

**RESOLUTION NO. 2026-28**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SAN MIGUEL COMMUNITY SERVICES DISTRICT ACCEPTING AND APPROVING  
THE INDEPENDENT AUDITOR REPORT ON DISTRICT'S FY 2024-25 FINANCIAL  
STATEMENTS**

**WHEREAS**, the San Miguel Community Services District (“District”) is a community services district duly formed under California Government Code §61000 et. seq. to provide community services within the District’s service area, including water, lighting, solid waste, sewer and fire protection services; and

**WHEREAS**, Government Code §61118 et. seq. establishes procedures for the adoption of Audits for community services districts and financial accounting and cash accounts in accordance with generally accepted governmental accounting standards and practices; and

**WHEREAS**, the Board of Directors (“Directors”) of the District has reviewed the Independent Auditor’s Report on the District’s Financial Statements.

**NOW, THEREFORE, BE IT RESOLVED** that the Directors hereby accepts and approves the Independent Auditor’s Report for the FY 2024-25 Financial Statement of the District and authorize filing the Audit with the appropriate County and State offices.

On the motion of Director **Smiley**, Seconded by Director **Beatty** and on the following roll call vote:

**AYES:** Beatty, Smiley, Sangster

**NOES:** Davis

**ABSENT:** 0

**ABSTAINING:** 0

**VACANCY:** 1

The foregoing Resolution is hereby passed and adopted this 25th day of June 2026.

*Kelly Dodds*

Kelly Dodds, General Manager

*Ashley Sangster*

[Ashley Sangster \(Jun 29, 2026 07:37:03 PDT\)](#)

Ashley Sangster, President Board of Directors

**ATTEST:**

*Tamara Parent*

[Tamara Parent \(Jun 29, 2026 07:42:53 PDT\)](#)

Tamara Parent, Board Clerk

**APPROVED AS TO FORM AND CONTENT:**

*Christina M. Pritchard*

Christina M. Pritchard, Deputy General Counsel

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2025**



**SAN MIGUEL COMMUNITY SERVICES DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

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

### Opinions

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

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

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Miguel 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 San Miguel 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.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the San Miguel 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 San Miguel 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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major special revenue funds' budgetary comparison information, the schedule of changes in OPEB liability and related ratios, the schedule of OPEB contributions, the schedule of proportionate share of net pension liability, and the schedule of pension contributions 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026, on our consideration of the San Miguel 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 & Hartgen LLP*

Santa Maria, California  
May 21, 2026

# SAN MIGUEL COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025

As stewards to the San Miguel Community Services District's Financial management, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended on June 30, 2025. Our District's primary objective is *to efficiently serve the community with Fire protection, Water, Wastewater, Street Lighting/Landscaping and Solid Waste services in San Miguel*. This section of the District's financial report is provided as supplementary information to the audited financial statements. It is management's intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District's financial activities for the fiscal year ended June 30, 2025.

The District's basic statements report "**Governmental Activities**" of the Fire Fund and the Street Lighting Fund "**Business-Type Activities**" or "**Proprietary Funds**" of the Water Fund and Wastewater Fund (which includes the Solid Waste Fund).

Governmental Activities – these programs are primarily supported by property taxes, and by specific program revenues such as Ambulance fees, Plan Check fees, Public Facilities fees, and Developer fees.

Business-type Activities – these programs are primarily supported by Service fees, Grants, Hookup fees, Franchise fees, and Developer fees.

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Proprietary Funds – are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses a proprietary fund; an enterprise fund to account for the Wastewater and Water.

The District presents its financial statements under the reporting model required by the GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. For comparison purposes, two years of financial information is provided in the GASB 34 format.

### REQUIRED FINANCIAL STATEMENTS

The District's annual report consists of: Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements.

The basic financial statements following this discussion are: Statement of Net Position, Statement of Activities and Changes in Net Position, and Statement of Cash Flows. These consist of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position. Government-wide Financial Statements provide a broad overview of the District's activities as a whole, in a manner similar to a private-sector business, and consist of the Statement of Net Position and the Statement of Activities. The Statement of Net position provides information about the financial position of the District as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on a full accrual basis, with the emphasis on measuring net revenues or expenses of each of the District's funds. The Statement of Activities explains in detail the change in Net Position for the year.

Following the Fund Financial Statements are Notes to the Financial Statement that provide accounting methodology and other disclosures related to specifically identified financial statement reporting. The basic financial statements include Fund Financial Statements that consist of Balance Sheets and Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental, Statement of Net Position, Statement of Cash Flows.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Required Supplementary Information regarding the funding progress of the District's pension plan can be found on pages 41-44 of the Audited Financial Statements.

Government-wide Financial Analysis- The District presents its financial statements under the reporting model required by the GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. For comparison purposes, two years of financial information are provided in the GASB 34 format.

## FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$14,457,491. This represents the net position of the District as of June 30, 2025.
- The District's net position increased by \$1,704,576.
- Total Revenues for the fiscal year were \$4,893,830, an increase of \$932,234 or 23.5% over the prior fiscal year.
- Total operating expenses for the fiscal year were \$3,189,254, an increase of \$581,696 or 22.3% over the prior fiscal year. Consistent with the Generally Accepted Accounting Principles, operating expenses do not include principal payments or capital asset purchases.
- The District made principal payments on long-term debts in the amount of \$133,319 during the fiscal year.
- In addition to the operating expenses, the District incurred \$1,401,348 in capital asset purchases during the current fiscal year.
- Cash and Cash Equivalents on June 30, 2025 totaled \$7,023,411.
- Cash and Cash Equivalents increased by \$973,025 during the fiscal year.
- During the prior fiscal year 2023-24 Cash and Cash Equivalents increased by \$246,827.
- The District's Governmental Fund Balances have decreased \$213,456 or -9.9% from the previous year.
- Salary and Wages increased by 6.92% or \$49,606.

## NET POSITION

Net assets may serve over time as a useful indicator of a government's financial position. In the case of our District, the assets and deferred inflows exceeded the liabilities and deferred outflows by \$14,457,491 at the close of the most recent fiscal year.

SUMMARY OF NET POSITION JUNE 30, 2025 AND 2024		
	Governmental and Business-Type Activities	
	2025	2024
Current and other Assets	\$7,266,507	\$6,546,758
Capital Assets	\$9,473,213	\$8,409,735
<b>Total Assets</b>	<b>\$16,739,720</b>	<b>\$14,956,493</b>
Deferred Outflows of Resources	\$341,519	\$333,831
<b>Total Deferred Outflows</b>	<b>\$341,519</b>	<b>\$333,831</b>
Current and other liabilities	\$443,746	\$298,484
Long-term liabilities outstanding	\$2,064,694	\$2,109,095
<b>Total Liabilities</b>	<b>\$2,508,440</b>	<b>\$2,407,579</b>
Deferred Inflows of Resources	\$115,308	\$134,806
<b>Total Deferred Inflows</b>	<b>\$115,308</b>	<b>\$134,806</b>
Capital Asset Investment	\$8,038,437	\$7,067,917
Restricted	\$3,201,318	\$3,001,173
Unrestricted	\$3,217,736	\$2,678,849
<b>Total Net Position</b>	<b>\$14,457,491</b>	<b>\$12,747,939</b>

The largest portion of the District's net position of \$8,038,437 (55.6%) reflects its net investment in capital assets (e.g. land, structures and improvements, equipment, and construction in progress); less any related debt and other payables used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the District's net position of \$3,201,318 (22.1%) represents Restricted resources that are subject to external restrictions on how they may be used.

