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FECHTER & COMPANY
Certified Public Accountants

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

Financial Statements With Independent Auditor’s Report Thereon

June 30, 2025 and 2024

Independence Ranch Community Services District
Financial Statements and Supplemental Information
June 30, 2025 and 2024

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FECHTER
& COMPANY
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 the Independence Ranch Community Services District as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, and the respective changes in financial position for the years 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. 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 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 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

Accounting principles generally accepted in the United States of America require that the comparison information 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.

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 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.

Fechter & Company
Certified Public Accountants

Fechter + Company

July 30, 2026
Sacramento, California

Basic Financial Statements

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025 and 2024

	2025	2024
Assets		
Cash and investments	$ 47,219	$ 24,901
Prepaid insurance	-	2,795
Long-term assets:		
Capital assets, net of accumulated depreciation	249,452	277,041
Total assets	296,671	304,737
Liabilities		
Accrued interest payable	3,894	4,259
Current portion of long-term debt	26,000	25,000
Long-term liabilities:		
Long-term debt, net of current portion	241,000	267,000
Total liabilities	270,894	296,259
Net Position		
Net invested in capital assets	17,548	14,959
Net position-unrestricted	8,229	(6,481)
Total net position	$ 25,777	$ 8,478

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2025

Functions	Revenues	Expenses	Net (Expense) Revenue and Changes in Net Position
Governmental activities			
Public protection	$ -	$ 45,371	$ (45,371)
Total governmental activities	$ -	$ 45,371	(45,371)
General revenue			
Property taxes			62,500
Interest income			170
Total general revenues			62,670
Change in net position			17,299
Net position, beginning of year			8,478
Net position, end of year			$ 25,777

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2024

Functions	Revenues	Expenses	Net (Expense) Revenue and Changes in Net
Governmental activities			
Public protection	$ -	$ 110,952	$ (110,952)
Total governmental activities	$ -	$ 110,952	(110,952)
General revenue			
Property taxes			62,500
Interest income			135
Total general revenues			62,635
Change in net position			(48,317)
Net position, beginning of year			55,709
Prior period adjustment			1,087
Net position - beginning of year restated			56,796
Net position, end of year			$ 8,478

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2025 and 2024

	2025	2024
Assets		
Cash and investments	$ 47,219	$ 24,901
Prepaid insurance	-	2,795
Total assets	$ 47,219	$ 27,696
Fund Balance		
Assigned for:		
Other	$ 47,219	$ 27,696
Total fund balance	$ 47,219	$ 27,696

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
FOR THE YEARS ENDED
JUNE 30, 2025 and 2024

	2025	2024
Total fund balance - governmental fund	$ 47,219	$ 27,696
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.	249,452	277,041
Long-term liabilities and related accrued interest are assumed to not use current resources and are therefore excluded from the Governmental Fund Balance Sheet.	(270,894)	(296,259)
Net position of governmental activities	$ 25,777	$ 8,478

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 YEARS ENDED
JUNE 30, 2025 and 2024

	2025	2024
Revenues		
Property taxes	$ 62,500	$ 62,500
Interest income	170	135
Total Revenue	62,670	62,635
Expenditures - Public Protection		
Dues/fees	1,093	696
General manager	555	4,300
Insurance	2,795	2,858
Office expenses	2,554	1,323
Professional fees	-	27,370
Road repair and maintenance	510	36,106
Debt related fees:		
Note principal payments	25,000	24,000
Interest on notes payable	10,640	11,060
Total expenditures	43,147	107,713
Net change in fund balance	19,523	(45,078)
Fund Balance		
Fund balance - beginning of year	27,696	71,762
Prior period adjustment	-	1,013
Restated fund balance, beginning of year	27,696	72,775
Fund balance - end of year	$ 47,219	$ 27,696

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED
JUNE 30, 2025 and 2024

	2025	2024
Net change in fund balance - total governmental fund	$ 19,523	$ (45,078)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Current year depreciation expense	(27,589)	(27,589)
Decrease in notes principal payments and interest on notes payable	25,365	24,350
Changes in net position of governmental activities	$ 17,299	$ (48,317)

The accompanying notes are integral to the financial statements.

NOTE 1 - ORGANIZATION

Organization

The Independence Ranch Community Services District (District) was formed in 1992 as a political subdivision of the State of California operating 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 section (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, while 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. The District's capital assets consist of land improvements. The cost of the land under the improvements is owned by other governmental entities and is therefore excluded from the recorded cost basis of the Districts assets.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the applicable governmental activity column 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 as of June 30, 2025 and 2024 are summarized as follows:

	2025	2024
Demand deposits	$ 44,702	$ 22,395
Cash and investment with County treasurer	2,517	2,506
Total cash and investments	$ 47,219	$ 24,901

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, 2025 is as follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Depreciating assets				
Land improvements	$ 551,782	$ -	$ -	$ 551,782
Total depreciable	551,782	-	-	551,782
Accumulated depreciation	(274,741)	(27,589)	-	(302,330)
Net depreciable assets	277,041	(27,589)	-	249,452
Net capital assets	$ 277,041	$ (27,589)	$ -	$ 249,452

Depreciation expense was $27,589 for the year ended June 30, 2025.

