

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
**MEMORANDUM**

**TO:** Board of Directors  
**FROM:** Loch A. Dreizler, General Manager, District Treasurer  
Alicia Marin, Office Manager, Board Secretary  
**DATE:** November 19, 2025  
**SUBJECT:** Audit – Fiscal Year 2024/2025 Summary by Nigro & Nigro

**Proposed Motion / Recommendation**

Proposed Motion: Approve the audit report submitted by Nigro & Nigro for the fiscal year ending June 30, 2025.

**Policy Implications**

Government Code §26909 requires special districts to have annual independent audits conducted by a certified public accountant and filed with the State Controller's Office.

**Fiscal Implications**

The District awarded a three-year contract to Nigro & Nigro to conduct annual audits for the fiscal years 2020-2021, 2021-2022, and 2022-2023 for \$9,500.00 per year for a three- year total of \$28,500, and the General Manager approved an extension for 2023-2024 & 2024-2025.

**Alternatives Considered**

None

**Discussion**

Paul Kaymark of Nigro & Nigro's will give an audit summary and discuss highlights of the *Financial Statements and Independent Auditor's Report*. In addition, Mr. Kaymark will be available to answer questions from the public, staff, and Directors.

Attachment(s):

1. Presentation to the Board of Directors
2. Final Communications with Governance Letter
3. Financial Statements and Independent Auditor's Report

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
**Presentation to the Board of Directors**  
**For the Fiscal Year Ended**  
**June 30, 2025**

**NIGRO & NIGRO<sup>PC</sup>**



## SCOPE OF WORK

Perform Audit Testwork of the Entity's Annual Financial Statements/Report

Report on the Entity's internal control over financial reporting and on compliance in accordance with Government Auditing Standards

## OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

1. Form and express an opinion about whether the Annual Financial Statements results, that have been prepared by management, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
2. Our responsibility is to plan and perform the audit to obtain **reasonable assurance (not absolute assurance)** about whether the Annual Financial Statements are free of material misstatements.
3. We are to consider the Entity's internal controls and segregations of duties over accounting procedures and financial reporting as we perform our audit testwork. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

## AUDIT RESULTS

An Auditor's **Unmodified Opinion** has been issued on the Annual Financial Statements.

- The Annual Financial Statements are fairly presented in all material respects.
- The adopted significant accounting policies have been consistently applied.
- Estimates are considered reasonable for Depreciation expense.
- New GASB Pronouncements have been adopted.
- Required disclosures are properly reflected in the Annual Financial Statements.

