of Consultant's work.

The District's Project Manager shall be General Manager, Guy Savage.

10. Ownership of Documentation

All maps, designs, data, spreadsheets, reports and other documentation (other than Consultant's drafts, notes and internal memoranda), whether physically produced or electronic, including duplication of same prepared by Consultant in the performance of these services, shall become the property of the District upon full payment of all monies owed to Consultant and shall be retained by the Consultant for a period of three (3) years after completion of the Project. If requested by the District, all, or the designated portions of such documentation, shall be delivered to the District.

District agrees to hold Consultant harmless from all damages, claims, expenses, and losses arising out of any non-Consultant reuse of plans, specifications, drawings, maps, models, electronic files, and other documents for purposes other than those described in this Agreement, unless written authorization of Consultant is first obtained.

11. Termination of Contract

Consultant specifically acknowledges and agrees that the District may at any time during the term of this Agreement terminate Consultant's services with or without cause, and without penalty, at the completion of any phase of Consultant's services as set forth in Exhibit "B" and upon thirty (30) days' written notice to Consultant. Any termination or any special instructions hereunder from District shall be made in writing. In the event this Agreement is terminated, and upon full payment of all monies owed to Consultant, all data, specifications, documents and information generated by Consultant, including in electronic form, in connection with the Project shall be delivered to District and may be used by District. Copies of these materials may be retained by Consultant.

Upon termination, Consultant shall be compensated only for those Services which have been rendered to District, and Consultant shall be entitled to no further compensation. If the Agreement is terminated by Consultant without cause, Consultant shall reimburse District for additional costs to be incurred by District in obtaining the work from another consultant.

12. Indemnification and Hold Harmless; Insurance Requirements

a. Indemnity for Professional Liability. When the law establishes a professional standard of care for Consultant's services, to the fullest extent permitted by law, Consultant shall indemnify and hold harmless (but not defend) District and its officers, and employees, agents (the "District's Parties") from and against any and all losses, liabilities, damages, costs and expenses, including reimbursement of reasonable attorneys' fees and costs to the extent same are caused by any negligent or wrongful act, error or omission of Consultant, its officers, agents, employees of sub-consultants (or any entity or individual for which Consultant shall bear legal liability) in the performance of professional services under this Agreement as provided to the District based upon a proportionate percentage of fault as adjudicated by a court of competent jurisdiction.

Consultant has no obligation to pay for any of the indemnitees' defense related costs prior to a final determination of liability or to pay any amount that exceeds Consultant's finally determined percentage of liability based upon the comparative fault of Consultant.

Nothing contained in the indemnity provisions shall be construed to require Consultant to indemnify District, against any responsibility of liability in contravention of Civil Code 2782 and 2782.8

b. Indemnity for Other Than Professional Liability. Other than in the performance of professional services and to the full extent permitted by law, Consultant shall indemnify, and hold harmless (but not defend) District

and District's Parties from and against any liability (including liability for claims, suits, actions, losses, expenses or costs, including reasonable attorneys' fees and costs, court costs, defense costs and expert witness fees), to the extent caused by, the negligent performance of this Agreement by Consultant or by any individual or entity for which Consultant is legally liable, including but not limited to officers, agents, employees or sub-consultants of Consultant.

c. Submission of insurance certificates or other proof of coverage shall not relieve Consultant from liability under this indemnification and hold harmless provisions. These provisions shall survive the termination of this Agreement and shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

d. Prior to the commencement of the Project, Consultant shall provide District with proof of the types and amounts of insurance described on Exhibit "A".

13. No Assignment

This Agreement is a personal services contract and work hereunder shall not be delegated or assigned by Consultant to any person or entity without the advance written consent of District. Consultant shall not employ any sub-consultants for its work.

14. Examination of Records

Consultant agrees that District shall have access to and the right to examine at any reasonable time and on reasonable notice Consultant's documents, papers and records, including accounting records, relating to or involving this Agreement. Notwithstanding the foregoing, District's right to inspect, copy and audit shall not extend to the composition of Consultant's rates and fees, percentage mark ups or multipliers but shall apply only to their application to the applicable units.

15. Notice

All notices or other official correspondence relating to contractual matters between the parties shall be made by depositing the same as first-class, postage paid mail addressed as follows:

To Consultant:

Kari Wagner
Wallace Group
612 Clarion Court
San Luis Obispo, CA 93401

To District:

LOS OLIVOS COMMUNITY SERVICES DISTRICT
Attn: General Manager
PO Box 345
Los Olivos, CA 93441

or such other address as either party may designate hereinafter in writing delivered to the other party. All notices shall be agreed to have been received three (3) days after mailing.

16. No Waiver

No failure or delay by District in asserting any of District's rights and remedies as to any default of Consultant shall operate as a waiver of the default, of any subsequent or other default by Consultant, or of any of District's rights or remedies. No such delay shall deprive District of its right to institute and maintain any actions or proceeding which may be necessary to protect, assert or enforce any rights or remedies arising out of this Agreement or the performance of this Agreement.

17. Partial Invalidity

If any term, covenant, condition, or provision of this Agreement is found by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect, and shall in no way be affected, impaired, or invalidated thereby.

18. Terms

No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties. No oral understanding or agreement not incorporated herein shall be binding on any of the parties.

19. Incorporation of Recitals

The foregoing recitals are incorporated herein as though fully set forth.

20. California Law

This Agreement shall be interpreted and construed pursuant to the laws of the State of California. Any dispute between the parties shall be filed and heard in a court of competent jurisdiction in the County of Santa Barbara, State of California.

21. Additional Provisions

Consultant agrees that no full-time employee of District shall be employed by its firm during the period that this Agreement is in effect.

22. Nondiscrimination

Consultant agrees that he will abide by all applicable federal, state, and local laws, rules and regulations concerning nondiscrimination and equal opportunity in contracting. Such laws include, but are not limited to, the following; Title VII of the Civil Rights Act of 1964 as amended; the Americans with Disabilities Act of 1990; the California Fair Employment and Housing Act; and California Labor Code sections 1101 and 1102. Consultant shall not discriminate against any employee, sub-consultant, or officer of the District because of race, age, color, ancestry, religion, sex/gender, sexual orientation or identification, mental disability, physical disability, national origin, political beliefs, organizational affiliation, or marital status in the selection for training, hiring, contracting, utilization, or other forms of compensation. Consultant shall not discriminate in providing the services under this Agreement because of age, race, color, national origin, ancestry, religion, sex/gender, sexual orientation or identification, mental disability, physical disability, medical condition, political beliefs, organizational affiliations, marital status, or other category protected under the law. If District finds that any of these provisions have been willfully violated, such violation shall constitute a material breach of Agreement upon which District may determine to cancel, terminate, or suspend this Agreement. In addition to an independent finding by District of such violation, a finding by the State of California or by the United States of a violation shall constitute a finding by District of such violation.

23. Attorneys' Fees.

If either party to this Agreement is required to initiate or defend or made a party to any action or proceeding in any way connected with this Agreement, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, shall be entitled to reasonable attorneys' fees, whether or not the matter proceeds to judgment, and to all other reasonable costs for investigating such action, taking depositions and discovery, including all other necessary costs the court allows which are incurred in such litigation.

24. Conflict of Interest.

Consultant warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Agreement. Consultant shall comply with all conflict of interest laws and regulations.

25. Interpretation.

The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply.

26. Corporate Authority.

The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which said party is bound.

27. Limitation of Liability

The total amount of all claims District may have against Consultant under this Agreement or arising from the performance or non-performance of the Services under any theory of law, including but not limited to claims for negligence, negligent misrepresentation and breach of contract, shall be strictly limited to the greater of the fees or \$2,000,000. As District’s sole and exclusive remedy under this Agreement any claim, demand or suit shall be direct and/or asserted only against Consultant and not against any of Consultant’s employees, officers or directors.

Neither District nor Consultant shall be liable to the other or shall make any claim for any incidental, indirect, or consequential damages arising out of or connected to this Agreement or the performance of the services on this Project. This mutual waiver includes, but is not limited to, damages related to loss of use, loss of profits, loss of income, unrealized energy savings, diminution of property value or loss of reimbursement or credits from governmental or other agencies.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

DISTRICT:
LOS OLIVOS COMMUNITY SERVICES DISTRICT

By: _____
Julie Kennedy, President
Los Olivos Community Services District

ATTEST:

Guy Savage, General Manager

CONSULTANT:
WALLACE GROUP

By: _____
Kari Wagner
Senior Vice President/Principal

By: _____
Brad Brechwald,
CEO/Principal in Charge

EXHIBIT “A”

**LOS OLIVOS COMMUNITY SERVICES DISTRICT
INSURANCE REQUIREMENTS**

Consultant shall procure and maintain for the duration of the Agreement (and thereafter as specified herein) insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by Consultant, his agents, representatives, employees or sub-consultants.

MINIMUM SCOPE OF INSURANCE

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence form CG 00 01).
2. Insurance Services Office form number CA 00 01 covering Automobile Liability, Code 1 (any auto).
3. Workers’ Compensation insurance as required by the State of California and Employer’s Liability Insurance.

MINIMUM LIMITS OF INSURANCE

Consultant shall maintain limits no less than:

1. General Liability (Including operations, products and completed operations, as applicable): \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
3. Employer’s Liability: \$1,000,000 per accident for bodily injury or disease.
4. Errors and Omissions Liability: A policy of professional liability insurance in an amount not less than \$2,000,000 per occurrence.

5. Consultants Pollution Liability: N/A
6. Asbestos Pollution Liability: N/A

DEDUCTIBLES AND SELF-INSURED RETENTION

Any deductibles or self-insured retentions must be declared to and approved by the District. At the option of the District, either (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the District and its directors, officers, employees, agents and volunteers (collectively "District Parties"), or (2) Consultant shall provide a financial guarantee satisfactory to the District guaranteeing payment of losses and related investigations, claim administration and defense expenses.