At the end of the fiscal year the District is able to report positive balances in all of the categories of net position. The District's net position increased by \$1,704,576 during the 2024-2025 fiscal year, which accounts for 11.8 percent of total net position.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$24,424	\$34,634	\$2,639,182	\$2,373,861	\$2,663,606	\$2,408,495
Operating contributions and grants	\$105,366	\$30,102	\$0	\$0	\$105,366	\$30,102
Capital contributions and grants	\$0	\$0	\$1,073,928	\$557,885	\$1,073,928	\$557,885
General revenues:						
Property Taxes	\$689,896	\$693,858	\$86,054	\$118,926	\$775,950	\$812,784
Invest earnings (loss)	\$68,550	\$31,729	\$164,660	\$53,844	\$233,210	\$85,573
Gain on the sale of property	\$0	\$5,625	\$0	\$16	\$0	\$5,641
Miscellaneous	\$1,476	\$7,599	\$40,294	\$53,517	\$41,770	\$61,116
Transfers	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL REVENUES</b>	<b>\$889,712</b>	<b>\$803,547</b>	<b>\$4,004,118</b>	<b>\$3,158,049</b>	<b>\$4,893,830</b>	<b>\$3,961,596</b>
<b>EXPENSES:</b>						
Governmental activities:						
Public Safety	\$605,142	\$583,689			\$605,142	\$583,689
Street lighting	\$56,262	\$56,502			\$56,262	\$56,502
Depreciation (unallocated)	\$80,471	\$66,776			\$80,471	\$66,776
Business-type activities:						
Water			\$1,457,568	\$1,136,449	\$1,457,568	\$1,136,449
Wastewater			\$989,811	\$764,142	\$989,811	\$764,142
<b>TOTAL EXPENSES</b>	<b>\$741,876</b>	<b>\$706,967</b>	<b>\$2,447,379</b>	<b>\$1,900,591</b>	<b>\$3,189,255</b>	<b>\$2,607,558</b>
<b>CHANGE IN NET POSITION</b>	<b>\$147,837</b>	<b>\$96,580</b>	<b>\$1,556,739</b>	<b>\$1,257,458</b>	<b>\$1,704,576</b>	<b>\$1,354,038</b>
Net position - beginning of fiscal year	\$2,178,351	\$2,081,771	\$10,569,588	\$9,312,130	\$12,747,939	\$11,393,901
Prior period adjustment	\$4,976	\$0	\$0	\$0	\$4,976	\$0
Net position – beginning of fiscal year, restated	\$2,183,327	\$2,081,771	\$10,569,588	\$9,312,130	\$12,752,915	\$11,393,901
<b>NET POSITION - END OF FISCAL YEAR</b>	<b>\$2,331,164</b>	<b>\$2,178,351</b>	<b>\$12,126,327</b>	<b>\$10,569,588</b>	<b>\$14,457,491</b>	<b>\$12,747,939</b>

## REVENUES

The District's total revenues per the Statement of Activities were \$4,893,830 for the fiscal year ended June 30, 2025 which represents an increase of \$932,234 or 23.53% from the prior year. Charges for Services revenue of \$2,663,606 comprised 54.4% of total revenues. Property tax revenue of \$775,950 comprised 15.9% of total revenues of the District, which is restricted for specific Fund use. The increase in Property tax revenue reflects the

increase in Proposition 13 adjustments on existing homes combined with the increase of sales on existing and new home properties and local development. The increase in Governmental Activity Operating contributions reflects the new grants that the Fire Department was awarded. The increase in Business-Type Activity Operating contributions reflects grants that were awarded and are reimbursing approved project expenses. The increase in Business-Type Activities interest revenue reflects the District Manager’s banking and investments strategies.

**OPERATING EXPENSES**

Expenses of the District totaled \$3,189,255 for the fiscal year ended June 30, 2025 which represents an increase of \$581,697 or 22.3% from the prior year. Water Service costs represent the largest expenditure of 46%, Wastewater Service costs 31%, Public Safety costs 19% of total expenses.

The following table shows the cost of each of the District’s programs and the net cost of the programs for the fiscal year ended June 30, 2025. Net costs are the total cost less fees and other direct revenue generated by the activities. The net cost of Public Safety, Street Lighting, Water and Wastewater/Solid Waste reflects the financial burden that was placed on the District’s taxpayers and Service Customers by each of the programs to maintain service to the District’s customers.

PROGRAM COSTS AND NET REVENUE (COST)		
	Total Cost of Services	Net Revenue (Cost) of Services
Governmental activities:		
Public Safety	\$685,613	(\$556,123)
Street Lighting	\$56,262	(\$55,962)
Business-type activities:		
Water	\$1,457,568	(\$311,364)
Wastewater	\$989,811	\$1,577,095
<b>TOTAL:</b>	<b>\$3,189,254</b>	<b>\$653,646</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

As noted earlier, the District uses Fund Accounting to ensure compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide financial statements.

Governmental Funds: the focus of the District’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Districts’ financing requirements. In particular, the unreserved fund balance may serve as a useful measurement of a government’s net resources available for spending at the end of the fiscal year.

At June 30, 2025, the District’s governmental and enterprise funds reported combined fund balances and net position of \$14,058,217 which represents an increase of \$1,343,283 from the prior year. The increase for fiscal year

2025 was mostly for capital projects and capital leases. Approximately 23.50% is the combined fund balances and net position in the current fiscal year of \$3,303,227 constitutes Unrestricted Net Position, which is used to meet the District's current and future needs. The remainder of the fund balance and net position not part of the net investment in capital assets is Restricted to indicate that it is not available for new spending because it has been restricted either for: 1) amounts set aside for future construction (\$1,269,428) or 2) to be used for the specific purpose of the Fund (\$1,931,890).

## CAPITAL ASSETS

As of June 30, 2025, the District's investment in capital assets amounted to \$9,473,213 net of depreciation. This investment in capital assets includes land, leased land, land improvements, structures and improvements, equipment, and construction in progress costs for various improvements and construction.

CAPITAL ASSETS AS OF JUNE 30, 2025 AND 2024						
	2025			2024		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$76,926	\$301,889	\$378,815	\$76,926	\$301,889	\$378,815
Building	\$906,543	\$9,045,814	\$9,952,357	\$549,866	\$9,045,814	\$9,595,680
Equipment	\$1,540,204	\$808,334	\$2,348,538	\$1,492,146	\$808,334	\$2,300,480
Construction in Progress	\$0	\$3,469,331	\$3,469,331	\$47,174	\$2,420,568	\$2,467,742
Less accumulated depreciation	(\$1,583,470)	(\$5,092,358)	(\$6,675,828)	(\$1,502,999)	(\$4,829,983)	(\$6,332,982)
<b>TOTAL</b>	<b>\$940,203</b>	<b>\$8,533,010</b>	<b>\$9,473,213</b>	<b>\$663,113</b>	<b>\$7,746,622</b>	<b>\$8,409,735</b>

The change in Capital Asset total reflects the removal of surplus equipment sold, new equipment additions, the modular District Office, and asset depreciation. Additional information on the District's capital assets can be found in Note 3 on page 30 of the Audited Financial Statements.

## LONG-TERM LIABILITIES

At June 30, 2025, the District had long-term liabilities obligations totaling \$2,164,527. District long-term liabilities include \$306,163 of net pension liability with respect to the obligation of the District for CalPERS retirement, and \$385,699 for Other Post-Employment Benefits (OPEB) liability. Bonds payable of \$979,338 for the 2008 USDA loan (secured by water revenues), Leases payable of \$455,438 for the Fire Engine and the Temporary Housing Unit. Finally, \$37,889 for employee Compensated Absences.

Additional information on the District's long-term debt can be found in Note 4 on page 31 of the Audited Financial Statements.

## NEXT YEAR BUDGET AND RATES

The San Miguel C.S.D. local economy continues to see growth as the population continues to grow, shifting from a mostly elderly population to young families, and with it the demand for housing occurs. The primary sources of funding for the District's Funds are Charge for Service and Property Taxes. The District is working towards a Rate Study for Wastewater Service in the near future. Charges for Service revenue can only be used to provide that specific service. Property tax revenues have increased by approximately \$36,834 or 4.53% from the prior year but projections and property values continue to go up, therefore the District is projecting an average annual growth in property tax revenues of 4% for the next fiscal year. Property Taxes may only be used for the Fund for which they are collected.