## AU-C 265 – Communicating Internal Control Related Matters Identified in an Audit

**No Material Issues Arose to be Reported to the Governing Board/Management**

**Any Minor Issues Were Discussed Orally and Corrected by Management**

## How Do We Make You Better?

**Best Practice Solutions Were Conveyed to Management – That's the Audit ROI**

**Santa Ynez Community Services District**  
**Dashboard – Audited Financial Statements**  
**June 30, 2025 vs 2024**

Revenues & Expenses	2025	2024	Variance
<b>Operating Revenues:</b>			
Sewer service charge	\$ 1,483,698	1,428,287	\$ 55,411
Sewer benefit fees	39,115	39,624	(509)
Other charges for services	5,611	26,716	(21,105)
<b>Non-Operating Revenues:</b>			
Property taxes	246,284	234,048	12,236
Voter approved taxes	1	18	(17)
Annexation fees	1,640	12,428	(10,788)
Investment earnings	306,687	233,770	72,917
Chumash reservation contract, net	42,359	36,780	5,579
Sale of asset	12,600	-	12,600
<b>Capital Contributions</b>			
Connection fees	49,794	360,035	(310,241)
<b>Total Revenues</b>	<u>2,187,789</u>	<u>2,371,706</u>	<u>(183,917)</u>
<b>Operating Expenses:</b>			
Sewage collection	642,471	719,074	(76,603)
Sewage treatment	341,140	362,535	(21,395)
General and administrative	299,385	340,245	(40,860)
<b>Operating expenses before depr.</b>	<u>1,282,996</u>	<u>1,421,854</u>	<u>(138,858)</u>
Depreciation expense	234,963	233,560	1,403
<b>Total Operating Expenses</b>	<u>1,517,959</u>	<u>1,655,414</u>	<u>(137,455)</u>
<b>Non-Operating Expenses:</b>			
Interest expense	33,770	35,291	(1,521)
<b>Total Expenses</b>	<u>1,551,729</u>	<u>1,690,705</u>	<u>(138,976)</u>
<b>Change in Revenues &amp; Expenses</b>	<u>\$ 636,060</u>	<u>\$ 681,001</u>	<u>\$ (44,941)</u>
<b>Capital Outlay:</b>			
<b>Capital Asset Additions</b>	\$ (414,347)	\$ (63,128)	\$ (351,219)
<b>Depreciation Expense</b>	<u>234,963</u>	<u>233,560</u>	<u>1,403</u>
<b>Change in Capital Expense</b>	<u>\$ (179,384)</u>	<u>\$ 170,432</u>	<u>\$ (349,816)</u>
<b>Debt Service:</b>			
<b>Principal Paid</b>	\$ (51,624)	\$ (50,153)	\$ (1,471)
<b>Cash &amp; Investments</b>	<u>\$ 6,962,956</u>	<u>\$ 6,467,895</u>	<u>\$ 495,061</u>
<b>Quick Summary:</b>			
<b>Change in Revenues &amp; Expenses</b>	\$ 636,060		
<b>Change in Capital Expense</b>	(179,384)	Use of Cash	
<b>Debt Service – Principal Payments</b>	(51,624)	Use of Cash	
<b>Payments on Notes Receivable</b>	73,577	Change to Cash	
<b>Change to Accounts Payable</b>	9,808	Change to Cash	
<b>Change to Compensated Absences</b>	5,640	Change to Cash	
<b>Change in Cash &amp; Investments</b>	<u>\$ 494,077</u>	<b>Approximately</b>	<u>\$ (984)</u>
<b>Investment Earnings to Portfolio</b>	<u>4.57%</u>		

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
**Report to the Board of Directors**  
**For the Fiscal Year Ended**  
**June 30, 2025**

**NIGRO & NIGRO<sup>PC</sup>**

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

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*For the Fiscal Year Ended June 30, 2025*

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Board of Directors  
Santa Ynez Community Services District  
Santa Ynez, California

We are pleased to present this report related to our audit of the financial statements of the Santa Ynez Community Services District (District) as of and for the year ended June 30, 2025. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

Murrieta, California  
November 19, 2025

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## ***Required Communications***

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**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

*Required Communications*

*For the Fiscal Year Ended June 30, 2025*

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Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p><b>Our Responsibilities with Regard to the Financial Statement Audit</b></p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 1, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<p><b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b></p>	<p>An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.</p>
<p><b>Accounting Policies and Practices</b></p>	<p><b>Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p><b>Adoption of, or Change in, Significant Accounting Policies or Their Application</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management’s Judgments and Accounting Estimates</b> Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p>
<p><b>Audit Adjustments</b></p>	<p>Audit adjustments are summarized in the attached <b>Summary of Adjusting Journal Entries</b>.</p>
<p><b>Uncorrected Misstatements</b></p>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

*Required Communications*

*For the Fiscal Year Ended June 30, 2025*

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<b>Area</b>	<b>Comments</b>
<b>Discussions With Management</b>	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 auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	No significant difficulties were encountered in performing our audit.
<b>Required Supplementary Information</b>	We applied certain limited procedures to the:  1. Management's Discussion and Analysis  Which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

## **SANTA YNEZ COMMUNITY SERVICES DISTRICT**

### *Required Communications*

*For the Fiscal Year Ended June 30, 2025*

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#### **Disclosure of Audit Adjustments and Reclassifications**

As part of our external audit engagement, we operate under the presumption that the District's books and records are materially accurate and appropriately closed prior to the commencement of audit fieldwork. Nonetheless, audit adjustments and reclassifications are often proposed during the course of the audit to ensure the District's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and to enhance comparability with prior-year financial data. In the interest of transparency and governance, we have included, as an attachment to this letter, a summary of audit adjustments and reclassification journal entries identified during the audit.

The existence or absence of such adjustments does not inherently indicate deficiencies, but rather reflects the auditor's role in enhancing the fair presentation of the financial statements. Disclosure of these items provides the Board of Directors with insight into the scope and depth of the audit procedures performed.

To promote timely and accurate financial reporting, we recommend that management strengthen internal controls and oversight over the year-end financial close process. Enhancing these procedures can reduce the volume of post-closing audit adjustments and reclassifications, improve the quality of interim and year-end financial reporting, and support the District's efforts in maintaining compliance with financial reporting requirements and best practices in fiscal governance.