OTHER INSURANCE PROVISIONS`

The commercial general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The District and District Parties are to be covered as insureds as respects: liability arising out of work or operations performed by or on behalf of the Architect; or automobiles owned, leased, hired or borrowed by Consultant.
2. For any claims related to this Agreement, Consultant's insurance coverage shall be primary insurance as respects the District and District Parties. Any insurance or self-insurance maintained by the District and District Parties shall be excess of the Consultant's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days prior written notice has been provided to the District.

If General Liability, Consultants Pollution Liability and/or Asbestos Pollution Liability and/or Errors & Omissions coverage's are written on a claims-made form:

1. The retroactive date must be shown and must be before the date of this Agreement or the beginning of work on the Project.
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years, if commercially available, after completion of the contract of the Project. District shall be notified in writing, should Consultant decide that such coverage is not commercially available and have the opportunity to contest such determination.

If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the Agreement effective date, Consultant must purchase an extended period coverage, if commercially available, for a minimum of five (5) years after completion of the Project. District shall be notified in writing, should Consultant decide that such coverage is not commercially available and have the opportunity to contest such determination.

3. A copy of the claims reporting requirements must be submitted to the District for review.

ACCEPTABILITY OF INSURERS

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII, unless otherwise acceptable to the District. Exception may be made for the State Compensation Insurance Fund when not specifically rated.

VERIFICATION OF COVERAGE

Consultant shall furnish the District with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms provided by the District, or on other than the District's forms provided those endorsements conform to District requirements and are acceptable to the District. All certificates and endorsements are to be received and approved by the District before work commences. However, failure to do so shall not operate as a waiver of these insurance requirements. The District reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

SUB-CONSULTANTS

Consultant shall include all sub-consultants as insureds under its policies or shall furnish separate certificates and endorsements for each sub-consultant. All coverages for sub-consultant shall be subject to all of the requirements stated herein.

END OF PAGE

EXHIBIT "B"
SCOPE OF WORK

SCOPE OF SERVICES

TASK 1: PROJECT MANAGEMENT AND MEETINGS

Task 1.1 Project Management

This task includes day-to-day coordination of project activities, including scheduling and budget controls, staffing needs and coordination, District coordination, monthly status updates and reporting, and other related project management activities. This effort is based on the schedule duration of sixteen months based on the schedule provided.

Task 1.2 Kick-off Meeting

We will coordinate and attend an in-person kick-off meeting with key Wallace Group and District representatives, and other stakeholders recommended by the District. We will prepare the meeting agenda and minutes for this meeting as well as a list of documents. This meeting will focus on the project objectives, scope of services, schedule, deliverables, and other components of the project so that the project direction is well defined. We request that any items that may be of importance for the completion of the project be provided to Wallace Group at the time of the kick-off meeting or before.

Following the meeting, we will tour the community and forcemain route and discuss various constraints or concerns the District may want to highlight. It is anticipated that this meeting will take 8 hours including travel time.

Task 1.3 Project Meetings

We will attend and prepare agendas and meeting minutes for the project meetings. This task includes preparing responses to comments received during deliverable review meetings. Internal coordination meetings are also included. Where possible, monthly progress meetings will be scheduled in concurrence with milestone deliverable meetings. We will also schedule a meeting with the County of San Luis Obispo to discuss lessons learned from the Los Osos CSD septic to sewer conversion.

- Monthly progress meetings – 12 budgeted (3 WG Staff, 1 hour, virtual)
- 30% Design Submittal (3 WG Staff, 2 hours, in-person)
- 60% Design Submittal (3 WG Staff, 2 hours, in-person)
- 90% Design Submittal (3 WG Staff, 2 hours, in-person)
- Coordination meeting with County of San Luis Obispo for Lessons Learned

Task 1.4 Board Meetings

We will attend one (1) Board meeting following completion of the 30% submittal and one (1) Board meeting following completion of the 90% submittal. We will prepare a PowerPoint presentation for both Board meetings.

Wallace Group is able to attend additional Board meetings or special committee meetings upon request on a Time & Materials basis.

Task 1.5 QA/QC

Wallace Group will provide in-house quality assurance and quality control (QA/QC) at each milestone deliverable stage. At each milestone, there is a comprehensive QA/QC review of project research, data, calculations, and report by senior or principal engineers within our firm. Our Construction Management Team will provide a constructability review prior to the 90% submittal.

Task 1 Deliverables:

- Meeting Agendas (PDF)
- Meeting Minutes (PDF)

TASK 2: PROJECT REPORT AND PRELIMINARY DESIGN (30%)

Task 2.1 Project Report

A Basis of Design (BOD) Report has already been prepared for the project which discusses flow rates, design standards and other critical aspects of the project. Wallace Group will review the BOD and provide a Peer Review or concurrence of the report.

Wallace Group will prepare an addendum to the BOD that will evaluate project alternatives (gravity, STEP, hybrid), identify required permits, environmental and design work, schedule, and budget (construction budget and life cycle costs).

The project alternatives will describe proposed facilities including lift station and pipeline design elements, pumps, pipeline alignment, diameter and material, electrical supply and capacity, and other key design elements. The project report will evaluate the routing/alignment, review and identify easement and right of way issues for temporary construction access and permanent/long-term access rights, review hydraulic conditions, recommend valving and other appurtenances, pipeline material selection, Engineer's opinion of probable construction cost estimate, and a life cycle cost analysis.

The engineer's opinion of probable cost and life cycle cost analysis will include, but will not be limited to:

- Project Costs
 - Design
 - Permitting and environmental
 - Easements/acquisitions (temporary and permanent)
 - Administrative
 - LAFCO and Prop 218
 - Alternative option construction
 - Cost share for upgrades to City of Solvang sewer collection system or WWTP (if any)
- Life Cycle Costs (for District)
 - Operations and maintenance for entire system
 - Electrical costs
 - Staffing needs (identify licensure requirements)
 - Debt service
 - Capital Improvement program
 - Reserve account

- Regulatory permitting
- Life Cycle Costs (for Property Owners)
 - Conversion costs
 - Maintenance costs
 - Electrical costs
 - Replacement costs

Development of the Project will require coordination with the District and City of Solvang staff to establish design criteria, standards, permit requirements, capacity, and other aspects of the Project. We will review the District's design standards related to sanitary sewerage facilities, and will develop criteria to be used for the utility design, including:

- Force main average and maximum velocities (ideally velocity should remain at or below 4 ft/s to minimize hydraulic transient conditions).
- Force main service pressure ranges, recommended pipe material and pressure class
- Appurtenances including A&Vs, blowoffs, isolation valves
- Hydraulic grade line
- Proposed pipeline alignments

A 20-year life cycle cost will be included as part of the financial analysis.

The evaluation will utilize existing data already provided including survey, geotechnical, and environmental investigation. These investigations will identify the primary constraints regarding access and easement issues, geotechnical considerations, permitting, and biological and/or cultural resources under the project alternatives and help to inform the 30% preliminary design. No additional investigations are to be included as part of this task.

The comparative analysis between the project alternatives will be performed based on life cycle costs, survey/access, geotechnical, environmental, and other constraints. We will submit this report to the District for review and approval. The project will advance to Task 3 upon approval of the report and subsequent authorization by the District.

A draft project report will be submitted to the District for review and comment prior to completion of the final project report. We will review and respond to the comments received on the draft project report and issue responses to comments in tabular format to the District.

Task 2.2 Preliminary Design

We will prepare two preliminary design alternatives. Alternative 1 will be a gravity system Preliminary Design (30%) prepared by Stantec with some suggested modifications to reduce depth of the sewer where possible. Alternative 2 will be a hybrid gravity/STEP system. The Preliminary Design will also include two lift station designs and consideration of an equalization basin. The preliminary design will include facility and equipment sizing, siting, and alignments of proposed force mains to determine requirements for easements and environmental review, as required. The plans will include horizontal plan view layouts and preliminary profiles (existing utilities not shown in profiles) and will not include grading/drainage design, detail sheets, traffic control, and erosion and sediment control. The plan view will be designed at 1"=40'. Based on the 30% plan set prepared by Stantec, we anticipate up to 120 sheets for the collection system (two alternatives), and up to 30 sheets for the sewer forcemain, lift stations (2), and

equalization tank. No topographic survey is included under this task. It is assumed that Stantec's survey is adequate and complete. This submittal will not include General Notes, Abbreviations, Legend, Survey sheets, temporary erosion and sediment control, traffic control, electrical, structural, or details.

Task 2 Deliverables:

- Draft Project Report and Preliminary Design (PDF format)
- Final Project Report and Preliminary Design (PDF format)

TASK 3: FIELD INVESTIGATIONS

Task 3.1 Survey

We will provide surveying services in support of the design for this project. It will be broken into four elements: Mapping verification, septic tank location, miscellaneous collection system support, and lift station/force main mapping.

We anticipate approaching the mapping of the collection system area and the force main route differently.

For the collection system area, much mapping has been completed to date and is the basis and background of the Los Olivos Community Services District Septic to Sewer Project 30% Submittal completed by Stantec. It would be our goal to preserve and use as much of the existing completed mapping as possible. To do so, we have assumed that liabilities related to the Stantec mapping will remain between the Owner and Stantec. We will use the mapping and update it where we are aware of locations it is out of date, or quality deficient, as those areas come to our attention during the design process and our own quality assessment of the existing mapping. For budgeting purposes, we have included two field days for mapping verification and 64 hours of associated mapping updates and CAD drawing file modifications to fit with our CAD standards. We have assumed an additional 17 working days to locate all 372 septic tanks and associated office time to map the locations of the septic tanks. This assumes the District or other company has already located the septic tanks and provided access. Additional time may be required if our survey crew is required to uncover buried septic tank lid or locate the tanks. We have also assumed an additional three field days and 70 hours for more focused updates driven by the design and engineering team.