One concern of future fiscal years is the potential impacts of inflation. While the Fiscal Year 2026/27 Budget (presented to the Board of Directors on May 28, 2026) and the District's utility rate structure includes some allowance for inflation, there have been significant increases to expenses due to inflation beyond those indicated in the consumer price index for this region. The District has most notably experienced increases in the cost of fuel, utilities, and materials. The District's legal expenses also increased 120% between FY2024/25 to FY2025/26. The District's Budget process starts at the beginning of the calendar year and considers these added costs and projected inflation increases when preparing the next fiscal year's revenue and expense budgets.

The District's overall goal is to maintain the high levels of service and reliability that our residents and business leaders have come to expect from the District. One step in meeting this challenge is the regular review and update of the District's Goals, Capital Improvement Projects, Strategic Plan, and other guiding policies. District Master Plans and Capital Improvement Plans provide an estimation of the timing of future District facilities and projects, and corresponding revenue sources needed for those projects. Those documents, along with the annual Budget, is the foundation upon which the District will build to meet the growing needs of the community.

## REQUESTS FOR INFORMATION

This Management's Discussion and Analysis is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's Finances. If you have questions about this report or need additional financial information, contact the San Miguel Community Services District at 1765 Bonita Place, PO Box 180, San Miguel, CA 93451 or visit the District's web page at [www.sanmiguelcsd.org](http://www.sanmiguelcsd.org)

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**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,016,145	\$ 5,007,266	\$ 7,023,411
Accounts receivable, net	10,045	230,041	240,086
Interest receivable	2,379	631	3,010
Capital assets:			
Non Depreciable:			
Land	76,926	301,889	378,815
Construction in progress		3,469,331	3,469,331
Depreciable:			
Buildings, structures, and improvements	906,543	9,045,814	9,952,357
Equipment	1,540,204	808,334	2,348,538
Accumulated depreciation	(1,583,470)	(5,092,358)	(6,675,828)
Total assets	<u>2,968,772</u>	<u>13,770,948</u>	<u>16,739,720</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pensions	73,909	179,252	253,161
Deferred OPEB	17,672	70,686	88,358
Total deferred outflows of resources	<u>91,581</u>	<u>249,938</u>	<u>341,519</u>
<b>LIABILITIES</b>			
Accounts payable	89,585	180,383	269,968
Accrued liabilities	7,094	15,771	22,865
Accrued interest payable	8,878	17,853	26,731
Deposits payable		24,349	24,349
Noncurrent liabilities:			
Due within one year	66,494	33,339	99,833
Due in more than one year	534,076	1,530,618	2,064,694
Total liabilities	<u>706,127</u>	<u>1,802,313</u>	<u>2,508,440</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	1,709	6,834	8,543
Deferred OPEB	21,353	85,412	106,765
Total deferred inflows of resources	<u>23,062</u>	<u>92,246</u>	<u>115,308</u>
<b>NET POSITION</b>			
Net investment in capital assets	484,765	7,553,672	8,038,437
Restricted for:			
Fire and emergency services	851,747		851,747
Street lighting	1,080,143		1,080,143
Capital expansion		806,195	806,195
Capital projects		338,448	338,448
Debt service		124,785	124,785
Unrestricted	(85,491)	3,303,227	3,217,736
Total net position	<u>\$ 2,331,164</u>	<u>\$ 12,126,327</u>	<u>\$ 14,457,491</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2025

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
Public safety	\$ 605,142	\$ 24,124	\$ 105,366	\$ -
Street lighting	56,262	300		
Depreciation (unallocated)	80,471			
Total governmental activities	<u>741,875</u>	<u>24,424</u>	<u>105,366</u>	
Business-type activities:				
Water	1,457,568	1,087,296		58,908
Wastewater	989,811	1,551,886		1,015,020
Total business-type activities	<u>2,447,379</u>	<u>2,639,182</u>		<u>1,073,928</u>
Total primary government	<u>\$ 3,189,254</u>	<u>\$ 2,663,606</u>	<u>\$ 105,366</u>	<u>\$ 1,073,928</u>

(Continued)

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES (Continued)**  
For the Fiscal Year Ended June 30, 2025

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental activities:			
Public safety	\$ (475,652)	\$ -	\$ (475,652)
Street lighting	(55,962)		(55,962)
Depreciation (unallocated)	(80,471)		(80,471)
Total governmental activities	<u>(612,085)</u>		<u>(612,085)</u>
Business-type activities:			
Water		(311,364)	(311,364)
Wastewater		1,577,095	1,577,095
Total business-type activities		<u>1,265,731</u>	<u>1,265,731</u>
Total primary government	<u>(612,085)</u>	<u>1,265,731</u>	<u>653,646</u>
General Revenues:			
Taxes:			
Property	689,896	86,054	775,950
Investment income	68,550	164,660	233,210
Other general revenues	1,476	40,294	41,770
Total general revenues	<u>759,922</u>	<u>291,008</u>	<u>1,050,930</u>
Change in net position	<u>147,837</u>	<u>1,556,739</u>	<u>1,704,576</u>
Net position - beginning of fiscal year	2,178,351	10,569,588	12,747,939
Prior period adjustment	4,976		4,976
Net position - beginning of fiscal year, restated	<u>2,183,327</u>	<u>10,569,588</u>	<u>12,752,915</u>
Net position - end of fiscal year	<u>\$ 2,331,164</u>	<u>\$ 12,126,327</u>	<u>\$ 14,457,491</u>

(Concluded)

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2025

	<b>Special Revenue Funds</b>		
	<b>Fire Fund</b>	<b>Street Lighting Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 934,806	\$ 1,081,339	\$ 2,016,145
Accounts receivable	9,473	572	10,045
Interest receivable		2,379	2,379
	<u>944,279</u>	<u>1,084,290</u>	<u>2,028,569</u>
Total assets	<u>\$ 944,279</u>	<u>\$ 1,084,290</u>	<u>\$ 2,028,569</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 86,027	\$ 3,558	\$ 89,585
Accrued liabilities	6,505	589	7,094
	<u>92,532</u>	<u>4,147</u>	<u>96,679</u>
Total liabilities	<u>92,532</u>	<u>4,147</u>	<u>96,679</u>
Fund Balances:			
Restricted:			
Fire and emergency services	851,747		851,747
Street lighting		1,080,143	1,080,143
	<u>851,747</u>	<u>1,080,143</u>	<u>1,931,890</u>
Total fund balances	<u>851,747</u>	<u>1,080,143</u>	<u>1,931,890</u>
Total liabilities and fund balances	<u>\$ 944,279</u>	<u>\$ 1,084,290</u>	<u>\$ 2,028,569</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2025

Total fund balances - governmental funds \$ 1,931,890

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

Capital assets at historical cost	\$	2,523,673	
Accumulated depreciation		(1,583,470)	
Net			940,203

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	\$	6,344	
Capital lease		455,438	
Other post employment benefits obligation		77,139	
Net pension liability		61,649	
Total			(600,570)

In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In government-wide statement of net position, it is recognized in the period that is incurred. (8,878)

Deferred outflows and inflows relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred inflows of resources relating to pensions	\$	(1,709)	
Deferred inflows of resources relating to OPEB		(21,353)	
Deferred outflows of resources relating to pensions		73,909	
Deferred outflows of resources relating to OPEB		17,672	
			68,519

Total net position - governmental activities \$ 2,331,164

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2025

	<b>Special Revenue Funds</b>		
	<b>Fire Fund</b>	<b>Street Lighting Fund</b>	<b>Totals</b>
<b>Revenues:</b>			
Property taxes	\$ 530,397	\$ 159,499	\$ 689,896
Service charges and fees	23,054	300	23,354
Public facilities fees and assessments	1,070		1,070
Mutual aid	39,835		39,835
Grants	65,531		65,531
Investment income	32,321	36,229	68,550
Miscellaneous income	649	827	1,476
<b>Total revenues</b>	<b>692,857</b>	<b>196,855</b>	<b>889,712</b>
<b>Expenditures:</b>			
Salaries and wages	269,129	15,952	285,081
Payroll taxes and benefits	52,601	4,868	57,469
Workers compensation	46,012	(183)	45,829
Maintenance and repairs	13,609	3,445	17,054
Miscellaneous	20,693		20,693
Insurance	23,751	2,375	26,126
Office supplies and expense	2,053	686	2,739
Supplies	55,350		55,350
Professional services	37,318	5,196	42,514
Dues, permits, and fees	8,976	384	9,360
Communications	65,638	2,134	67,772
Employee travel and training	4,458	43	4,501
Occupancy	6,740	1,419	8,159
Utilities	5,881	21,296	27,177
Bank fees	49	51	100
Capital outlay	352,585		352,585
Debt Service:			
Principal	62,406		62,406
Interest	18,253		18,253
<b>Total expenditures</b>	<b>1,045,502</b>	<b>57,666</b>	<b>1,103,168</b>
Excess of revenues over (under) expenditures	(352,645)	139,189	(213,456)
Change in fund balances	(352,645)	139,189	(213,456)
Fund balances - July 1, 2024	1,204,392	940,954	2,145,346
Fund balances - June 30, 2025	<u>\$ 851,747</u>	<u>\$ 1,080,143</u>	<u>\$ 1,931,890</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2025