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***Summary of Adjusting Journal Entries***

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**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Summary of Adjusting Journal Entries*  
*For the Fiscal Year Ended June 30, 2025*

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***None Noted***

**SANTA YNEZ  
COMMUNITY SERVICES DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2025  
(With Comparative Amounts as of June 30, 2024)**

**NIGRO & NIGRO<sup>PC</sup>**

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

*For the Fiscal Year Ended June 30, 2025*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Santa Ynez Community Services District  
Santa Ynez, California

### Opinion

We have audited the accompanying financial statements of the Santa Ynez Community Services District (District), which comprise the balance sheet as of June 30, 2025, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Change in Accounting Principle

As described in Notes 1 and 6 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

## **Required Supplementary Information**

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

## **Prior-Year Comparative Information**

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which such partial information was derived.

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

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 19, 2025, on our consideration of the 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.

Murrieta, California  
November 19, 2025

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2025 and 2024*

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Management's Discussion and Analysis (MD&A) offers readers of the Santa Ynez Community Services District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2025. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to-prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- In fiscal year 2025, the District's net position increased 6.57%, or \$636,060 from the prior year's net position of \$9,685,443 to \$10,321,503, as a result of the year's operations.
- In fiscal year 2025, total revenues increased by 3.57%, or \$87,820 from \$2,457,657 to \$2,545,477, from the prior year, primarily due to an increase in sewer service charges and investment earnings.
- In fiscal year 2025, total expenses decreased by 8.31%, or \$177,480 from \$2,136,691 to \$1,959,211, from the prior year, primarily due to a decrease in sewage collection and general and administrative expenses.

**REQUIRED FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2025 and 2024*

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**FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

**Condensed Balance Sheets**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 6,921,617	\$ 6,437,625	\$ 483,992
Non-current assets	383,334	448,249	(64,915)
Capital assets, net	<u>4,334,841</u>	<u>4,155,457</u>	<u>179,384</u>
<b>Total assets</b>	<u>\$ 11,639,792</u>	<u>\$ 11,041,331</u>	<u>\$ 598,461</u>
<b>Liabilities:</b>			
Current liabilities	\$ 188,138	\$ 175,420	\$ 12,718
Non-current liabilities	<u>1,130,151</u>	<u>1,180,468</u>	<u>(50,317)</u>
<b>Total liabilities</b>	<u>1,318,289</u>	<u>1,355,888</u>	<u>(37,599)</u>
<b>Net position:</b>			
Net investment in capital assets	3,324,165	3,087,141	237,024
Unrestricted	<u>6,997,338</u>	<u>6,598,302</u>	<u>399,036</u>
<b>Total net position</b>	<u>10,321,503</u>	<u>9,685,443</u>	<u>636,060</u>
<b>Total liabilities and net position</b>	<u>\$ 11,639,792</u>	<u>\$ 11,041,331</u>	<u>\$ 598,461</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$10,321,503 as of June 30, 2025.

A portion of the District's net position (32% as of June 30, 2025) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal year 2025, the District shows a positive balance in its unrestricted net position of \$6,997,338.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
For the Years Ended June 30, 2025 and 2024

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**FINANCIAL ANALYSIS OF THE DISTRICT (Continued)**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
<b>Total operating revenue</b>	\$ 1,528,424	\$ 1,494,627	\$ 33,797
<b>Total operating expenses</b>	<u>(1,282,996)</u>	<u>(1,421,854)</u>	138,858
<b>Operating income before depreciation</b>	245,428	72,773	172,655
<b>Depreciation expense</b>	<u>(234,963)</u>	<u>(233,560)</u>	(1,403)
<b>Operating income(loss)</b>	10,465	(160,787)	171,252
<b>Total non-operating revenues (expenses), net</b>	<u>575,801</u>	<u>481,753</u>	94,048
<b>Change in net position before capital contributions</b>	<u>586,266</u>	<u>320,966</u>	265,300
<b>Capital contributions</b>	<u>49,794</u>	<u>360,035</u>	(310,241)
<b>Change in net position</b>	636,060	681,001	(44,941)
<b>Net position - beginning of period</b>	<u>9,685,443</u>	<u>9,004,442</u>	681,001
<b>Net position - end of period</b>	<u>\$ 10,321,503</u>	<u>\$ 9,685,443</u>	\$ 636,060

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the net position increased 6.57% or \$636,060 from the prior year's net position of \$9,685,443 to \$10,321,503, as a result of the year's operations.