Together with the review and incorporation of existing mapping, another critical element of augmentation to the existing mapping is the documentation and investigation of existing record survey monuments and control stations. Based on our review of the 30% Stantec design document, this has not been completed and will need to be. We will review County of Santa Barbara record maps and include augmenting the existing mapping with the locations that monuments are found to exist based on this research. This information will be incorporated in the design and construction documents, so that the appropriate steps can be taken by the Owner and the Contractor to comply with California State law addressing monument perpetuation, Business and Professions Code §8771. This includes, for budgeting purposes, researching, locating, measuring and documenting on the base map approximately 120 record monument locations.

It is our understanding that mapping has not yet been completed for the proposed sanitary

sewer force main alignment. We propose to capture this mapping using a combination of aerial and field survey techniques. This includes an approximate 50 feet wide strip along approximately 18,000 feet of Alamo Pintada Road, from the intersection with Creekside Drive in the south to Santa Barbara Avenue in the north. Aerial mapping will be completed at a scale of 1" = 20' and at a one-foot contour interval showing such features as edges of pavement; road striping; driveways; dirt roads; utility poles and above and at grade utility structures, fences, buildings, vegetation and other items according to standard practice. The aerial mapping will be augmented by field survey to locate in greater detail and accuracy the significant features therein, and including locating overhead wires; utility markings, placards, and paint; drainage and sewer structures and the invert and pipe size of storm drain culverts and other items according to standard practice for mapping in support of an underground utility design project.

We will locate sufficient monuments to plot the best fit record boundary and right-of-way lines of the properties and roads within the force main mapping limits. The collected information of this task will be compiled in a Civil 3d, 2024, or newer file and serve as the base layer for design and engineering. Coordination with the engineering design team is included. For budgeting purposes, we have assumed:

1. That traffic control will not be needed as part of this scope of work
2. Ordering title reports will not be required or they will be provided by the client and review or easement plotting will be additional and addressed through a contract amendment.
3. That sufficient monuments exist, no material discrepancies will be discovered, and that filing a Record of Survey or Corner Record will not be required, including in the event that a Record of Survey is required according to Section 8762 of the California Business and Professions Code (BPC) or rehabilitating of controlling monuments used as part of this survey is required due to their condition being less than permanent and durable and other requirements specified by Section 8771.6 of the BPC. However, if as a part of the survey for this project, a Record of Survey or Corner Record is required or existing monuments are found and determined to need re-establishment to comply with state law the client agrees to authorize additional scope and budget to satisfy these requirements.

Task 3.1 Deliverables:

- AutoCAD Civil 3d survey base file (AutoCAD 2024 DWG format)

Task 3.2 Geotechnical Investigation

During the project design phase, we will include the performance of a preliminary site geotechnical investigation to be performed by Earth System Pacific (ESP) to evaluate subsurface conditions. Based on the field investigation, ESP will provide recommendations for site preparation, trench, and pavement repair, pavement structural sections, trenching and excavation, backfill, horizontal directional drilling, slabs, foundations, infiltration, and groundwater mitigation where needed.

The quantity, location, and depth of borings to be completed will be determined following the completion of Task 2. We have included an estimated budget of \$250,000 to support the design of the project.

Task 3.2 Deliverables:

- Geotechnical Report (PDF)

Task 3.3 Potholing

Wallace Group assumes that there may be some level of potholing needed during the design phase. Wallace Group will assess the need for potholing and provide a recommendation for existing utilities that may need potholing to confirm if any conflicts may impact design. Wallace Group has budgeted \$50,000 for coordination and \$250,000 for potholing field services.

TASK 4: PLANS AND SPECIFICATIONS

Upon approval from the District of the preferred design alternative, the project team will develop 90% design documents including plans and an engineer's opinion of probable construction cost for the project. Note, specifications will not be developed at this time. This task will lay out the basis for the subsequent environmental and permitting review.

The following subtasks are included:

Task 4.1 60% Design Documents

This deliverable will include a 60% plan set and engineer's opinion of probable cost for the chosen alternative. The plan view will be designed at 1"=40'. Based on the 30% plan set prepared by Stantec, we anticipate up to 65 sheets for the collection system and details, and up to 40 sheets for the sewer forcemain, lift stations (2), equalization tank, and details. The plans will include lateral stub outs to property line for all properties. Design of sewer laterals on private property is not included.

The following additional sheets will be included:

- Title sheet
- General Notes, Abbreviations, Legend

Please note, the following sheets will not be provided in the 60% or 90% design. These sheets will be provided in the final design package:

- Survey Sheets
- Temporary erosion and sediment control
- Traffic control

Task 4.2 90% Design Documents

Upon receipt of consolidated, written comments from the District, Wallace Group will prepare the 90% design submittal. Wallace Group will update the engineer's opinion of probable cost based on the 90% design. Additional design elements will be included in the 90% design including electrical, controls, and structural design elements.

Electrical and Controls Design:

Each site will include the following when applicable:

Electrical Construction Plans including:

- Single line diagram
- Site electrical plans
- Elevation details
- Conduit/Cable Schedules
- Panel Schedules
- Load and voltage drop calculations
- Pump control schematics
- Electrical details
- Electrical design summary
- Engineer's opinion of probable cost estimate

Assumptions and Exclusions

1. The locations of new service connection points will be assumed based on existing electrical utilities observed on-site and on PG&E service maps.
2. PG&E service fees can vary significantly and can be difficult to estimate. An assumed fee will be provided for both design approaches, but cannot be determined without PG&E designing their service connections.
3. The SCADA system is not fully defined in the RFP. Scope includes meeting with District to define system requirements. The system design will be developed to a level that allows the scope of the selected approach to be finalized and specified according to the District's requirements.
4. Excludes radio design or radio path study. If radio communication is required, a radio path study by others may be required.
5. Excludes all application and permit fees.

Structural Design:

Structural Design will include the following:

- Buoyancy calculations and foundation design for wet wells and equalization tank
- Pad foundation design
- Forcemain Design for Bridge
- Engineer's opinion of probable cost estimate

Task 4 Deliverables:

- 60% Plans and Engineer's Opinion of Probable Cost (PDF Format)
- 90% Plans and Engineer's Opinion of Probable Cost (PDF Format)

TASK 5: EASEMENT IDENTIFICATION

Our team will assist in identifying easements required for both construction on a temporary basis and permanent easements required for ongoing access and maintenance.

We will provide the legal descriptions and exhibits necessary for the ROW acquisition and temporary construction easements (TCE's) for the selected project. Exhibits will be required for each parcel of land or unique owner that a proposed acquisition or temporary access and construction agreement will affect. Acquisition exhibits will show limited topography and limited proposed design improvements over the project's aerial imagery, APN number, owner name, gross APN acreage, adjoining property information, proposed permanent easement areas and temporary access and construction agreement areas. Each Acquisition Exhibit will be produced on an 11"X17" paper size and provided in PDF format. We assume the County will provide appraisal and acquisition services.

Costs do not include expenses for land acquisition or easements.

Task 5 Deliverable:

- Easement Summary Report

TASK 6: PERMITS AND RELATED STUDIES

Task 6.1 Environmental Permits

It is assumed that the District and/or the District's consultant will take lead and obtain all environmental permits required for the project. Wallace Group has assumed a supporting role and thus has allocated up to 100 hours to support preparation of documents or exhibits and peer review of permit applications.

Task 6.2 Other Permits

Our project team will assist the District in the preparation of applications for administrative and encroachment permits. Anticipated permits and applications include:

- City and County encroachment permits

These permit applications will be compiled once design is at a sufficient stage to satisfy application requirements. We include time for coordination with the permitting agencies via email and telephone correspondence.

Task 6.2 Deliverables:

- Draft permit application(s) (PDF)
- Final permit application(s) (PDF)

TASK 7: ASSESSMENT DISTRICT FORMATION

Task 7.1 Assessment District Formation – DTA

DTA, a subconsultant to Wallace Group, will prepare the Engineer's Report and conduct the Proposition 218 Protest Hearing for the formation of an Assessment District to fund the construction of the sewer collection system. Please refer to the DTA proposal for details of the scope of work.

- Out of scope of work: in-person attendance at Board meetings

- Optional task item: Ballot tabulation

Task 7.2 Assessment District Formation – Wallace Group

Wallace Group will provide up to 40 hours of support in the development of the benefit unit determination and Engineer’s Report.

