FECHTER & COMPANY
Certified Public Accountants

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

Annual Financial Report With Independent Auditor's Report Thereon

JUNE 30, 2022

Independence Ranch Community Services District
Annual Financial Report
June 30, 2022

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Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Independence Ranch Community Services District
San Miguel, California

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Independence Ranch Community Services District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Independence Ranch Community Services District basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Independence Ranch Community Services District, as of June 30, 2022, and the respective changes in financial position for the year ended June 30, 2022 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independence Ranch 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 Independence Ranch 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 Independence Ranch 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 Independence Ranch 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.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

As described in Note 1, management has elected not to include a management discussion and analysis. This analysis is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

Required Supplementary Information – Budgetary Comparison

Accounting principles generally accepted in the United States of America require that the comparison information on page 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fechter & Company
Certified Public Accountants

Fechter + Company

Sacramento, California
July 8, 2026

Basic Financial Statements

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 52,350
Prepaid insurance	2,800
Long-term assets:	
Capital assets, net of accumulated depreciation	332,219
Total assets	387,369
Liabilities	
Accrued interest payable	4,944
Long-term liabilities:	
Due within one year	23,000
Due after one year	316,000
Total liabilities	343,944
Net Position	
Net invested in capital assets	6,781
Net position-unrestricted	36,644
Total net position	$ 43,425

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2022

Functions	Revenues	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities			
Public protection	$ -	$ 59,602	$ (59,602)
Total governmental activities	$ -	$ 59,602	(59,602)
General revenue			
Property taxes			62,500
Interest income			3
Total general revenues			62,503
Change in net position			2,901
Net position, beginning of year			40,524
Net position, end of year			$ 43,425

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2022

		General Fund
Assets		
Cash and investments	$	52,350
Prepaid insurance		2,800
Total assets	$	55,150
Fund Balance		
Unassigned	$	55,150
Total fund balance		55,150
Total liabilities and fund balance	$	55,150

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance - governmental fund	$	55,150
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are capitalized and depreciated over their useful lives in the government wide statements, but are recorded as an expenditure in the fund financial statements.		332,219
Long-term liabilties are assumed to not use current resources and are therefore excluded from the Governmental Fund Balance Sheet.		(343,944)
Net position of governmental activities	$	43,425

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

		General Fund
Revenues		
Property taxes	$	62,500
Interest income		3
Total Revenue		62,503
Expenditures - Public Protection		
Dues/fees		478
General manager		3,666
Insurance		2,698
Office expenses		1,382
Professional fees		11,194
Road repair and maintenance		161
Utilities		100
Debt related fees:		
Note principal payments		23,000
Interest on notes payable		12,670
Total expenditures		55,348
Net change in fund balance		7,155
Fund Balance		
Fund balance - beginning of year		47,995
Fund balance - end of year	$	55,150

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUE EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2022

Net change in fund balance - total governmental fund	$	7,155
Amounts reported for governmental activities in the Statement of Activities are different because:		
Current year depreciation expense		(27,589)
Decrease in notes principal payments and interest on notes payable		23,335
Changes in net position of governmental activities	$	2,901

The accompanying notes are integral to the financial statements.

NOTE 1 - ORGANIZATION

The Independence Ranch Community Services District (District) was formed in 1992. It is a political subdivision of the State of California and operates under a Board of Directors form of government. The District provides street maintenance and road improvement services for 125 parcels.

The District complies with U.S. Generally Accepted Accounting Principles and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the District's activities and functions that are included in the financial statements of a governmental unit. Management has elected not to include a management's discussion and analysis (MD&A), which is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles. The general ledger and budgetary projections are maintained by the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's most significant accounting policies are described below.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the primary government (the District). These statements include financial activities of the overall District.

Fund Financial Statements

The accounts of the District are organized into a governmental fund which is considered to be a separate accounting entity. Only current assets and current liabilities are generally included on the balance sheet. The operating statements present sources and uses of available resources during a given period. The District reports the following major governmental fund:

General Fund - Used to report the District's primary operating fund. It accounts for all financial resources of the general government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The basis of accounting indicates when transactions are recorded, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

Cash and Cash Equivalents

The District considers all highly liquid investments including money market accounts to be cash and cash equivalents. Cash in bank accounts is covered by Federal depository insurance.

Budget

An annual budget is approved by the Board. The budget is revised by the District's governing Board during the year to give consideration to unanticipated income and expenditures. All unencumbered appropriations in the budget lapse at the end of the fiscal year. A budget analysis for governmental funds is included as a required statement in the financial statements.

Property Taxes

The County of San Luis Obispo bills and collects property assessments for the District. The County charges the District for these services. Property assessment revenues are recognized by the District in the year levied.