**Total Revenues**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
<b>Operating revenues:</b>			
Sewer service charge	\$ 1,483,698	\$ 1,428,287	\$ 55,411
Sewer benefit fees	39,115	39,624	(509)
Other charges for services	<u>5,611</u>	<u>26,716</u>	(21,105)
<b>Total program revenues</b>	<u>1,528,424</u>	<u>1,494,627</u>	33,797
<b>Non-operating revenues:</b>			
Property taxes - ad valorem	246,284	234,048	12,236
Voter approved taxes	1	18	(17)
Annexation fees	1,640	12,428	(10,788)
Investment earnings	306,687	233,770	72,917
Chumash reservation contract	449,841	482,766	(32,925)
Sale of asset	<u>12,600</u>	<u>-</u>	12,600
<b>Total general revenues</b>	<u>1,017,053</u>	<u>963,030</u>	54,023
<b>Total revenues</b>	<u>\$ 2,545,477</u>	<u>\$ 2,457,657</u>	\$ 87,820

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2025 and 2024*

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**FINANCIAL ANALYSIS OF THE DISTRICT (Continued)**

**Total Revenues (Continued)**

In fiscal year 2025, total revenues increased by 3.57%, or \$87,820 from \$2,457,657 to \$2,545,477, from the prior year, primarily due to an increase in sewer service charges and investment earnings.

**Total Expenses**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
<b>Operating expenses:</b>			
Sewage collection	\$ 642,471	\$ 719,074	\$ (76,603)
Sewage treatment	341,140	362,535	(21,395)
General and administrative	299,385	340,245	(40,860)
<b>Total operating expenses</b>	<u>1,282,996</u>	<u>1,421,854</u>	<u>(138,858)</u>
Depreciation expense	234,963	233,560	1,403
<b>Non-operating expenses:</b>			
Indian reservation contract	407,482	445,986	(38,504)
Interest expense	33,770	35,291	(1,521)
<b>Total non-operating expenses</b>	<u>441,252</u>	<u>481,277</u>	<u>(40,025)</u>
<b>Total expenses</b>	<u>\$ 1,959,211</u>	<u>\$ 2,136,691</u>	<u>\$ (177,480)</u>

In fiscal year 2025, total expenses decreased by 8.31%, or \$177,480 from \$2,136,691 to \$1,959,211, from the prior year, primarily due to a decrease in sewage collection, sewage treatment, general and administrative, and Indian reservation contract expenses.

**Capital Assets**

	<u>Balance June 30, 2025</u>	<u>Balance June 30, 2024</u>
<b>Capital assets:</b>		
Non-depreciable assets	\$ 149,109	\$ 149,109
Depreciable assets	9,008,218	8,699,735
Accumulated depreciation	<u>(4,822,486)</u>	<u>(4,693,387)</u>
<b>Total capital assets, net</b>	<u>\$ 4,334,841</u>	<u>\$ 4,155,457</u>

At the end of fiscal year 2025, the District's capital assets amounted to \$4,334,841 (net of accumulated depreciation). Capital asset additions amounted to \$414,347 for improvements and equipment purchased. See Note 5 for further information.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2025 and 2024*

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**FINANCIAL ANALYSIS OF THE DISTRICT (Continued)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION**

Management is unaware of any item that would affect the current financial position.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 1070 Faraday Street, Santa Ynez, CA 93460 – (805) 688-3008.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Balance Sheets*  
*June 30, 2025*  
*(With Comparative Amounts as of June 30, 2024)*