Task 7.2 Deliverables:

- Draft and Final Engineer’s Report (PDF)

PROJECT PHASING

The following scope of work is broken into two phases and Optional Tasks as follows:

- Phase 1 includes the following tasks:
 - Task 1.1: Schedule based on six (6) months
 - Task 1.2: Kick Off Meeting
 - Task 1.3: Meetings
 - Monthly progress meetings – 12 budgeted (3 WG Staff, 1 hour, virtual)
 - 30% Design Submittal (3 WG Staff, 2 hours, in-person)
 - Task 1.4: Board Meeting
 - One (1) Board meeting following completion of the 30% submittal
 - Task 1.5: QA/QC
 - 30% Design Submittal
 - Task 2.0: Project Report and Preliminary Design (30%)
 - Task 3.1: Survey (Partial Survey effort)
- Phase 2 includes the following tasks:
 - Task 1.1: Schedule based on twelve (12) months
 - Task 1.3: Meetings
 - 60% Design Submittal (3 WG Staff, 2 hours, in-person)
 - 90% Design Submittal (3 WG Staff, 2 hours, in-person)
 - Coordination meeting with County of San Luis Obispo for Lessons Learned
 - Task 1.4: Board Meeting
 - One (1) Board meeting following completion of the 90% submittal
 - Task 1.5: QA/QC
 - 60% Design Submittal
 - 90% Design Submittal
 - Task 3.1: Survey (Remaining Survey effort)
 - Task 3.2: Geotechnical
 - Task 3.3: Potholing
 - Task 4.1: 60% Design Documents
 - Task 4.2: 90% Design Documents
 - Task 5.0: Easement Identification
 - Task 6.1: Environmental Permits
 - Task 6.2: Other Permits

- Additional Services includes the following tasks:
 - 100% Design Documents
 - Specifications
 - Bid Phase Services
 - Construction Phase Services
 - LAFCO Support
 - Regulatory Compliance Support including Sewer System Management Plan
 - Design of sewer laterals on private property

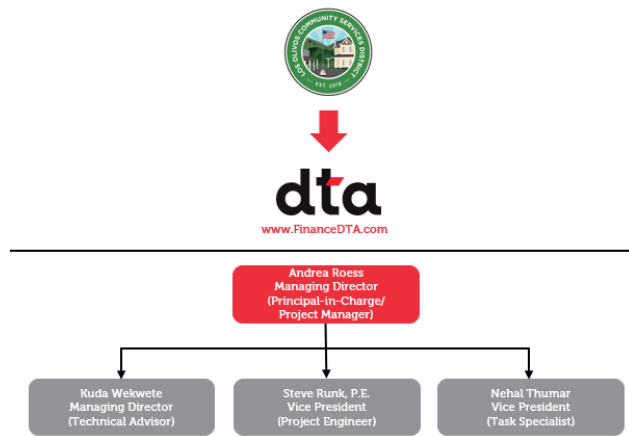
PROJECT UNDERSTANDING

DTA is pleased to submit this proposal to the Los Olivos Community Services District (the “District”). In collaboration with Wallace Group, DTA shall serve as the Assessment Engineer and will assist the District in establishing an Assessment District (“AD”) to fund authorized sewer system services.

KEY PERSONNEL QUALIFICATIONS

DTA has assigned personnel to this project who bring experience and technical expertise to each unique element of this engagement. Our team organization is illustrated below. Project roles of our key team members are described below and followed by professional biographies. All personnel will be available full-time (100%) for the duration of the project.

Figure 1: Team Organization Chart



DTA has assembled a project team for the District with the breadth of experience required to provide assessment engineering services in a professional and timely manner. **This project would be primarily handled out of DTA’s Irvine office.** Andrea Roess, a Managing Director at DTA, would serve as the Principal-in-Charge of DTA’s project team and handle primary account responsibilities for this engagement. Ms. Roess will attend meetings as necessary and supervise all project staff.

Ms. Roess will also serve as the Project Manager for the DTA team and be the District’s primary point of contact throughout this engagement. She will oversee all day-to-day activities and attend all meetings. This will include scheduled meetings with District staff at which she will provide regular updates regarding progress and any problems that have arisen. In addition, Ms. Roess will be setting up conference calls with District staff and other interested parties whenever necessary. She may schedule these conference calls once per month on a date in-between any scheduled meetings with District staff.

Ms. Roess will handle the ongoing execution and completion of the entire Scope of Work and match DTA’s work and deliverables with the District’s needs and objectives. She will also manage the work of DTA’s project team, including leading data collection efforts, providing senior-level analysis, reviewing progress and work products with District staff and stakeholders, and presenting findings at project meetings. Ms. Roess will be assisted in these tasks by support staff, as needed.

Kuda Wekwete, a Managing Director at DTA, will provide technical advisory services. Steve Runk, P.E., the Vice President of Engineering Services, will provide engineering expertise, prepare and/or review facilities cost estimates, and contribute to the apportionment analysis for property included in each district.

Key personnel will be available to the extent proposed, or designated by the District, for the duration of the project and no person designated as “key” to the project shall be removed or replaced without the prior written concurrence of the District. In addition, DTA is not behind schedule or past the completion date for any active projects and has a long history of delivering projects on a timely basis and adhering to agreements.

According to the SEC, as of September 12, 2017 (due to a new regulatory requirement), representatives of Municipal Advisor firms must have earned the Series 50 license to engage in municipal advisory activities. **DTA managers at the Vice President level and above are Series 50 licensed and therefore duly authorized by the SEC/MSRB to engage in municipal advisory activities.**

A DTA Team Resumes

Andrea Roess

Managing Director | Andrea@FinanceDTA.com

Project Role – Principal-in-Charge/Project Manager



Since joining DTA in 1992, Ms. Roess has participated in all aspects of the formation and implementation of special finance districts to fund infrastructure and services. She has managed the formation and annual administration of more than 300 land-secured financing districts, including several PACE programs. In addition, Ms. Roess established and manages DTA's water and sewer practice and is a leader in the development of PACE programs.

Ms. Roess has utilized her computer skills to develop numerous state-of-the-art computer models that evaluate cash flows related to funding infrastructure and public services. This ability has enabled her to develop sophisticated bond structuring concepts for CFDs and ADs, as well as complex fiscal impact and fee impact models. She has also prepared hundreds of Engineer's Reports for ADs and been involved in the development of escrow release formulas and bond pool financing structures. In addition, Ms. Roess has experience in the preparation of PFFPs, Water/Sewer Revenue Bond analyses, and tax increment analyses. She is also the Project Manager in charge of annual special tax administration for more than 120 financing districts throughout California, Florida, Hawaii, Missouri, and Nevada.

In addition, Ms. Roess has become an influential voice in the world of CFDs and public finance through an intimate understanding of CFD subject matter that is unrivaled in the industry. Her direct and innovative approach to solving problems has led to a variety of innovative and successful solutions for her clients. This success has not gone unnoticed in the CFD circle. For years, industry professionals have sought her guidance and insights on a wide variety of issues that they faced. She is regularly asked to participate at speaking engagements and conferences to share her experiences and knowledge related to CFD structuring and other public finance topics.

For your reference, listed below is a sampling of current clients to whom Ms. Roess provides both district formation and annual administration consulting services.

- Borrego Water District
- City of Anaheim;
- City of Blythe;
- City of Brawley;
- City of Calexico;
- City of Cathedral City;
- County of Imperial;
- County of Los Angeles;
- County of Orange;
- County of San Bernardino;
- County of Santa Barbara;
- Laguna Beach Unified School District;

- City of Los Angeles;
- City of Oceanside;
- County of Imperial;
- Riverside Unified School District;
- San Diego County Fire Protection District; and
- Upland Unified School District.

Ms. Roess holds an M.B.A. degree with a concentration in finance from San Francisco State University and a B.A. in psychology/public policy analysis from Pomona College.

Ms. Roess is active in industry groups, including CSMFO, the Association of Women in Water, Energy, and Environment (“AWWEE”), and many others. In addition, Ms. Roess has been elected the Director of Mentorship of the Women in Public Finance Los Angeles Chapter Board and has participated on numerous panels and workshops related to public financing. **She also holds a Series 50 license as a registered Municipal Advisor with the SEC/MSRB under rules promulgated following the Dodd-Frank Act in 2010.**

Kuda Wekwete

Managing Director | Kuda@FinanceDTA.com

Project Role – Technical Advisor

Since joining DTA in 2005, Mr. Wekwete has been involved in all aspects of the formation and implementation of special districts to fund infrastructure and services, as well as the sale of over \$300 million in CFD bonds. His work has involved the preparation of tax spreads and overlapping debt analyses for the formation and/or sale of bonds for over 175 special districts established throughout California. In this role, Mr. Wekwete has prepared RMAs, CFD and Engineer’s Reports, and documents required for the formation of CFDs, sale of property, and annual levying of special taxes. He has also been responsible for preparing PFFPs involving CFDs and other public finance mechanisms.



For your reference, listed below is a sampling of current clients to whom Mr. Wekwete provides both CFD formation and annual administration consulting services.

- City of South San Francisco;
- RPOSD;
- CSCDA (20 CFDs/250 ADs);
- County of Los Angeles;
- City of Paso Robles;
- City of San Mateo;
- City of Stockton; and
- City of Santa Clara.

In addition, Mr. Wekwete has been actively involved in the preparation of dozens of impact fee studies, especially in the area of transportation infrastructure costing, and apportionment of these costs over various land use types based on benefit criteria. His engineering background has enabled him to assist DTA’s Vice President of Engineering Services in applying a variety of apportionment methodologies to the development of fee studies and establishment of Benefit ADs for public sector clients. Mr. Wekwete’s recent work on DIF studies has included engagements for the Cities of Colton, Desert Hot Springs, Fontana, Paso Robles, Perris, and Torrance and the Counties of Riverside, San Bernardino, San Luis Obispo, and Santa Barbara, among others.

Mr. Wekwete also has experience in the preparation of Fiscal Impact Reports (“FIRs”), tax increment analyses, and PFFPs and has performed due diligence services and developed disclosure documentation for land purchasers, public agencies, and lenders.

Mr. Wekwete received his B.S. and M.S. in operations research and industrial engineering from Cornell University and Columbia University, respectively. **He also holds a Series 50 license as a registered Municipal Advisor with the SEC/MSRB under rules promulgated following the Dodd-Frank Act in 2010.**

Steve Runk, P.E.

Vice President, Engineering Services | Steve@FinanceDTA.com

Project Role – Engineer (State License Number C23473 – California Registered Civil Engineer)



Mr. Runk has over 45 years of experience in the design and construction management of major civil engineering projects, including roadways, bridges, sewer and water improvements, and flood control facilities, grading for public works projects, and construction of commercial and industrial buildings. Mr. Runk’s specific responsibilities have included design, quality control, specifications, estimates, construction bid packages, construction coordination and management, cost analyses and cost control, scheduling, manpower forecasting, staffing, and marketing. He has also assisted public agencies and developers in the procurement of funding from the California Department of Transportation (“Caltrans”) and other federal and state agencies.