Total net change in fund balances - governmental funds	\$ (213,456)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$352,585 is more than depreciation expense \$(80,471).	272,114
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by \$869.	(869)
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	1,681
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	62,406
In the statement of activities, other postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the difference between accrual-basis postemployment benefit costs and actual employer contributions was:	(7,996)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:	<u>33,957</u>
Changes in net position - governmental activities	<u>\$ 147,837</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
June 30, 2025

	Wastewater Fund	Water Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 4,350,085	\$ 657,181	\$ 5,007,266
Accounts receivable, net	133,911	96,130	230,041
Interest receivable	97	534	631
Total current assets	<u>4,484,093</u>	<u>753,845</u>	<u>5,237,938</u>
Noncurrent assets:			
Land	282,660	19,229	301,889
Construction in progress	3,024,840	444,491	3,469,331
Depreciable capital assets, net of accumulated depreciation	867,543	3,894,247	4,761,790
Total noncurrent assets	<u>4,175,043</u>	<u>4,357,967</u>	<u>8,533,010</u>
Total assets	<u>8,659,136</u>	<u>5,111,812</u>	<u>13,770,948</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pensions	89,626	89,626	179,252
Deferred OPEB	35,343	35,343	70,686
Total deferred outflows of resources	<u>124,969</u>	<u>124,969</u>	<u>249,938</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	125,487	54,896	180,383
Accrued liabilities	6,628	9,143	15,771
Accrued interest payable		17,853	17,853
Deposits payable	11,391	12,958	24,349
Compensated absences, current portion	4,195	5,269	9,464
Bonds payable, current portion		23,875	23,875
Total current liabilities	<u>147,701</u>	<u>123,994</u>	<u>271,695</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	9,788	12,293	22,081
OPEB payable	154,280	154,280	308,560
Bonds payable, net of current portion		955,463	955,463
Net pension liability	122,257	122,257	244,514
Total noncurrent liabilities	<u>286,325</u>	<u>1,244,293</u>	<u>1,530,618</u>
Total liabilities	<u>434,026</u>	<u>1,368,287</u>	<u>1,802,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	3,417	3,417	6,834
Deferred OPEB	42,706	42,706	85,412
Total deferred inflows of resources	<u>46,123</u>	<u>46,123</u>	<u>92,246</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,175,043	3,378,629	7,553,672
Restricted for debt service		124,785	124,785
Restricted for Wastewater Treatment Facility project	338,448		338,448
Restricted for capital expansion	670,346	135,849	806,195
Unrestricted	3,120,119	183,108	3,303,227
Total net position	<u>\$ 8,303,956</u>	<u>\$ 3,822,371</u>	<u>\$ 12,126,327</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended June 30, 2025

	Wastewater Fund	Water Fund	Totals
<b>Operating Revenues:</b>			
Utility	\$ 1,551,886	\$ 1,087,296	\$ 2,639,182
Total operating revenues	<u>1,551,886</u>	<u>1,087,296</u>	<u>2,639,182</u>
<b>Operating Expenses:</b>			
Salaries and wages	227,285	254,459	481,744
Payroll taxes and benefits	117,870	121,332	239,202
Contract labor	1,000	1,000	2,000
Workers compensation	10,744	7,676	18,420
Maintenance and repairs	85,283	389,112	474,395
Miscellaneous	(8)	3,738	3,730
Insurance	27,709	25,334	53,043
Office supplies and expense	3,701	4,569	8,270
Supplies	31,746	34,043	65,789
Professional services	155,288	252,800	408,088
Dues, permits, and fees	64,681	15,473	80,154
Communications	10,829	6,562	17,391
Employee travel and training	1,139	1,456	2,595
Occupancy	14,338	12,964	27,302
Regulatory compliance	45,450	5,810	51,260
Utilities	126,616	81,042	207,658
Bank fees	207	243	450
Depreciation	65,933	196,442	262,375
Total operating expenses	<u>989,811</u>	<u>1,414,055</u>	<u>2,403,866</u>
Operating profit (loss)	<u>562,075</u>	<u>(326,759)</u>	<u>235,316</u>
<b>Non-Operating Revenues (Expenses):</b>			
Property taxes and assessments	86,054		86,054
Investment income	137,431	27,229	164,660
Other non-operating revenue	21,690	18,604	40,294
Interest expense		(43,513)	(43,513)
Total non-operating revenues (expenses)	<u>245,175</u>	<u>2,320</u>	<u>247,495</u>
<b>Capital Contributions and Transfers:</b>			
Intergovernmental revenues	1,002,508	47,000	1,049,508
Connection fees	12,512	11,908	24,420
Total capital contributions and transfers	<u>1,015,020</u>	<u>58,908</u>	<u>1,073,928</u>
Change in net position	1,822,270	(265,531)	1,556,739
Net position - July 1, 2024	<u>6,481,686</u>	<u>4,087,902</u>	<u>10,569,588</u>
Net position - June 30, 2025	<u>\$ 8,303,956</u>	<u>\$ 3,822,371</u>	<u>\$ 12,126,327</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2025

	Wastewater Fund	Water Fund	Totals
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 1,540,587	\$ 1,086,813	\$ 2,627,400
Payments to suppliers	(607,971)	(926,366)	(1,534,337)
Payments to employees	(207,279)	(226,539)	(433,818)
Net cash provided by (used in) operating activities	<u>725,337</u>	<u>(66,092)</u>	<u>659,245</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition of capital assets	(752,360)	(296,403)	(1,048,763)
Capital contributions	1,015,020	58,908	1,073,928
Principal paid on capital debt		(70,913)	(70,913)
Interest paid on capital debt		(44,284)	(44,284)
Net cash provided by (used in) capital and related financing activities	<u>262,660</u>	<u>(352,692)</u>	<u>(90,032)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Property taxes and assessments	86,054		86,054
Other revenue	21,690	18,604	40,294
Net cash provided by noncapital financing activities	<u>107,744</u>	<u>18,604</u>	<u>126,348</u>
<b>Cash Flows From Investing Activities:</b>			
Interest income	150,098	29,040	179,138
Net cash provided by investing activities	<u>150,098</u>	<u>29,040</u>	<u>179,138</u>
Net increase (decrease) in cash and cash equivalents	1,245,839	(371,140)	874,699
Cash and cash equivalents - July 1, 2024	3,104,246	1,028,321	4,132,567
Cash and cash equivalents - June 30, 2025	<u>\$ 4,350,085</u>	<u>\$ 657,181</u>	<u>\$ 5,007,266</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ 4,350,085</u>	<u>\$ 657,181</u>	<u>\$ 5,007,266</u>

(Continued)

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2025**

	Wastewater Fund	Water Fund	Totals
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 562,075	\$ (326,759)	\$ 235,316
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	65,933	196,442	262,375
Change in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:			
Receivables, net	(12,346)	(3,420)	(15,766)
Deferred outflows- pension	1,658	1,658	3,316
Deferred outflows- OPEB	4,242	4,242	8,484
Accounts payable	88,622	36,788	125,410
Accrued liabilities	204	3,296	3,500
Deposits payable	1,047	2,937	3,984
Compensated absences	1,249	6,071	7,320
OPEB payable	14,708	14,708	29,416
Net pension liability	3,080	3,080	6,160
Deferred inflows- pension	(2,181)	(2,181)	(4,362)
Deferred inflows- OPEB	(2,954)	(2,954)	(5,908)
Net cash provided (used) by operating activities	<u>\$ 725,337</u>	<u>\$ (66,092)</u>	<u>\$ 659,245</u>

(Concluded)

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. The Financial Reporting Entity

The San Miguel Community Services District (District) is a multi-purpose special district established on February 1, 2000, by the consolidation of the San Miguel Fire Protection District, which was established in 1941, the Water Works District #1, and the San Miguel Lighting District. The San Miguel Sanitation District was dissolved in April 2001 and incorporated into the San Miguel Community Services District. The District is a political subdivision of the State of California and operates under a Board of Directors - Manager form of government. The District provides fire protection, street lighting, water, wastewater, solid waste, and general administrative services.