<u>ASSETS</u>	<u>2025</u>	<u>Restated 2024</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 6,824,135	\$ 6,335,090
Accrued interest receivable	13,557	14,701
Accounts receivable – sewer and other services	52,456	62,857
Notes receivable (Note 4)	8,043	10,689
Other receivables	606	-
Prepaid expenses and other deposits	22,820	14,288
<b>Total current assets</b>	<u>6,921,617</u>	<u>6,437,625</u>
<b>Non-current assets:</b>		
Restricted – cash and cash equivalents (Note 2 and 3)	138,821	132,805
Notes receivable (Note 4)	244,513	315,444
Capital assets – not being depreciated (Note 5)	149,109	149,109
Capital assets – being depreciated, net (Note 5)	4,185,732	4,006,348
<b>Total non-current assets</b>	<u>4,718,175</u>	<u>4,603,706</u>
<b>Total assets</b>	<u>\$ 11,639,792</u>	<u>\$ 11,041,331</u>
<b><u>LIABILITIES &amp; NET POSITION</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 69,654	\$ 59,846
Accrued interest payable	31,558	32,981
Long-term liabilities – due in one year:		
Compensated absences (Note 6)	33,790	30,970
Long-term debt payable (Note 7)	53,136	51,623
<b>Total current liabilities</b>	<u>188,138</u>	<u>175,420</u>
<b>Non-current liabilities:</b>		
Compensated absences (Note 6)	33,790	30,970
Long-term debt payable (Note 7)	1,096,361	1,149,498
<b>Total non-current liabilities</b>	<u>1,130,151</u>	<u>1,180,468</u>
<b>Total liabilities</b>	<u>1,318,289</u>	<u>1,355,888</u>
<b>Net position:</b>		
Net investment in capital assets (Note 8)	3,324,165	3,087,141
Unrestricted	6,997,338	6,598,302
<b>Total net position</b>	<u>10,321,503</u>	<u>9,685,443</u>
<b>Total liabilities and net position</b>	<u>\$ 11,639,792</u>	<u>\$ 11,041,331</u>

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Statements of Revenues, Expenses and Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2025*  
*(With Comparative Amounts for the Year Ended June 30, 2024)*

	<b>2025</b>	<b>Restated 2024</b>
<b>Operating Revenues:</b>		
Sewer service charge	\$ 1,483,698	\$ 1,428,287
Sewer benefit fees	39,115	39,624
Other charges for services	5,611	26,716
<b>Total operating revenues</b>	<b>1,528,424</b>	<b>1,494,627</b>
<b>Operating expenses:</b>		
Sewage collection	642,471	719,074
Sewage treatment	341,140	362,535
General and administrative	299,385	340,245
<b>Total operating expenses</b>	<b>1,282,996</b>	<b>1,421,854</b>
<b>Operating income before depreciation expense</b>	<b>245,428</b>	<b>72,773</b>
Depreciation expense	(234,963)	(233,560)
<b>Operating income(loss)</b>	<b>10,465</b>	<b>(160,787)</b>
<b>Non-operating revenue (expense):</b>		
Property taxes – ad valorem	246,284	234,048
Voter-approved taxes	1	18
Annexation fees	1,640	12,428
Investment earnings	306,687	233,770
Sale of asset	12,600	-
Interest expense	(33,770)	(35,291)
Chumash reservation contract:		
Sewage collection and wastewater treatment plant operation	449,841	482,766
Sewage collection	(71,475)	(107,520)
Wastewater treatment plant operations	(336,007)	(338,466)
<b>Total non-operating revenue(expense), net</b>	<b>575,801</b>	<b>481,753</b>
<b>Change in net position before capital contributions</b>	<b>586,266</b>	<b>320,966</b>
<b>Capital contributions:</b>		
Connection fees	49,794	360,035
<b>Total capital contributions</b>	<b>49,794</b>	<b>360,035</b>
<b>Change in net position</b>	<b>636,060</b>	<b>681,001</b>
<b>Net position:</b>		
Beginning of year, as restated (Note 9)	9,685,443	9,004,442
End of year	<b>\$ 10,321,503</b>	<b>\$ 9,685,443</b>

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Statements of Cash Flows*  
*June 30, 2025*  
*(With Comparative Amounts as of June 30, 2024)*