Mr. Runk has a proven track record of meeting schedules and adhering to budgets. Since joining DTA in 2000, he has worked with local agencies to resolve community issues and negotiate scope changes with contractors to ensure the timely and satisfactory completion of construction projects. He has also acted as the Project Manager for the establishment of ADs and preparation of numerous AB 1600 DIF justification studies. Mr. Runk specializes in preparing assessment apportionment formulas and fee studies for roads, storm drains, and water and wastewater facilities.

Since 2012, DTA has served as the on-call Assessment Engineer for the City of San Buenaventura’s MADs. Mr. Runk, in collaboration with DTA support staff, prepared the Engineer's Report for MAD No. 28 in late 2021. He also assisted with the formation of MAD Nos. 21 through 27, in addition to preparing and submitting updated Engineer’s Reports to amend the prior reports for MAD Nos. 17 and 18 to better document their assessment methodologies and conform to Prop 218’s strict benefit requirements.

Prior to joining DTA, Mr. Runk, as the Senior Construction Manager for Holmes & Narver, Inc., successfully completed the construction of the SR-41 Freeway in Fresno County, which was the County’s first Measure “C” sales tax-funded freeway. Prior to this project, Mr. Runk successfully completed the construction of the SR-71 Freeway in Chino/Chino Hills, California. This \$98 million project was the first Measure “M” sales tax-funded project for the San Bernardino Associated Governments (“SANBAG”). Mr. Runk’s responsibilities on both projects included contract management, quality control, public relations, cash flow analyses, project closeout, and compliance with federal and State funding requirements.

Previously, Mr. Runk held positions with various public and private engineering entities in which he delivered projects requiring a wide variety of engineering expertise. He holds a B.S. in engineering from the University of California at Los Angeles and an M.S. in civil engineering from California State University at Long Beach. Mr. Runk is a registered Civil Engineer in the State of California.

Nehal Thumar

Vice President | Nehal@FinanceDTA.com

Project Role – Task Specialist

Since joining DTA in 2000, Mr. Thumar has been involved in all aspects of the formation and implementation of numerous Mello-Roos CFDs located throughout California. His responsibilities related to these CFDs have included the preparation of tax spread proforma analyses, RMAs, Public Reports, and overlapping debt analyses. In addition, Mr. Thumar has managed the annual administration of over 25 CFDs in Southern California and prepared due diligence, tax projections, and Disclosure Reports related to land-secured bond issuances for numerous clients in Arizona, California, and Nevada.



Additionally, Mr. Thumar’s involvement in both the CFD formation and annual administration has provided him with a unique perspective. For instance, he has reviewed numerous CFD formation and legal documents from the standpoint of how each CFD may impact interested stakeholders down the line through an annual

administration point of view. This type of exposure to both CFD formation and annual administration has afforded Mr. Thumar the ability to identify any future pitfalls prior to the actual formation of a district.

For your reference, listed below is a sampling of current clients to whom Mr. Thumar provides both district formation and annual administration consulting services.

- Borrego Water District
- City of Anaheim;
- City of Blythe;
- City of Brawley;
- City of Calexico;
- City of Cathedral City;
- City of Los Angeles;
- City of Oceanside;
- County of Imperial;
- County of Imperial;
- County of Los Angeles;
- County of Orange;
- County of San Bernardino;
- County of Santa Barbara;
- Laguna Beach Unified School District;
- Riverside Unified School District;
- San Diego County Fire Protection District; and
- Upland Unified School District.

Mr. Thumar has also prepared Fiscal Impact Reports ("FIRs") for various public agency clients. In addition, he has worked on the preparation of DIF justification studies. His work during the impact fee justification and apportionment analysis process for each respective project has included the preparation of the capital improvement and public facilities needs list(s), fee model development, report writing, data collection, and interactions with city/county staff and key stakeholders.

Mr. Thumar earned an M.B.A. degree with a concentration in finance and a B.A. in economics from the University of Southern California. **He also holds a Series 50 license as a registered Municipal Advisor with the SEC/MSRB under rules promulgated following the Dodd-Frank Act in 2010.**

SCOPE OF WORK

DTA will assist the Los Olivos Community Services District (the “District”) in establishing an AD to fund authorized sewer system services. Our responsibilities under this Scope of Work include the following tasks:

Task 1 – Background Research

DTA will collect information on existing and anticipated land uses, Assessor’s parcels located within the proposed district boundary, and planning information for use in preparing the assessment spread. Data to be gathered includes the following:

- Santa Barbara County (“County”) Assessor records for each of the roughly 400 parcels within the AD;
- Land use data as provided by the District, property owner, outside data sources, and/or site inspections, as necessary;
- Information on services descriptions, cost estimates, and phasing of types of services to be included in the benefit analysis;
- Existing relevant studies of the project area for use in conducting the benefit analysis; and
- Services costs to be assessed. Services costs are to be provided by District staff and/or its consultants.

This task includes the preparation of a database of the roughly 400 parcels within the AD that contains a description and assessment number of each property assessed and the address of the property owner based on the records of the County Assessor’s Office.

Task 2 – Benefit Assessment

DTA will develop a method and formula for the allocation of the costs of proposed assessments to benefitting properties. This task will consist of the following subtasks:

- 2.1 Develop a rationale for the benefit assessment based on the projected benefit to the property;
- 2.2 Identify the boundaries of the AD and benefit subareas based on the level of benefit (if applicable);
- 2.3 Identify the AD’s quantitative Equivalent Dwelling Unit (“EDU”) or Benefit Assessment Unit (“BAU”) factors used to differentiate benefit based on property type (e.g., residential, commercial, industrial, etc.);
- 2.4 Determine the improvements to be included in the AD based on input from the District, property owners, the design engineer, bond counsel, and the engineering analysis of general and special benefit, in addition to preparing a narrative description to include in the Engineer’s Report; and
- 2.5 Develop a benefit spread that allocates assessments to all properties in the AD based on the benefit assessment rationale (Task 2.1) and EDU factors (Task 2.3).

The proposed benefit spread will be proportional to benefit received, legally defensible (relationship between costs allocated and benefit received), sufficient to meet minimum revenue requirements, and politically acceptable. The proposed benefit spread will be submitted to District staff for review prior to the completion of work on the Engineer’s Report.

Task 3 – Preparation of Assessment Diagram

This task entails the preparation of an assessment diagram pursuant to the requirement of the Streets and Highways Code and County Recorder’s Office.

Task 4 – Engineer’s Report

DTA will act as "Engineer of Work" and prepare Preliminary and Final Engineer's Reports pursuant to the requirements of the Streets and Highway Code. As required by law, the report shall contain the following:

- Streets and Highway Code information and tables;
- Description of services and facilities;
- Preliminary and final estimate of costs;
- Assessment diagram;
- Method of assessment spread; and
- Assessment roll with preliminary assessments.

After confirmation of the assessments by the District Board of Directors (“Board”), DTA shall produce the Final Engineer's Report. This report shall include the final costs provided by the District in place of the estimated costs listed in the Preliminary Engineer's Report and make any revisions requested by the District Board.

Deliverable: Draft and Final Engineer’s Report

Task 5 – Public Notices and Ballot Protest Procedure

With assistance from the District’s legal counsel, DTA will prepare and mail notices pursuant to the Municipal Improvement Act of 1913 and Right to Vote on Property Taxes Act. Said notices shall include the following:

- The estimated assessment pertaining to the entire AD;
- The estimated assessment pertaining to each parcel;
- The duration of the assessment;
- The reason for the assessment (e.g., a general description of the services);
- The basis under which the assessment was calculated;
- The date, time, and location of the public hearing;
- A statement that a majority protest from the individuals who have mailed in their ballot (weighted by level of assessment) shall cause the assessment proceedings to be abandoned; and
- A ballot to be mailed by a property owner to the District to declare their support or opposition to the AD.

Task 6 – Meetings and Public Hearings

DTA will attend up to a total of five (5) virtual meetings and one (1) in-person public hearing associated with the formation of the AD. Attendance at any in-person or additional virtual meetings will be billed on a time and materials basis at additional cost, **not to exceed \$2,500**.

Task 7 – Ballot Tabulation

Prior to and at the public hearing, DTA shall tabulate ballots submitted by property owners to determine whether the majority protest exists within the AD. The tabulation log will consist of a computerized database of every parcel within the AD. This tabulation will be completed prior to the close of the public hearing and the results will be provided to the District for the inclusion of public record.

Task 8 – Post-Formation Services

After confirmation of the assessments by the City Council, DTA will provide the following services:

- 8.1 Provide the information necessary for the preparation of the Notice of Cash Collection;

- 8.2 Coordinate the mailing of the Notice of Cash Collection;
- 8.3 Prepare the paid and unpaid list and calculate the new amount to bond after the end of the 30-day cash collection period;
- 8.4 Assist in the preparation of and record the Notice of Assessment, assessment roll, and other necessary documents with the County Recorder’s Office; and

Work related to actual bond issuance would be covered under a separate agreement.

FEE PROPOSAL

DTA shall be remunerated for consulting services (as described above in the Scope of Work) on an hourly basis according to the rates set forth in Table 1 below, with invoices being submitted to the District monthly. DTA shall perform the tasks listed under the Scope of Work for a maximum fee of **\$50,000 for Tasks 1-6, plus \$2,500 in out-of-pocket expenses**. Any additional tasks and professional services beyond those described in the Scope of Work will be billed at the hourly rates listed in Table 1 below.