There are no component units included in this report which meet the criteria of 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.

B. Basis of Presentation

*Fund Financial Statements:*

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

**Major Funds**

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

Fire Fund - This fund accounts for activities of the Fire Station. The fire department provides fire suppression, emergency paramedic services, and fire prevention including public education.

Street Lighting Fund – This fund accounts for activities for the maintenance of the street lights in San Miguel.

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

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

Wastewater Fund – This fund accounts for the operation and maintenance of the District's wastewater system.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

- b. All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or non-current) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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

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

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

D. Property Taxes

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

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

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Property Taxes (Continued)

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

E. Cash and Investments

The District pools the cash of all funds, except for monies that are reserved for specific purposes. The cash and investments balance in each fund represents that fund's equity share of the District's cash and investment pool.

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

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

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

F. Accounts and Interest Receivable

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

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

G. Prepaid Expenses and Deposits

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements. Payments made to reserve a future capital asset are recorded as a deposit until that asset is received.

H. Restricted Assets

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

I. Capital Assets

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

*Government-Wide Statements*

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. Capital Assets (Continued)

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

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

*Fund Financial Statements*

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

J. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave, sick leave, and compensatory time off, which are accrued as earned. Vacation can accrue no more than a maximum of two times the employees' annual entitlement to vacation pay. Upon termination, all accumulated vacation hours can be paid for the regular employees. The District's liability for the current and long-term portions of compensated absences is shown in the government-wide Statement of Net Position for both governmental funds and proprietary funds. Only proprietary funds reflect the long-term portion in the fund financials report, the Statement of Net Position. The short-term portion is reflected for both governmental and proprietary funds in the fund financial statements. Computation was based on rates in effect as of the fiscal year-end. The District implemented GASB Statement No. 101, Compensated Absences, during the fiscal year ended June 30, 2025. The implementation of this standard did not have a material effect on the District's financial statements.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as another financing source, and the proprietary fund types report long-term debt and other long-term obligations as liabilities.

L. Deferred Outflows and Inflows of Resources

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category, refer to Note 8 and Note 9 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 8 and Note 9 for a detailed listing of the deferred inflows of resources the District has recognized.

M. Interfund Transactions

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

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Interfund Transactions (Continued)

3. Transfers - all interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as transfers in and out.

N. Equity Classifications

*Government-Wide Statements*

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

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

O. Fund Balances

Fund balance of the governmental fund is classified as follows:

*Nonspendable Fund Balance* – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted Fund Balance* – represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

*Committed Fund Balance* – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

*Assigned Fund Balance* – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

*Unassigned Fund Balance* – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

P. Future Accounting Pronouncements

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

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.
Statement No. 105	"Subsequent Events"	The provisions of this statement are effective for fiscal years beginning after June 15, 2026.

Q. Pensions

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

R. Use of Estimates

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

S. Other Postemployment Benefits (OPEB)

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

T. Budgets

The budget is reported on the same basis as the fund types and on a basis consistent with accounting principles generally accepted in the United States of America. Additional appropriations or other changes during the fiscal year may be submitted by the department for Board review and approval.

**NOTE 2 – CASH AND INVESTMENTS**

Investments are carried at fair value in accordance with GASB Statement No. 72. On June 30, 2025, the District had the following cash and investments on hand:

Cash in checking accounts	\$ 1,270,340
Cash in savings accounts	3,113,511
Cash and investments with County of San Luis Obispo	19,987
Cash on hand	500
Investments	<u>2,619,073</u>
Total	<u>\$ 7,023,411</u>

Cash and investments listed above are presented on the accompanying basic financial statements, as follows:

Cash and investments	\$ 7,023,411
Total	<u>\$ 7,023,411</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2025:

Investments by fair value level	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificate of deposit	\$ 635,389	\$ -	\$ 635,389	\$ -
U.S. Treasury / Agency Security	1,258,176	1,258,176		
Total investments measured at fair value	\$ 1,893,565	\$ 1,258,176	\$ 635,389	\$ -
Investments measured at amortized cost				
San Luis Obispo County Investment Pool	19,987			
Money market funds	6,753			
CalTRUST Liquidity Fund	718,755			
Total Investments	\$ 2,639,060			

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

Investments of the District as of June 30, 2025

The table below identifies the investment types the District has that are authorized for the District by the California Government Code or the District's investment policy, where more restrictive, that addresses interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25-40%	None
Negotiable Certificates of Deposit	5 years	30%	5%
Non-negotiable Certificates of Deposit	5 years	\$250,000	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	None
San Luis Obispo County Investment Pool	N/A	None	None
Local Agency Investment Fund	N/A	None	\$75,000,000

Disclosure Relating to Interest Rate Risk

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Disclosure Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2025:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Negotiable certificates of deposit	\$ 635,389	\$ -	\$ -	\$ 635,389	\$ -
U.S. Treasury / Agency Security	1,258,176			1,258,176	
Money market funds	6,753	6,753			
San Luis Obispo County Investment Pool	19,987	19,987			
CalTRUST Liquidity Fund	718,755	718,755			
	<u>\$ 2,639,060</u>	<u>\$ 745,495</u>	<u>\$ -</u>	<u>\$ 1,893,565</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments that are highly sensitive to interest rate fluctuations. The U.S. Treasury and Agency Securities, with maturities of 25-60 months, earn interest at fixed rates and are not considered to have significant interest rate risk.

Disclosures Relating to Credit Risk

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

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			Not Rated
			AAA	AA+	AA-	
Negotiable certificates of deposit	\$ 635,389	N/A	\$ -	\$ -	\$ -	\$ 635,389
U.S. Treasury / Agency Security	1,258,176	N/A				1,258,176
Money market funds	6,753	N/A				6,753
San Luis Obispo County Investment Pool	19,987	N/A				19,987
CalTRUST Liquidity Fund	718,755	N/A				718,755
	<u>\$ 2,639,060</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,639,060</u>

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Investment Type	Reported Amount
Negotiable certificates of deposit	\$ 635,389
Federal agency securities	\$ 1,258,176

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Deposits are insured up to \$250,000 by the FDIC. At June 30, 2025, none of the District's deposits with financial institutions in excess of Federal depository insurance limits were held in uncollateralized accounts.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 – CAPITAL ASSETS**

**Governmental activities:**

	Balance at July 1, 2024	Prior Period Adjustment	Additions	Deletions	Transfers	Balance at June 30, 2025
Capital assets not being depreciated						
Land	\$ 76,926	\$ -	\$ -	\$ -	\$ -	\$ 76,926
Construction in progress	47,174	4,976	304,527		(356,677)	
Total capital assets not being depreciated	<u>124,100</u>	<u>4,976</u>	<u>304,527</u>	<u>-</u>	<u>(356,677)</u>	<u>76,926</u>
Capital assets being depreciated						
Buildings, structures, and improvements	\$ 549,866	\$ -	\$ -	\$ -	\$ 356,677	\$ 906,543
Equipment	1,492,146		48,058			1,540,204
Total capital assets being depreciated	<u>2,042,012</u>	<u>-</u>	<u>48,058</u>	<u>-</u>	<u>356,677</u>	<u>2,446,747</u>
Less accumulated depreciation	<u>1,502,999</u>		<u>80,471</u>			<u>1,583,470</u>
Total capital assets being depreciated, net	<u>\$ 539,013</u>	<u>\$ -</u>	<u>\$ (32,413)</u>	<u>\$ -</u>	<u>\$ 356,677</u>	<u>\$ 863,277</u>
Net capital assets	<u>\$ 663,113</u>	<u>\$ 4,976</u>	<u>\$ 272,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,203</u>