Property taxes and assessments are administered under the County of San Luis Obispo secured property tax calendar. The lien date for secured property taxes is January 1st and taxes are levied for the upcoming fiscal year of July 1st to June 30th. Annual secured property tax bills are generally mailed by the County by November 1, and the County collects taxes and assessments in two installments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

General capital assets generally result from expenditures in governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are valued at historical cost. Improvements are capitalized and the cost of normal maintenance and repairs that do not add to the value of the net asset or materially extend the asset's life are not capitalized. As of June 30, 2022, the District's recorded capital assets consist of land improvements but not land since the District does not own the underlying land.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective Statement of Net Position. The estimated useful lives of land improvements are 20 years.

Concentrations

The District provides road maintenance and improvement services to the Independence Ranch Community Services District area. Consequently, its ability to collect amounts from the County of San Luis Obispo may be affected by economic fluctuations, within this region and within the State of California as a whole.

Fund Balances

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- <u>Non-spendable fund balance</u> - amounts that are not in a spendable form are required to be maintained intact.
- <u>Restricted fund balance</u> - amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- <u>Committed fund balance</u> - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- <u>Assigned fund balance</u> - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- <u>Unassigned fund balance</u> - amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position presents the difference between assets and liabilities in the Statement of Net Position. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

The values of cash and cash equivalents at June 30, 2022 are summarized as follows:

Demand deposits	$ 51,364
Cash and investment with:	
County treasurer	986
Total cash and investments	$ 52,350

The District's deposits are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 – CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Depreciating assets				
Land improvements	$ 551,782	$ -	$ -	$ 551,782
Total depreciable	551,782	-	-	551,782
Accumulated depreciation	(191,974)	(27,589)	-	(219,563)
Net depreciable assets	359,808	(27,589)	-	332,219
Net capital assets	$ 359,808	$ (27,589)	$ -	$ 332,219

For the year ended June 30, 2022, depreciation expense was $27,589.

NOTE 5 – LONG-TERM DEBT

The District obtained a $500,000 loan from the Public Property Financing Corporation of California transferred to the United States of America through the Rural Housing Service for the District road paving project. The loan is payable over 20 years and bears interest at 3.5% annually. On February 1, 2015 the District began to make annual payments of principal and semi-annual interest payments until the due date of February 1, 2034.

The District's outstanding long-term debt at June 30, 2022 is as follows:

Type of indebtedness:	Maturity	Interest Rate	Authorized
Note payable	2034	3.50%	$ 500,000

The following is a summary of debt activity as of June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Note payable	$ 362,000	$ -	$ 23,000	$ 339,000

NOTE 5 – LONG-TERM DEBT (continued)

The aggregate maturities of long-term debts are as follows:

Fiscal year ending June 30	Principal	Interest	Total Debt service
2023	$ 23,000	$ 11,865	$ 34,865
2024	24,000	11,060	35,060
2025	25,000	10,220	35,220
2026	26,000	9,345	35,345
2027	27,000	8,435	35,435
2028-2032	150,000	27,300	177,300
2033-2034	64,000	3,325	67,325
Total	$ 339,000	$ 81,550	$ 420,550

NOTE 6 – SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2022, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through July 8, 2026, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

Required Supplemental Information

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2022

	Original Budget	Final Budget	Actual	$ Over (Under) Budget	% Over (Under) Budget
REVENUES					
Property taxes	$ 62,500	$ 62,500	$ 62,500	$ -	-
Interest income	-	-	3	3	100%
Other revenue	-	-	-	-	-
Total amounts available for appropriation	62,500	62,500	62,503	3	
EXPENDITURES					
PUBLIC PROTECTION:					
Dues/fees	470	470	478	$ 8	2%
General manager	3,600	3,600	3,666	66	2%
Insurance	2,800	2,800	2,698	(102)	(4%)
Office expenses	1,040	1,040	1,382	342	33%
Professional fees	8,450	8,450	11,194	2,744	32%
Road repair and maintenance	10,040	10,040	161	(9,879)	(98%)
Utilities	100	100	100	-	-
Debt related fees:					
Note principal payments	23,000	23,000	23,000	-	-
Interest on notes payable	13,000	13,000	12,670	(330)	(3%)
Total charges to appropriations	62,500	62,500	55,348	(7,152)	(11%)
Net change in fund balance	-	-	7,155	7,155	
BUDGETARY FUND BALANCE					
Budgetary fund balance - beginning of year	47,995	47,995	47,995		
Budgetary fund balance - end of year	$ 47,995	$ 47,995	$ 55,150	$ 7,155	15%

The accompanying notes are integral to the financial statements.