Table 1: DTA’s Fee Schedule

Labor Category	Labor Rate
President/Managing Director	\$315/Hour
Senior Vice President	\$290/Hour
Vice President	\$265/Hour
Senior Manager	\$220/Hour
Manager	\$205/Hour
Senior Associate	\$185/Hour
Associate III	\$175/Hour
Associate II	\$165/Hour
Associate I	\$150/Hour
Research Associate II	\$140/Hour
Research Associate I	\$125/Hour

Upon the City’s request, potential extended services include attending meetings in addition to those specified in the Scope of Work, providing noticing/balloting services, if any assessments are increased per Prop 218 guidelines, assisting with the formation of any new district, including CFDs, and conducting all annexations to the district, providing testimony in court of time to prepare for a suit of any kind, and informing the City of any new, or changes to existing, laws related to Landscape & Lighting Districts. Any work on these extended services shall be billed on a time and materials basis at additional cost at the hourly rates listed in Table 1.

Budget for a Prop 218 mail-ballot is not included herein. DTA shall provide a not-to-exceed budget for election support services at the time of commencement of such services. Our experience has been that the consulting services costs associated with our prior Prop 218 elections have varied depending upon the size of and number of Assessor parcels to be included in the mail-ballot, amount of property owner support or opposition, level of contribution to our workload from municipal staff, and other factors. Without knowing the scope of services required for the Prop 218 election, it is difficult to establish a maximum budget at this point in time. In addition to ballot/notice design and tabulation support, we estimate a printing and mailing billing rate of \$2.50 per parcel based on prior mailings. Actual mailing costs will be finalized once an official quote is received from a vendor.

Out-of-pocket and administrative expenses shall be equal to 3% of DTA's billings for labor, plus any outside vendor payments, not to exceed a total of \$2,500. All hourly rates for services apply through June 30, 2026, and are subject to a cost-of-living increase at that time. On or about the first two weeks of each month during which consulting services are rendered hereunder, DTA shall present to the District an invoice covering the current consulting services performed and reimbursable expenses incurred pursuant to the agreement and exhibits thereto. Such invoices shall be paid by the District within 30 days of the date of each invoice. A 1.2% monthly charge may be imposed against accounts that are not paid within 30 days of the date of each invoice. DTA shall stop all work on the project if payment is not received within 45 days of submittal of an invoice.

A Disclaimer

While DTA has a fiduciary responsibility as a licensed Municipal Advisor, DTA is not, unless otherwise stipulated, acting as the District's Municipal Advisor. The services discussed herein do not constitute any financial advice or fall under the category of municipal advisory services as defined by the SEC.

B Limitations

This budget covers only those tasks outlined in the Scope of Work. Additional consulting services beyond Additional consulting services beyond the tasks listed in the Scope of Work ("Additional Work") may require additional fees if they cause total hourly fees to exceed the proposed budget to be determined. If the tasks listed in the Scope of Work are not completed within 12 months, at any point thereafter, DTA may request an increase in the maximum fee if total hourly billings to date exceed the proposed compensation level listed above. Other Additional Work shall include:

- Additional analyses based on revised land use assumptions or changes in improvements or improvement costs;
- Research performed by DTA to obtain data that was the responsibility of the District or County, as listed in Scope of Work;
- Attendance at more than one (1) in-person meeting, more than five (5) virtual meetings, or extended conversations with property owners and homeowners' groups;
- Establishment of zones which would require multiple analyses, Engineer's Report preparation, maps, etc., to cover each additional zone;
- Extended discussions or negotiations with the District Board, property owners, developers, and other parties associated with the AD formation;
- Preparing and administering ballots, in addition to the tabulation of ballots;
- Additional work due to the inclusion of capital facilities to be funded by the AD; and
- Creation of a base project map for the purposes of preparing the AD boundary map.

END OF EXHIBIT B
SCOPE OF WORK

EXHIBIT "C"

COMPENSATION AND TIMING

The total compensation for the Project is budgeted at:

Phase 1 Option A - 30% without survey effort: \$267,000 (Two Hundred Sixty-seven Thousand dollars)

Phase 1 Option B - 30% with survey effort: \$403,000 (Four Hundred Three Thousand dollars)

Phase 1 Option C - 30% without survey effort with Assessment Engineering (dta): \$338,000 (Three Hundred Thirty-eight Thousand Dollars)

Phase 1 Option D - 30% with survey effort and with Assessment Engineering (dta): \$474,581 (Four Hundred Seventy-Four Thousand, Five Hundred and Eighty-one dollars)

Phase 2: \$1,485,435 (One Million, Four Hundred Eighty-Five Thousand, Four Hundred and Thirty-five dollars).

Parties recognize that the District's Board of Directors usually meets on the second Wednesday of each month. Parties further recognize that the District's Board of Directors must approve all invoices from Consultant for payment. To facilitate prompt payment, Consultant agrees to furnish invoices electronically to the District's Project Manager and to submit invoices on or before the last day of each month. The Consultant further understands and agrees that invoices submitted after the first of any month may be delayed in payment by up to an additional thirty (30) days.

END OF PAGE

**LOS OLIVOS COMMUNITY
SERVICES DISTRICT**

FINANCIAL STATEMENTS
June 30, 2022

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Los Olivos Community Services District
Los Olivos, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Los Olivos Community Services District (the District) as of and for the fiscal year ended June 30, 2022, 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 Los Olivos Community Services District, as of June 30, 2022, and the respective changes in financial position thereof 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Los Olivos Community Services 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Los Olivos Community Services 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.

Auditors' 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 Los Olivos Community Services 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 Los Olivos Community Services 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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023, on our consideration of the Los Olivos 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.

Moss, Kelly & Halverson LLP

Santa Maria, CA
June 5, 2023

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

ASSETS

Current Assets:	
Cash in county treasury	\$ 213,382
Interest receivable	<u>397</u>
Total current assets	<u>213,779</u>
Noncurrent Assets:	
Construction in progress	<u>160,705</u>
Total noncurrent assets	<u>160,705</u>
Total assets	<u>374,484</u>

LIABILITIES

Accounts payable	<u>79,662</u>
Total liabilities	<u>79,662</u>

NET POSITION

Unrestricted	<u>294,822</u>
Total net position	<u>\$ 294,822</u>

The notes to basic financial statements are an integral part of these basic financial statements.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2022

Operating Expenses:	
Professional services	\$ 76,539
Insurance	162
Contractual services	105,546
Other services and supplies	<u>1,102</u>
Total operating expenses	<u>183,949</u>
Operating Loss	<u>(183,949)</u>
Non-Operating Revenues (Expenses):	
Interest income	(6,416)
Assessments	200,931
Intergovernmental revenue	<u>43,386</u>
Total Non-Operating Revenues (Expenses)	<u>237,901</u>
Change in net position	53,952
Net Position	
Net Position, beginning of fiscal year	<u>240,870</u>
Net Position, end of fiscal year	<u><u>\$ 294,822</u></u>

The notes to basic financial statements are an integral part of these basic financial statements.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to vendors	\$ (127,822)
Net cash used by operating activities	<u>(127,822)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenue	43,386
Property assessments	200,931
Payment of construction in progress	<u>(160,705)</u>
Net cash provided by noncapital financing activities	<u>83,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>(6,561)</u>
Net cash provided by investing activities	<u>(6,561)</u>
Net increase in cash and cash equivalents	(50,771)
Cash and cash equivalents - July 1, 2021	<u>264,153</u>
Cash and cash equivalents - June 30, 2022	<u>\$ 213,382</u>
Reconciliation to Statement of Net Position:	
Cash in county treasury	<u>\$ 213,382</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (183,949)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Change in assets and liabilities:	
Accounts payable	<u>56,127</u>
Net cash used by operating activities	<u>\$ (127,822)</u>

The notes to basic financial statements are an integral part of these basic financial statements.

NOTE 1 - ORGANIZATION

The Los Olivos Community Services District is an independent governmental unit within the unincorporated area of the County of Santa Barbara and derives its decision-making capabilities from State legislation. The District is governed by a Board of Directors elected to serve four-year terms. The primary purpose of the District is the building and operation of facilities needed to collect, treat, and dispose of sewage, wastewater, recycled water, and storm water.

There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80 and No. 90.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies - The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has opted to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

- B. Accounting Method - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred.

- C. Fund Financial Statements - The fund financial statements provide information about the District's proprietary fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

GASB Statement No. 34 defines major funds and requires that the District's major business-type fund be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have assets, liabilities, revenues, or expenses equal to ten percent of their fund-type total and five percent of the grand total. The District maintains one proprietary fund.

Proprietary Fund Type

Enterprise Fund:

Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reported its enterprise fund as a major fund in the accompanying basic financial statements.

Sewer Fund – The Sewer Fund is to account for the provision of sewer services to the residents of the District.

- D. Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and investments with original maturities of three months or less.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. Property, Plant and Equipment – Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation – Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-50 years) under the straight-line method of depreciation according to the following schedule:

<u>Item</u>	<u>Years</u>
Office Furniture and Equipment	5
Plant Equipment	10-20
Manholes, Laterals, and Sewer lines	30
Treatment Plant Structures	30-50

- G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts and accounts receivable are shown at full value.
- H. Construction in Progress - The District occasionally constructs capital assets for its own use in the plant operations. The costs associated with these projects are accumulated in a construction in progress account while the project is being developed. Once the project is completed, the entire cost of the constructed assets are transferred to the capital assets account and depreciated over the estimated useful life of the capital assets.
- I. Use of Estimates -The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- J. Net Position - 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, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position are those net position that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consist of net position that do not meet the definition of invested in capital assets, net of related debt, or restricted net position.