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers and others	\$ 1,582,218	\$ 1,552,847
Cash paid to employees for salaries and wages	(706,138)	(705,453)
Cash paid to vendors and suppliers for materials and services	(569,942)	(665,503)
<b>Net cash provided by operating activities</b>	<u>306,138</u>	<u>181,891</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes - ad valorem	246,284	234,048
<b>Net cash provided by non-capital financing activities</b>	<u>246,284</u>	<u>234,048</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(414,347)	(63,128)
Proceeds from the sale of asset	12,600	-
Proceeds from capacity contributions	49,794	360,035
Voter-approved taxes	1	18
Issuance of notes receivable	-	(330,943)
Proceeds from notes receivable	73,577	4,810
Principal paid on long-term debt	(51,624)	(50,153)
Interest paid on long-term debt	(35,193)	(36,662)
<b>Net cash used in capital and related financing activities</b>	<u>(365,192)</u>	<u>(116,023)</u>
<b>Cash flows from investing activities:</b>		
Investment earnings	307,831	220,370
<b>Net cash provided by investing activities</b>	<u>307,831</u>	<u>220,370</u>
<b>Net increase in cash and cash equivalents</b>	495,061	520,286
<b>Cash and cash equivalents:</b>		
Beginning of year	6,467,895	5,947,609
End of year	<u>\$ 6,962,956</u>	<u>\$ 6,467,895</u>
<b>Reconciliation of cash and cash equivalents to the balance sheet:</b>		
Cash and cash equivalents	\$ 6,824,135	\$ 6,335,090
Restricted – cash and cash equivalents	138,821	132,805
<b>Total cash and cash equivalents</b>	<u>\$ 6,962,956</u>	<u>\$ 6,467,895</u>

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Statements of Cash Flows (Continued)*  
 June 30, 2025  
 (With Comparative Amounts as of June 30, 2024)

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	<u>2025</u>	<u>2024</u>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities:</b>		
Operating income(loss)	\$ 10,465	\$ (160,787)
<b>Adjustments to reconcile operating income(loss) to net cash provided by operating activities:</b>		
Depreciation	234,963	233,560
Annexation fees	1,640	12,428
Chumash reservation contract, net	42,359	36,780
<b>Change in assets - (increase)decrease:</b>		
Accounts receivable – sewer and other services	10,401	11,012
Other receivables	(606)	-
Prepaid expenses	(8,532)	13,204
<b>Change in liabilities - increase(decrease):</b>		
Accounts payable and accrued expenses	9,808	(3,404)
Unearned revenue and deposits	-	(2,000)
Compensated absences	5,640	41,098
<b>Total adjustments</b>	<u>295,673</u>	<u>342,678</u>
<b>Net cash provided by operating activities</b>	<u>\$ 306,138</u>	<u>\$ 181,891</u>

# SANTA YNEZ COMMUNITY SERVICES DISTRICT

## *Notes to Financial Statements*

*June 30, 2025*

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### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Organization**

The Santa Ynez Community Services District (District) is an independent governmental unit within the unincorporated area of the County of Santa Barbara and derives its decision-making capabilities from State legislation. The District was formed in 1971, pursuant to Section 61000, Title 6, Division 2 of the Community Services District Law of the State of California. The primary purposes of the District are the collection, treatment, and disposal of sewage for inhabitants of the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

#### **B. Basis of Presentation, Basis of Accounting**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Deferred Outflows of Resources, Liabilities, and Net Position**

**1. Cash and Cash Equivalents**

The District considers cash and cash equivalents to be cash on hand and demand deposits.

**2. Fair Value Measurements**

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

**3. Prepaids**

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. Capital Assets**

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment and furniture and fixtures. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Class</u>	<u>Useful Lives</u>
Structures and improvements	30-50 years
Furniture and equipment	5-20 years

## SANTA YNEZ COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2025

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#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

##### C. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (Continued)

###### 5. Compensated Absences

The liability for compensated absences is reported in the Balance Sheet. In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payment including the employer portion of medicare taxes.

###### 6. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

**Net investment in capital assets** - This component of net position consists of capital assets net of accumulated depreciation reduced by any associated long-term debt obligation.

**Unrestricted net position** - This component of net position consists of net position that is available for operations.

###### 7. Capital Contributions

Capital contributions represent cash, capital grants and capital asset additions contributed to the District by outside parties.

##### D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

##### E. Property Taxes and Special Assessments

Property taxes and special assessments attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Santa Barbara Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The County of Santa Barbara Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections and special assessments to the District throughout the year.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Property Taxes and Special Assessments (continued)**

The property tax calendar is as follows:

Lien date January 1  
Levy date July 1  
Due dates November 1 and February 1  
Collection dates December 10 and April 10

**F. New Pronouncements – Governmental Accounting Standards Board (GASB)**

During the fiscal year ended June 30, 2025, the District has implemented new GASB pronouncements as follows:

**GASB Statement No. 101 – Compensated Absences**

This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employees and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of July 1, 2024. See Note 6 for the effect of this Statement.