**Business-type activities:**

	Balance at July 1, 2024	Additions	Deletions	Transfers	Balance at June 30, 2025
Capital assets not being depreciated					
Land	\$ 301,889	\$ -	\$ -	\$ -	\$ 301,889
Construction in progress	2,420,568	1,048,763			3,469,331
Total capital assets not being depreciated	<u>2,722,457</u>	<u>1,048,763</u>	<u>-</u>	<u>-</u>	<u>3,771,220</u>
Capital assets being depreciated					
Building and improvements	\$ 9,045,814	\$ -	\$ -	\$ -	\$ 9,045,814
Plant and equipment	808,334				808,334
Total capital assets being depreciated	<u>9,854,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,854,148</u>
Less accumulated depreciation	<u>4,829,983</u>	<u>262,375</u>			<u>5,092,358</u>
Total capital assets being depreciated, net	<u>\$ 5,024,165</u>	<u>\$ (262,375)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,761,790</u>
Net capital assets	<u>\$ 7,746,622</u>	<u>\$ 786,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,533,010</u>

**Governmental Activities:**

Unallocated	\$ 80,471
Total governmental activities depreciation expense	<u>\$ 80,471</u>

**Business-type Activities:**

Water services	\$ 196,442
Wastewater services	65,933
Total business-type activities depreciation expense	<u>\$ 262,375</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 4 – LONG-TERM LIABILITIES**

The following is a summary of changes in the District’s long-term liabilities for the fiscal year ended June 30, 2025:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Current Portion
<b>Governmental Activities:</b>					
Compensated Absences	\$ 5,475	\$ 869	\$ -	\$ 6,344	\$ 1,903
Leases Payable	517,844		62,406	455,438	64,591
Other Post Employment Benefits Obligation	69,785	7,354		77,139	
Net Pension Liability	66,248		4,599	61,649	
Total Governmental Activities	<u>\$ 659,352</u>	<u>\$ 8,223</u>	<u>\$ 67,005</u>	<u>\$ 600,570</u>	<u>\$ 66,494</u>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 24,225	\$ 7,320	\$ -	\$ 31,545	\$ 9,464
Note Payable	48,039		48,039		
Bonds Payable	1,002,212		22,874	979,338	23,875
Other Post Employment Benefits Obligation	279,144	29,416		308,560	
Net Pension Liability	238,354	6,160		244,514	
Total Business-Type Activities	<u>\$ 1,591,974</u>	<u>\$ 42,896</u>	<u>\$ 70,913</u>	<u>\$ 1,563,957</u>	<u>\$ 33,339</u>

**NOTE 5 – NOTE PAYABLE**

In October 1994, the District was issued a note payable from the State of California totaling \$969,969, payable in semiannual installments of \$24,486, including interest at 2.955%, and secured by water revenues.

The remaining principal balance of \$48,039 as of June 30, 2024 was paid in full during the fiscal year ended June 30, 2025. Accordingly, there was no outstanding balance at June 30, 2025.

**NOTE 6 – BONDS PAYABLE**

**2008 Certificate of Participation Bonds**

United States Department of Agriculture Certificate of Participation Bonds were issued on August 1, 2008 totaling \$1,250,000, payable in semiannual payments, with an interest rate of 4.375%, due August 1, 2048. The bonds are secured by water revenues. The loan agreement contains provisions that in the event of default the lender may declare the outstanding principal and accrued interest immediately due and payable and may pursue remedies available under the agreement. At June 30, 2025, the bond’s principal balance outstanding was \$979,338. The required bond principal and interest payments are as shown below:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 23,875	\$ 42,324	\$ 66,199
2027	24,920	41,256	66,176
2028	26,010	40,142	66,152
2029	27,148	38,979	66,127
2030	28,336	37,766	66,102
2031-2035	161,395	168,681	330,076
2036-2040	199,928	129,306	329,234
2041-2045	247,660	80,530	328,190
2046-2049	240,066	21,568	261,634
Total	<u>\$ 979,338</u>	<u>\$ 600,552</u>	<u>\$ 1,579,890</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 7 – LEASES PAYABLE**

In July 2020, the District entered into a lease purchase agreement with PNC Equipment Finance, LLC for a fire engine for a total of \$397,070. Annual payments are to be made in the amount of \$47,083 through July 2030. Any time over the course of the lease, the District may exercise the purchase option based on the value of the fire engine. At the end of the lease agreement, the purchase option is \$1. In the event of default of the lease, the District must pay all lease payments for that fiscal year, and the lessor may opt to retake possession of the fire engine.

The required lease principal and interest payments are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 38,816	\$ 8,266	\$ 47,082
2027	40,086	6,997	47,083
2028	41,397	5,686	47,083
2029	42,750	4,332	47,082
2030	44,148	2,935	47,083
2031	45,592	1,491	47,083
Total	<u>\$ 252,789</u>	<u>\$ 29,707</u>	<u>\$ 282,496</u>

In April 2022, the District entered into a lease purchase agreement with Holman Capital Corporation for a modular building to be used for a fire station for a total of \$274,379. Annual payments are to be made in the amount of \$33,576 through April 2032. In the event of default of the lease, the District must pay all lease payments for that fiscal year, and the lessor may opt to retake possession of the building.

The required lease principal and interest payments are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 25,774	\$ 7,802	\$ 33,576
2027	26,767	6,810	33,577
2028	27,797	5,779	33,576
2029	28,867	4,709	33,576
2030	29,979	3,597	33,576
2031-2032	63,465	3,688	67,153
Total	<u>\$ 202,649</u>	<u>\$ 32,385</u>	<u>\$ 235,034</u>

**NOTE 8 – PENSION PLANS**

**A. General Information about the Pension Plans**

*Plan Descriptions*

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

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Pre-Retirement Option Settlement. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 8 – PENSION PLANS (Continued)**

**A. General Information about the Pension Plans (Continued)**

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

	Miscellaneous		Safety
	Classic Member Hired Prior to January 1, 2013	New Member Hired On or after January 1, 2013	New Member Hired On or after January 1, 2013
Hire Date			
Benefit formula	2.0% @ 55	2.0% @ 62	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	52-67	50-57
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%	2.0% to 2.7%
Required employee contribution rates	8.00%	8.00%	13.75%
Required employer contribution rates	16.31% + \$25,994	7.94%	13.54%

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$115,211 for the Miscellaneous Plan and \$15,068 for the Safety Plan for the fiscal year ended June 30, 2025.

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

At June 30, 2025, the District's net pension liability for its proportionate shares of the net position liability was \$306,163. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2024, the District's proportion was 0.00253%, which decreased by 0.00356% from June 30, 2023.

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$5,869. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 130,278	\$ -
Changes in assumptions	7,869	
Differences between expected and actual experience	26,468	1,032
Net difference between projected and actual earnings on retirement plan investments	17,621	
Adjustment due to differences in proportion	19,693	7,511
Changes in proportion and differences between District contributions and proportionate share of contributions	51,232	
	<u>\$ 253,161</u>	<u>\$ 8,543</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 8 – PENSION PLANS (Continued)**

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

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

\$130,278 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

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

<u>Fiscal year ending June 30,</u>	<u>Amount</u>
2026	\$ 45,120
2027	64,925
2028	10,333
2029	(6,039)
	<u>\$ 114,339</u>

*Actuarial Assumptions*

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

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) The mortality table was developed based on CalPERS'-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS' website.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 8 – PENSION PLANS (Continued)**

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

*Long-term Expected Rate of Return*

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return (a,b)
Global Equity - cap-weighted	30.0%	4.54%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporations	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100.0%</u>	

(a) An expected inflation of 2.30% was used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.