K. Future Accounting Pronouncements

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

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Accounting Pronouncements (Continued)

Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 3 - CASH AND INVESTMENTS

On June 30, 2022, the District had the following cash and investments on hand:

Cash in county treasury	\$ <u>213,382</u>
Total cash and investments	\$ <u>213,382</u>

Cash and investments listed above, are presented on the accompanying statement of net position as follows:

Cash in county treasury	\$ <u>213,382</u>
	\$ <u>213,382</u>

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. 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 Santa Barbara County investment pool, that investment is measured under Level 2.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 213,382	\$ 213,382	\$ -	\$ -	\$ -
Total	\$ 213,382	\$ 213,382	\$ -	\$ -	\$ -

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 rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Minimum Carrying Amount</u>	<u>Exempt Legal Rating</u>	<u>From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$ 213,382	N/A	\$ -	\$ -	\$ -	\$ 213,382
Total	\$ 213,382		\$ -	\$ -	\$ -	\$ 213,382

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's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 governmental 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investment in Santa Barbara County Investment Pool

The District is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the District's investment in this pool is based upon the District's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara County Investment Pool, which are recorded on an amortized cost basis.

NOTE 4 – SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Construction in Progress	\$ -	\$ 160,705	\$ -	\$ 160,705
Net capital assets	<u>\$ -</u>	<u>\$ 160,705</u>	<u>\$ -</u>	<u>\$ 160,705</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

**LOS OLIVOS COMMUNITY
SERVICES DISTRICT**

FINANCIAL STATEMENTS
June 30, 2023

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Los Olivos Community Services District
Los Olivos, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Los Olivos Community Services District (the District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Los Olivos Community Services District, as of June 30, 2023, and the respective changes in financial position thereof 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Los Olivos Community Services 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Los Olivos Community Services 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.

Auditors' 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 Los Olivos Community Services 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 Los Olivos Community Services 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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2024, on our consideration of the Los Olivos 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.

Moss, Remy & Halzheim LLP

Santa Maria, CA
July 10, 2024

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
 June 30, 2023

ASSETS

Current Assets:

Cash in county treasury	\$ 148,925
Interest receivable	744
Total current assets	<u>149,669</u>

Noncurrent Assets:

Construction in progress	206,303
Capital assets, net	49,081
Total noncurrent assets	<u>255,384</u>
Total assets	<u>405,053</u>

LIABILITIES

Accounts payable	24,737
Total liabilities	<u>24,737</u>

NET POSITION

Net investment in capital assets	255,384
Unrestricted	124,932
Total net position	<u>\$ 380,316</u>

The notes to basic financial statements are an integral part of these basic financial statements.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2023

Operating Expenses:	
Professional services	\$ 94,954
Insurance	2,800
Contractual services	80,590
Other services and supplies	1,887
Depreciation	<u>1,692</u>
Total operating expenses	<u>181,923</u>
Operating Loss	<u>(181,923)</u>
Non-Operating Revenues (Expenses):	
Interest income	4,452
Assessments	232,834
Intergovernmental revenue	<u>30,131</u>
Total Non-Operating Revenues (Expenses)	<u>267,417</u>
Change in net position	85,494
Net Position	
Net Position, beginning of fiscal year	<u>294,822</u>
Net Position, end of fiscal year	<u><u>\$ 380,316</u></u>

The notes to basic financial statements are an integral part of these basic financial statements.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to vendors	\$ (235,156)
Net cash used by operating activities	<u>(235,156)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Intergovernmental revenue	30,131
Property assessments	232,834
Payment of construction in progress	<u>(96,371)</u>
Net cash provided by noncapital financing activities	<u>166,594</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>4,105</u>
Net cash provided by investing activities	<u>4,105</u>

Net increase in cash and cash equivalents (64,457)

Cash and cash equivalents - July 1, 2022 213,382

Cash and cash equivalents - June 30, 2023 \$ 148,925

Reconciliation to Statement of Net Position:

Cash in county treasury \$ 148,925

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (181,923)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,692
Change in assets and liabilities:	
Accounts payable	<u>(54,925)</u>
Net cash used by operating activities	<u>\$ (235,156)</u>

The notes to basic financial statements are an integral part of these basic financial statements.

NOTE 1 - ORGANIZATION

The Los Olivos Community Services District is an independent governmental unit within the unincorporated area of the County of Santa Barbara and derives its decision-making capabilities from State legislation. The District is governed by a Board of Directors elected to serve four-year terms. The primary purpose of the District is the building and operation of facilities needed to collect, treat, and dispose of sewage, wastewater, recycled water, and storm water.

There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80 and No. 90.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies - The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has opted to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

- B. Accounting Method - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred.

- C. Fund Financial Statements - The fund financial statements provide information about the District's proprietary fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

GASB Statement No. 34 defines major funds and requires that the District's major business-type fund be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have assets, liabilities, revenues, or expenses equal to ten percent of their fund-type total and five percent of the grand total. The District maintains one proprietary fund.

Proprietary Fund Type

Enterprise Fund:

Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reported its enterprise fund as a major fund in the accompanying basic financial statements.

Sewer Fund – The Sewer Fund is to account for the provision of sewer services to the residents of the District.

- D. Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and investments with original maturities of three months or less.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. Property, Plant and Equipment – Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation – Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-50 years) under the straight-line method of depreciation according to the following schedule:

<u>Item</u>	<u>Years</u>
Office Furniture and Equipment	5
Plant Equipment	10-20
Manholes, Laterals, and Sewer lines	30
Treatment Plant Structures	30-50

- G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts and accounts receivable are shown at full value.
- H. Construction in Progress - The District occasionally constructs capital assets for its own use in the plant operations. The costs associated with these projects are accumulated in a construction in progress account while the project is being developed. Once the project is completed, the entire cost of the constructed assets are transferred to the capital assets account and depreciated over the estimated useful life of the capital assets.
- I. Use of Estimates -The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- J. Net Position - 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, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position are those net position that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consist of net position that do not meet the definition of invested in capital assets, net of related debt, or restricted net position.

K. Future Accounting Pronouncements

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

Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Accounting Pronouncements (Continued)

Statement No. 101 "Compensated Absences"

The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 3 - CASH AND INVESTMENTS

On June 30, 2023, the District had the following cash and investments on hand:

Cash in county treasury	<u>\$ 148,925</u>
Total cash and investments	<u>\$ 148,925</u>

Cash and investments listed above, are presented on the accompanying statement of net position as follows:

Cash in county treasury	<u>\$ 148,925</u>
	<u>\$ 148,925</u>

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. 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 did not have investments that are measured under Level 1, Level 2, or Level 3.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	<u>\$ 148,925</u>	<u>\$ 148,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 148,925</u>	<u>\$ 148,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Minimum Carrying Amount</u>	<u>Exempt Legal Rating</u>	<u>From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$ 148,925	N/A	\$ -	\$ -	\$ -	\$ 148,925
Total	\$ 148,925		\$ -	\$ -	\$ -	\$ 148,925

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's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 governmental 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in Santa Barbara County Investment Pool

The District is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the District's investment in this pool is based upon the District's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara County Investment Pool, which are recorded on an amortized cost basis.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets for the fiscal year ended June 30, 2023, is shown below:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Nondepreciable capital assets				
Construction in Progress	<u>\$ 160,705</u>	<u>\$ 45,598</u>	<u>\$ -</u>	<u>\$ 206,303</u>
Total nondepreciable capital assets	<u>\$ 160,705</u>	<u>\$ 45,598</u>	<u>\$ -</u>	<u>\$ 206,303</u>
Depreciable capital assets				
Building improvements	<u>\$ -</u>	<u>\$ 50,773</u>	<u>\$ -</u>	<u>\$ 50,773</u>
Total depreciable capital assets		50,773		50,773
Less Accumulated Depreciation		1,692		1,692
Net depreciable capital assets	<u>\$ -</u>	<u>\$ 49,081</u>	<u>\$ -</u>	<u>\$ 49,081</u>
Net capital assets	<u>\$ 160,705</u>	<u>\$ 94,679</u>	<u>\$ -</u>	<u>\$ 255,384</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

According to the District’s staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

**LOS OLIVOS COMMUNITY
SERVICES DISTRICT**

FINANCIAL STATEMENTS
June 30, 2024

LOS OLIVOS COMMUNITY SERVICES DISTRICT
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June 30, 2024

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Los Olivos Community Services District
Los Olivos, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Los Olivos Community Services District (the District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Los Olivos Community Services District, as of June 30, 2024, and the respective changes in financial position thereof 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Los Olivos Community Services 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Los Olivos Community Services 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.

Auditors' 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 Los Olivos Community Services 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 Los Olivos Community Services 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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, on our consideration of the Los Olivos 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.