The capital asset activity for the year ended June 30, 2024 is as follows:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Depreciating assets				
Land improvements	$ 551,782	$ -	$ -	$ 551,782
Total depreciable	551,782	-	-	551,782
Accumulated depreciation	(247,152)	(27,589)	-	(274,741)
Net depreciable assets	304,630	(27,589)	-	277,041
Net capital assets	$ 304,630	$ (27,589)	$ -	$ 277,041

Depreciation expense was $27,589 for the year ended June 30, 2024.

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 following is a summary of debt activity as of June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Note payable	$ 292,000	$ -	$ 25,000	$ 267,000

The following is a summary of debt activity as of June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Note payable	$ 316,000	$ -	$ 24,000	$ 292,000

The aggregate maturities of long-term debts as of June 30, 2025 are as follows:

Fiscal year ending June 30	Principal	Interest	Total Debt service
2026	$ 26,000	$ 9,345	$ 35,345
2027	27,000	8,435	35,435
2028	28,000	7,490	35,490
2029	29,000	6,510	35,510
2030	30,000	5,495	35,495
2031-2034	127,000	11,130	138,130
Total	$ 267,000	$ 48,405	$ 315,405

NOTE 6 – PRIOR PERIOD ADJUSTMENT

For fiscal year ended June 30, 2024 a prior-period adjustment of $1,087 was recorded to properly reflect the cash balance received from the County. The correction increased beginning fund balance for the fiscal year ended June 30, 2024, resulting in a restated beginning fund balance $56,796.

NOTE 7 – SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2025, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through July 30, 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 Supplementary Information

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2025

	Original Budget	Final Budget	Actual	$ Over (Under) Budget	% Over (Under) Budget
REVENUES					
Property taxes	$ 62,500	$ 62,500	$ 62,500	0	0%
Interest income	-	-	170	170	100%
Total amounts available for appropriation	62,500	62,500	62,670	170	100%
EXPENDITURES-PUBLIC PROTECTION					
Dues/fees	514	514	362	(152)	(30%)
Election expense	1,700	1,700	731	(969)	(57%)
General manager	6,000	6,000	555	(5,445)	(91%)
Insurance	2,900	2,900	2,795	(105)	(4%)
Office expenses	3,570	3,570	2,554	(1,016)	(28%)
Professional fees	9,000	9,000	-	(9,000)	(100%)
Road repair and maintenance	3,696	3,696	510	(3,186)	(86%)
Utilities	120	120	-	(120)	(100%)
Debt related fees:					
Note principal payments	25,000	25,000	25,000	-	0%
Interest on notes payable	10,000	10,000	10,640	640	6%
Total charges to appropriations	62,500	62,500	43,147	(19,353)	(31%)
Net change in fund balance	-	-	19,523	19,523	
BUDGETARY FUND BALANCE					
Budgetary fund balance - beginning of year	27,696	27,696	27,696		
Budgetary fund balance - end of year	$ 27,696	$ 27,696	$ 47,219		

The accompanying notes are integral to the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2024

	Original Budget	Final Budget	Actual	$ Over (Under) Budget	% Over (Under) Budget
Property taxes	$ 62,500	$ 62,500	$ 62,500	$ -	0%
Interest income	-	-	135	135	100%
Total amounts available for appropriation	62,500	62,500	62,635	135	0%
EXPENDITURES-PUBLIC PROTECTION					
Dues/fees	496	496	696	200	40%
Election expense	-	-	-	-	0%
General manager	3,600	3,600	4,300	700	19%
Insurance	3,000	3,000	2,858	(142)	(5%)
Office expenses	910	910	1,323	413	45%
Professional fees	11,750	11,750	27,370	15,620	133%
Road repair and maintenance	7,624	7,624	36,106	28,482	374%
Utilities	120	120	-	(120)	(100%)
Debt related fees:					
Note principal payments	24,000	24,000	24,000	-	0%
Interest on notes payable	11,000	11,000	11,060	60	1%
Total charges to appropriations	62,500	62,500	107,713	45,213	72%
Net change in fund balance	-	-	(45,078)	(45,078)	
BUDGETARY FUND BALANCE					
Budgetary fund balance - beginning of year	27,696	27,696	72,775		
Budgetary fund balance - end of year	$ 27,696	$ 27,696	$ 27,696		

The accompanying notes are integral to the financial statements.

NOTE 1 – BUDGET COMPARISON

For the year ended June 30, 2024, the District had the following Excess of Expenditures over Appropriations (instances where actual amounts exceeded budgeted amounts by more than $2,000) in these individual categories:

- Professional fees $15,620
- Road repair and maintenance $28,482