*Discount Rate*

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease	5.90%
Net Pension Liability	\$ 509,313
Current Discount Rate	6.90%
Net Pension Liability	\$ 306,163
1% Increase	7.90%
Net Pension Liability	\$ 138,950

*Pension Plan Fiduciary Net Position*

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

**C. Payable to the Pension Plan**

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS**

Plan Description

*Plan administration.* The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

*Benefits provided.* The District joined PEMHCA in 2001 and is under the unequal method, where the District contributes up to a cap equal to 5% times the number of years the District is in PEMHCA, times the active contribution cap. Survivor benefits are available. The District does not contribute dental, vision, or life insurance premiums towards retirees.

Active employees hired before May 1, 2013 may retire at age 55 with five years of service. The employer paid benefit is equal to 70% of the premium, up to a \$900 cap. One active employee hired before May 1, 2013 has a special contract with the District providing a paid benefit up to a cap of \$1,400 per month.

Active employees hired after May 1, 2013 may retire at age 62 with 10 years of service. The employer paid benefit is equal to 70% of the premium, up to a \$900 cap, with a vesting schedule ranging from 10 years of service at 50% to 20 years of service at 100% of benefit.

Employees Covered

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

Active plan members	7
Inactive employees or beneficiaries currently receiving benefits	1
Total	8

The District currently finances benefits on a pay-as-you-go basis.

Total OPEB Liability

The District's Total OPEB Liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

Discount rate	3.97%
Salary increases	3.00%
Inflation rate	2.50%
Healthcare cost trend rate	5.50% for 2024, 5.25% for 2025-2029, 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later years; Medicare ages: 4.50% for 2024-2029 and 4.00% for 2030 and later years.
Preretirement mortality	Preretirement Mortality Rates for Public Agency Miscellaneous from CalPERS' Experience Study (2000-2019).
Postretirement mortality	Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS' Experience Study (2000-2019).

Pre-retirement and post-retirement public agency miscellaneous mortality rates were based on the 2021 CalPERS' Experience Study.

Actuarial assumptions used in the June 30, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 3.97 percent.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

*Discount rate.* GASB Statement No. 75 requires a discount rate that reflects the following:

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

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

Reporting Date	Measurement Date	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2024	June 30, 2023	3.86%	3.86%
June 30, 2025	June 30, 2024	3.97%	3.97%

*Change of assumptions.* For the June 30, 2024 measurement date, the discount rate was increased from 3.86% to 3.97%.

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2024 (Valuation Date June 30, 2023)	\$ 348,929
Changes recognized for the measurement period:	
Service cost	33,303
Interest	14,678
Changes of assumptions	(7,225)
Benefit payments	(3,986)
Net Changes	36,770
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 385,699

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

	1% Decrease 2.97%	Current Rate 3.97%	1% Increase 4.97%
OPEB Liability	\$ 458,529	\$ 385,699	\$ 327,462

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

	1% Decrease	Trend Rate	1% Increase
OPEB Liability	\$ 332,191	\$ 385,699	\$ 438,015

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$44,904. As of the fiscal year ended June 30, 2025, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 4,916	\$ -
Difference between expected and actual experience	15,856	15,696
Change in assumptions	67,586	91,069
	<u>\$ 88,358</u>	<u>\$ 106,765</u>

The \$4,916 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expenses as shown below:

<u>Fiscal year Ending June 30,</u>	<u>Amount</u>
2026	\$ (3,077)
2027	(3,077)
2028	(1,772)
2029	(1,772)
2030	(1,772)
Thereafter	(11,853)
	<u>\$ (23,323)</u>

**NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

<u>Fund</u>	<u>Excess Expenditures</u>
Fire Fund	
Salaries and wages	\$ 57,507
Payroll taxes and benefits	19,480
Workers compensation	12,012
Miscellaneous	14,693
Communications	37,706
Occupancy	100
Bank fees	49
Capital outlay	347,085
Debt Service - Principal	1,718
Street Lighting Fund	
Payroll taxes and benefits	\$ 602

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2025, the District identified capital expenditures totaling \$4,976 from prior years that should have been recorded as construction in progress within governmental activities. As a result, beginning net position of governmental activities was increased by \$4,976 to properly reflect these capital assets. During the fiscal year, the construction in progress balance, including the prior period adjustment, was transferred to Buildings, Structures, and Improvements upon completion of the project. This adjustment had no effect on business-type activities.

**NOTE 12 – CONTINGENCIES AND COMMITMENTS**

According to the District's staff and legal counsel, the District is not involved in any pending litigation that would have a material effect on the financial statements. At June 30, 2025, the District had no outstanding construction commitments.

**REQUIRED SUPPLEMENTARY INFORMATION**



**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**FIRE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 526,859	\$ 526,859	\$ 530,397	\$ 3,538
Service charges and fees	7,950	7,950	23,054	15,104
Public facilities fees and assessments	3,000	3,000	1,070	(1,930)
Mutual aid			39,835	39,835
Grant income	20,000	20,000	65,531	45,531
Investment income			32,321	32,321
Miscellaneous income	85,888	85,888	649	(85,239)
<b>Total revenues</b>	<b>643,697</b>	<b>643,697</b>	<b>692,857</b>	<b>49,160</b>
<b>Expenditures:</b>				
Salaries and wages	211,622	211,622	269,129	(57,507)
Payroll taxes and benefits	33,121	33,121	52,601	(19,480)
Workers compensation	34,000	34,000	46,012	(12,012)
Maintenance and repairs	37,000	37,000	13,609	23,391
Miscellaneous	6,000	6,000	20,693	(14,693)
Insurance	24,000	24,000	23,751	249
Office supplies and expense	7,507	7,507	2,053	5,454
Supplies	58,000	58,000	55,350	2,650
Professional services	55,386	55,386	37,318	18,068
Dues, permits, and fees	9,200	9,200	8,976	224
Communications	27,932	27,932	65,638	(37,706)
Employee travel and training	12,000	12,000	4,458	7,542
Occupancy	6,640	6,640	6,740	(100)
Utilities	12,000	12,000	5,881	6,119
Bank fees			49	(49)
Capital outlay	5,500	5,500	352,585	(347,085)
Debt Service:				
Principal	60,688	60,688	62,406	(1,718)
Interest	20,081	20,081	18,253	1,828
<b>Total expenditures</b>	<b>620,677</b>	<b>620,677</b>	<b>1,045,502</b>	<b>(424,825)</b>
Excess of revenues over (under) expenditures	23,020	23,020	(352,645)	(375,665)
<b>Other Financing Sources (Uses):</b>				
Transfers in	85,888	85,888		(85,888)
<b>Total other financing sources (uses)</b>	<b>85,888</b>	<b>85,888</b>		<b>(85,888)</b>
Change in fund balance	108,908	108,908	(352,645)	(461,553)
Fund balance - July 1, 2024	1,204,392	1,204,392	1,204,392	
<b>Fund balance - June 30, 2025</b>	<b>\$ 1,313,300</b>	<b>\$ 1,313,300</b>	<b>\$ 851,747</b>	<b>\$ (461,553)</b>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**STREET LIGHTING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 163,287	\$ 163,287	\$ 159,499	\$ (3,788)
Service charges and fees			300	300
Investment income			36,229	36,229
Miscellaneous income			827	827
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	163,287	163,287	196,855	33,568
<b>Expenditures:</b>				
Salaries and wages	21,607	21,607	15,952	5,655
Payroll taxes and benefits	4,266	4,266	4,868	(602)
Contract labor	5,000	5,000		5,000
Workers compensation	350	350	(183)	533
Maintenance and repairs	61,050	61,050	3,445	57,605
Insurance	3,000	3,000	2,375	625
Office supplies and expense	1,150	1,150	686	464
Supplies	6,300	6,300		6,300
Professional services	12,425	12,425	5,196	7,229
Dues, permits, and fees	850	850	384	466
Communications	3,150	3,150	2,134	1,016
Employee travel and training	2,650	2,650	43	2,607
Occupancy	1,550	1,550	1,419	131
Utilities	35,550	35,550	21,296	14,254
Bank fees	60	60	51	9
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	158,958	158,958	57,666	101,292
Excess of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	4,329	4,329	139,189	134,860
Change in fund balance	4,329	4,329	139,189	134,860
Fund balance - July 1, 2024	<hr/>	<hr/>	<hr/>	<hr/>
	940,954	940,954	940,954	
Fund balance - June 30, 2025	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 945,283	\$ 945,283	\$ 1,080,143	\$ 134,860