Moss, Remy & Halgren LLP

Santa Maria, CA
February 21, 2025

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
 June 30, 2024

ASSETS

Current Assets:

Cash in county treasury	\$ 319,100
Interest receivable	2,259
Total current assets	<u>321,359</u>

Noncurrent Assets:

Construction in progress	278,160
Capital assets, net	120,392
Total noncurrent assets	<u>398,552</u>
Total assets	<u>719,911</u>

LIABILITIES

Accounts payable	<u>31,167</u>
Total liabilities	<u>31,167</u>

NET POSITION

Net investment in capital assets	398,552
Unrestricted	290,192
Total net position	<u>\$ 688,744</u>

The notes to basic financial statements are an integral part of these basic financial statements.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2024

Operating Expenses:	
Office expense	\$ 756
Professional services	39,835
Insurance	2,933
Contractual services	88,484
Other services and supplies	1,244
Special projects	574
Depreciation	<u>3,803</u>
 Total operating expenses	 <u>137,629</u>
 Operating Loss	 <u>(137,629)</u>
Non-Operating Revenues (Expenses):	
Interest income	6,016
Assessments	239,513
Intergovernmental revenue	180,508
Miscellaneous revenue	<u>20,020</u>
 Total Non-Operating Revenues (Expenses)	 <u>446,057</u>
 Change in net position	 308,428
Net Position	
Net Position, beginning of fiscal year	<u>380,316</u>
 Net Position, end of fiscal year	 <u><u>\$ 688,744</u></u>

The notes to basic financial statements are an integral part of these basic financial statements.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to vendors	\$ (127,395)
Net cash used by operating activities	<u>(127,395)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous revenue	20,020
Property assessments	239,513
Intergovernmental revenue	<u>180,508</u>
Net cash provided by noncapital financing activities	<u>440,041</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(146,971)
Interest received	<u>4,500</u>
Net cash used by investing activities	<u>(142,471)</u>

Net increase in cash and cash equivalents 170,175

Cash and cash equivalents - July 1, 2023 148,925

Cash and cash equivalents - June 30, 2024 \$ 319,100

Reconciliation to Statement of Net Position:

Cash in county treasury \$ 319,100

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (137,629)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,803
Change in assets and liabilities:	
Accounts payable	<u>6,431</u>
Net cash used by operating activities	<u>\$ (127,395)</u>

The notes to basic financial statements are an integral part of these basic financial statements.

LOS OLIVOS COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - ORGANIZATION

The Los Olivos Community Services District is an independent governmental unit within the unincorporated area of the County of Santa Barbara and derives its decision-making capabilities from State legislation. The District is governed by a Board of Directors elected to serve four-year terms. The primary purpose of the District is the building and operation of facilities needed to collect, treat, and dispose of sewage, wastewater, recycled water, and storm water.

There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80 and No. 90.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies - The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has opted to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

- B. Accounting Method - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred.

- C. Fund Financial Statements - The fund financial statements provide information about the District's proprietary fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

GASB Statement No. 34 defines major funds and requires that the District's major business-type fund be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have assets, liabilities, revenues, or expenses equal to ten percent of their fund-type total and five percent of the grand total. The District maintains one proprietary fund.

Proprietary Fund Type

Enterprise Fund:

Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reported its enterprise fund as a major fund in the accompanying basic financial statements.

Sewer Fund – The Sewer Fund is to account for the provision of sewer services to the residents of the District.

- D. Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and investments with original maturities of three months or less.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. Property, Plant and Equipment – Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation – Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-50 years) under the straight-line method of depreciation according to the following schedule:

<u>Item</u>	<u>Years</u>
Office Furniture and Equipment	5
Plant Equipment	10-20
Manholes, Laterals, and Sewer lines	30
Treatment Plant Structures	30-50

- G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts and accounts receivable are shown at full value.
- H. Construction in Progress - The District occasionally constructs capital assets for its own use in the plant operations. The costs associated with these projects are accumulated in a construction in progress account while the project is being developed. Once the project is completed, the entire cost of the constructed assets are transferred to the capital assets account and depreciated over the estimated useful life of the capital assets.
- I. Use of Estimates -The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- J. Net Position - 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, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position are those net position that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consist of net position that do not meet the definition of invested in capital assets, net of related debt, or restricted net position.

K. Future Accounting Pronouncements

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

Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.
Statement No. 102	"Certain Risk Disclosures"	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104	"Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

LOS OLIVOS COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2024

NOTE 3 - CASH AND INVESTMENTS

On June 30, 2024, the District had the following cash and investments on hand:

Cash in county treasury	\$ 319,100
Total cash and investments	<u>\$ 319,100</u>

Cash and investments listed above, are presented on the accompanying statement of net position as follows:

Cash in county treasury	<u>\$ 319,100</u>
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The District categorizes its fair value measurements within the fair value hierarchy established by U.S. 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 did not have investments that are measured under Level 1, Level 2, or Level 3.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 319,100	\$ 319,100	\$ -	\$ -	\$ -
Total	<u>\$ 319,100</u>	<u>\$ 319,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Minimum Carrying Amount</u>	<u>Exempt Legal Rating</u>	<u>From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$ 319,100	N/A	\$ -	\$ -	\$ -	\$ 319,100
Total	<u>\$ 319,100</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,100</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

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's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 governmental 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in Santa Barbara County Investment Pool

The District is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the District's investment in this pool is based upon the District's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara County Investment Pool, which are recorded on an amortized cost basis.

NOTE 4 – SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets for the fiscal year ended June 30, 2024, is shown below:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Nondepreciable capital assets				
Construction in Progress	\$ 206,303	\$ 71,857	\$ -	\$ 278,160
Total nondepreciable capital assets	<u>\$ 206,303</u>	<u>\$ 71,857</u>	<u>\$ -</u>	<u>\$ 278,160</u>
Depreciable capital assets				
Building improvements	\$ 50,773	\$ 75,114	\$ -	\$ 125,887
Total depreciable capital assets	50,773	75,114		125,887
Less Accumulated Depreciation	1,692	3,803		5,495
Net depreciable capital assets	<u>\$ 49,081</u>	<u>\$ 71,311</u>	<u>\$ -</u>	<u>\$ 120,392</u>
Net capital assets	<u>\$ 255,384</u>	<u>\$ 143,168</u>	<u>\$ -</u>	<u>\$ 398,552</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

Los Olivos Community Services District							
Line Item Account	FY 2020-21 (as of 6/30/2021)	FY 2022-23 (as of 6/30/23)	FY 2023-24 (as of 6/30/24)	FY 2024-25 (as of 6/30/25)	FY 2025-26 Budget	FY 2026-27 Projected Budget (without design and Prop 218)	FY 2026-27 Projected Budget (WITH design and Prop 218)
Beginning Balance	\$ 193,885	\$ 136,475	\$ 87,567	\$ 324,226	\$ 467,368	\$ 23,619	\$ 23,619
Revenues							
Taxes							
3066 -- Special Tax Assessment	\$ 197,023	\$ 227,650	\$ 239,513	\$ 252,310	\$ 258,618	\$ 266,376	\$ 266,376
Taxes	\$ 197,023	\$ 227,650	\$ 239,513	\$ 252,310	\$ 258,618	\$ 266,376	\$ 266,376
Use of Money and Property							
3380 -- Interest Income	\$ 839	\$ 1,191	\$ 6,014	\$ 12,272	\$ 12,272	\$ 12,640	\$ 12,640
3381 -- Unrealized Gain/Loss Invstmnts	\$ (1,157)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Money and Property	\$ (319)	\$ 1,191	\$ 6,014	\$ 12,272	\$ 12,272	\$ 12,640	\$ 12,640
Intergovernmental Revenue							
4339 -- State - Other	\$ 44,986	\$ 30,131	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ -
4840 -- Other Governmental Agencies			\$ 105,508	\$ 32,608	\$ -	\$ -	\$ -
Intergovernmental Revenue-Other			\$ 180,508	\$ 107,608	\$ -	\$ -	\$ -
Miscellaneous Revenue							
5895 and 5909 -- Donations			\$ 20,020	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenue	\$ 44,986	\$ 30,131	\$ 20,020	\$ -	\$ -	\$ -	\$ -
Total Cash & Revenues	\$ 435,575	\$ 395,447	\$ 533,622	\$ 696,417	\$ 738,257	\$ 302,636	\$ 302,636
Expenditures							
Services and Supplies							
7090 -- Insurance	\$ -	\$ 2,800	\$ 2,933	\$ 2,770	\$ 3,275	\$ 3,373	\$ 3,373
7324 -- Audit and Accounting Fees	\$ 2,000	\$ 7,775	\$ 844	\$ 6,809	\$ 3,500	\$ 3,605	\$ 3,605
7325 -- Other Professional Services (Well Testing)	\$ -	\$ -		\$ 14,300	\$ 14,300	\$ 14,729	\$ 14,729
7430 -- Memberships	\$ 3,533	\$ 1,287	\$ 1,244		\$ 1,300	\$ 1,300	\$ 1,300
7450 -- Office Expense		\$ -	\$ 756	\$ -	\$ -	\$ -	\$ -
7460 -- Professional & Special Service (Project, Planning, Design & Studies)	\$ 54,191	\$ 219,384	\$ 148,986	\$ 103,914	\$ 516,835	\$ -	\$ 1,485,000
7508 -- Legal Fees	\$ 17,921	\$ 36,481	\$ 23,268	\$ 16,102	\$ 23,850	\$ 24,566	\$ 24,566
7510 -- Contractual Services (IGM Contract, Engineer)	\$ 95,023	\$ 79,041	\$ 95,761	\$ 85,154	\$ 98,155	\$ 101,099	\$ 101,099
7530 -- Publications & Legal Notices	\$ -	\$ -		\$ -	\$ 1,700	\$ 1,700	\$ 1,700
7671 -- Special Projects	\$ -	\$ -	\$ 574	\$ -	\$ -	\$ -	\$ -
7732 -- Training	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Services and Supplies	\$ 172,668	\$ 346,769	\$ 274,365	\$ 229,049	\$ 662,915	\$ 150,372	\$ 1,635,372
Other Charges	\$ -	\$ -					
7894 - Communication Services	\$ 600	\$ -		\$ -	\$ -	\$ -	\$ -
Other Charges	\$ 600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operational Reserve					\$ 51,724	\$ 53,275	\$ 53,275
Reserve		\$ -	\$ -	\$ -	\$ 51,724	\$ 53,275	\$ 53,275
Total Expenditures	\$ 173,268	\$ 346,769	\$ 274,365	\$ 229,049	\$ 714,638	\$ 203,647	\$ 1,688,647
Ending Balance	\$ 262,307	\$ 48,678	\$ 259,257	\$ 467,368	\$ 23,619	\$ 98,988	\$ (1,386,012)