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS**  
Last 10 Years\*  
As of June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total OPEB Liability				
Service cost	\$ 33,303	\$ 35,448	\$ 54,297	\$ 40,020
Interest on the total OPEB liability	14,678	11,698	7,478	6,556
Actual and expected experience difference		19,586		(1,658)
Changes in assumptions	(7,225)	2,395	(111,895)	66,470
Benefit payments	(3,986)	(3,517)	(3,480)	(4,063)
Net change in total OPEB Liability	<u>36,770</u>	<u>65,610</u>	<u>(53,600)</u>	<u>107,325</u>
Total OPEB liability - beginning	348,929	283,319	336,919	229,594
Total OPEB liability - ending	<u>\$ 385,699</u>	<u>\$ 348,929</u>	<u>\$ 283,319</u>	<u>\$ 336,919</u>
Covered payroll:	\$ 465,953	\$ 767,809	\$ 639,482	\$ 500,343
Total OPEB Liability as a percentage of covered payroll:	82.78%	45.44%	44.30%	67.34%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 40,592	\$ 36,290	\$ 13,857	\$ 13,453
Interest on the total OPEB liability	6,217	6,132	4,091	3,674
Actual and expected experience difference		(29,504)	(11,745)	
Changes in assumptions	26,617	15,099		
Benefit payments	(3,681)	(2,525)	(5,049)	(2,562)
Net change in total OPEB Liability	<u>69,745</u>	<u>25,492</u>	<u>1,154</u>	<u>14,565</u>
Total OPEB liability - beginning	159,849	134,357	133,203	118,638
Total OPEB liability - ending	<u>\$ 229,594</u>	<u>\$ 159,849</u>	<u>\$ 134,357</u>	<u>\$ 133,203</u>
Covered payroll:	\$ 346,086	\$ 354,500	\$ 375,473	\$ 344,324
Total OPEB Liability as a percentage of covered payroll:	66.34%	45.09%	35.78%	38.69%

**Notes to Schedule:**

The discount rate was changed from 3.86% to 3.97% for the June 30, 2024 measurement date.

\*- Fiscal year 2018 was the 1st year of implementation, therefore only eight years are shown.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
Last 10 Years\*  
As of June 30, 2025

The District's contribution for the fiscal year ended June 30, 2025 was \$4,916. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2025, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2024 was \$3,986. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2024, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2023 was \$3,517. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2023, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2022 was \$3,582. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2022, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2021 was \$2,910. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2021, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2020 was \$2,438. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2019 was \$1,588. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2019, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2018 was \$3,904. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the District does not need to comply with GASB Statement No. 75's Required Supplementary Information requirements.

\*- Fiscal year 2018 was the 1st year of implementation, therefore only eight years are shown.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
Last 10 Years  
As of June 30, 2025

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

	<u>2025</u>		<u>2024</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>
Proportion of the net pension liability	0.00252%		0.00244%		0.00225%		0.00225%		0.00204%
Proportionate share of the net pension liability	\$ 306,163	\$	304,602	\$	259,817	\$	121,854	\$	221,520
Covered payroll	\$ 661,866	\$	573,388	\$	508,988	\$	510,668	\$	500,343
Proportionate share of the net pension liability as percentage of covered payroll	46.3%		53.1%		51.0%		23.9%		44.3%
Plan's total pension liability	\$ 55,320,956,562	\$	52,441,984,274	\$	49,525,975,138	\$	46,174,942,264	\$	43,702,930,887
Plan's fiduciary net position	\$ 43,193,516,089	\$	39,966,633,692	\$	37,975,170,163	\$	40,766,653,876	\$	32,822,501,335
Plan fiduciary net position as a percentage of the total pension liability	78.08%		76.21%		76.68%		88.29%		75.10%
	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>
Proportion of the net pension liability	0.00200%		0.00196%		0.00191%		0.00200%		0.00211%
Proportionate share of the net pension liability	\$ 205,120	\$	188,568	\$	189,718	\$	173,264	\$	145,045
Covered payroll	\$ 354,500	\$	274,239	\$	190,663	\$	140,038	\$	174,026
Proportionate share of the net pension liability as percentage of covered payroll	57.9%		68.8%		99.5%		123.7%		83.3%
Plan's total pension liability	\$ 41,426,453,489	\$	38,944,855,364	\$	37,161,348,332	\$	33,358,627,624	\$	31,771,217,402
Plan's fiduciary net position	\$ 31,179,414,067	\$	29,308,589,559	\$	27,244,095,376	\$	24,705,532,291	\$	24,907,305,871
Plan fiduciary net position as a percentage of the total pension liability	75.26%		75.26%		73.31%		74.06%		78.40%

**Notes to Schedule:**

There were no changes to assumptions for the fiscal year ended June 30, 2025.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
 Last 10 Years  
 As of June 30, 2025

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

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Contractually required contribution (actuarially determined)	\$ 130,278	\$ 84,634	\$ 79,677	\$ 74,225	\$ 62,323
Contribution in relation to the actuarially determined contributions	130,278	84,634	79,677	74,225	62,323
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 591,170	\$ 661,866	\$ 573,388	\$ 508,988	\$ 510,668
Contributions as a percentage of covered payroll	22.04%	12.79%	13.90%	14.58%	12.20%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution (actuarially determined)	\$ 54,268	\$ 58,116	\$ 28,201	\$ 22,800	\$ 19,438
Contribution in relation to the actuarially determined contributions	54,268	58,116	28,201	22,800	19,438
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 500,343	\$ 354,500	\$ 274,239	\$ 190,663	\$ 140,038
Contributions as a percentage of covered payroll	10.85%	16.39%	10.28%	11.96%	13.88%

**Notes to Schedule:**

There were no changes to assumptions for the fiscal year ended June 30, 2025.



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

May 21, 2026

To the Board of Directors of the  
San Miguel Community Services District

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the San Miguel Community Services District for the fiscal year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the San Miguel Community Services District are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the *useful lives of property and equipment*, which impacts the recorded amount of depreciation expense, is based on the nature of the underlying assets, historical experience with similar assets, and expected future use. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the *net pension liability and deferred inflows and outflows related to pension* are based on the CalPERS actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the *OPEB liability and deferred inflows and outflows related to OPEB* are based on the actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the OPEB liability and deferred inflows and outflows related to OPEB in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Long-term Liabilities in Note 4.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 21, 2026.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

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

### Restriction on Use

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

Very truly yours,

*Moss, Remy & Hartigheim LLP*

Santa Maria, California



Moss, Levy & Hartzheim LLP

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of San Miguel Community Services District (the District), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 21, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

*Moss, Levy & Hartzheim LLP*

Santa Maria, California  
May 21, 2026

**San Miguel Community Services District**  
Schedule of Findings and Responses  
June 30, 2025

There were no findings reported for the fiscal year ended June 30, 2025.

**FINDING 2024-001**  
**PAYROLL**

**Criteria:**

All employees should be paid according to an approved contract or personnel action form that clearly states their position and rate of pay. This rate of pay should match to the Board approved Salary Schedule.

**Condition:**

During testing of twenty-five payroll transactions, we noted one Fire employee who did not have a contract or personnel action form on file.

**Cause:**

Management oversight.

**Effect:**

Potential for misappropriation of assets for pay that does not appropriately match the employee's position and pay rate.

**Recommendation:**

All employees should be paid according to a signed and approved contract or personnel action form that clearly states their position and rate of pay. This rate of pay should be matched to the Board approved Salary Schedule. Internal controls should require a new contract or personnel action form for each new employee and for any changes to position or pay rate other than an organization-wide COLA increase. Periodically, employee files should be reviewed to ensure all required current documentation is present and retained in the files.

**Repeat Finding:**

No.

**Current Status:**

Implemented.