## SANTA YNEZ COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2025

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#### NOTE 2 – CASH AND INVESTMENTS

Cash and cash equivalents were classified in the accompanying financial statement as follows:

<u>Description</u>	<u>June 30, 2025</u>
Cash and cash equivalents	\$ 6,824,135
Restricted - cash and cash equivalents	<u>138,821</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 6,962,956</u></b>

Cash and cash equivalents consisted of the following at June 30:

<u>Description</u>	<u>June 30, 2025</u>
Demand deposits with financial institutions	\$ 138,568
Money market mutual funds	6,644,091
Local agency investment fund (LAIF)	<u>180,297</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 6,962,956</u></b>

#### **Demand Deposits with Financial Institutions**

At June 30, 2025, the carrying amount of the District's demand deposits was \$138,568 and the financial institution's balance was \$160,678. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance.

#### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

#### **Money-Market Funds**

Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of \$1 per share (which is the fund's main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money market funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of June 30, 2025, the District held \$6,644,091 in money market funds.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

**Local Agency Investment Fund (LAIF)**

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers’ money to manage the State’s cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District’s investment in this pool is reported at an amount based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held \$180,297 in LAIF.

**NOTE 3 – RESTRICTED – CASH AND CASH EQUIVALENTS**

Restricted cash and cash equivalents as of June 30<sup>th</sup> consisted of the following:

<u>Description</u>	<u>June 30, 2025</u>
Proceeds from loan issuance	\$ 138,821
Less: Unspent proceeds from loan issuance	<u>(138,821)</u>
<b>Total restricted - net position</b>	<u><u>\$ -</u></u>

The restricted cash and cash equivalents balance on the balance sheet at June 30, 2025 held debt proceeds from the remaining unused loan proceeds. This amount is then used in the calculation of net investment in capital assets. (See Note 8).

**NOTE 4 – NOTES RECEIVABLE**

Changes in notes receivable amounts for the fiscal year ended June 30, 2025, were as follows:

<u>Long-term Debt</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2025</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Installment receivable	\$ 326,133	\$ -	\$ (73,577)	\$ 252,556	\$ 8,043	\$ 244,513
<b>Total notes receivable</b>	<u><u>\$ 326,133</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (73,577)</u></u>	<u><u>\$ 252,556</u></u>	<u><u>\$ 8,043</u></u>	<u><u>\$ 244,513</u></u>

**Installment Receivable**

The District has an installment payment plan program which allows property owners to pay capacity fees and related costs for new connections to the District’s public sewer system in installments. Terms of the installment note call for principal and interest payments payable semi-annually on June 10 and December 10 of each year.

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 4 – NOTES RECEIVABLE (continued)**

The fees are collected through the property tax roll.

Future principal and interest payments on the notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 8,043	\$ 15,910	\$ 23,953
2027	8,518	15,434	23,952
2028	9,026	14,927	23,953
2029	9,568	14,384	23,952
2030	10,149	13,804	23,953
2031-2035	61,005	58,758	119,763
2036-2040	83,290	36,472	119,762
2041-2044	62,957	7,686	70,643
Total	252,556	\$ 177,375	\$ 429,931
Current	(8,043)		
Long-term	\$ 244,513		

**NOTE 5 – CAPITAL ASSETS**

Changes in capital assets for the year were as follows:

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2025</u>
Non-depreciable capital assets:				
Land	\$ 149,109	\$ -	\$ -	\$ 149,109
Total non-depreciable capital assets	149,109	-	-	149,109
Depreciable capital assets:				
Structures and improvements	8,368,100	368,076	-	8,736,176
Furniture and equipment	331,635	46,271	(105,864)	272,042
Total depreciable capital assets	8,699,735	414,347	(105,864)	9,008,218
Accumulated depreciation:				
Structures and improvements	(4,435,977)	(226,569)	-	(4,662,546)
Furniture and equipment	(257,410)	(8,394)	105,864	(159,940)
Total accumulated depreciation	(4,693,387)	(234,963)	105,864	(4,822,486)
Total depreciable capital assets, net	4,006,348	179,384	-	4,185,732
<b>Total capital assets, net</b>	<b>\$ 4,155,457</b>	<b>\$ 179,384</b>	<b>\$ -</b>	<b>\$ 4,334,841</b>

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2025

**NOTE 6 – COMPENSATED ABSENCES**

As of June 30, 2025, the total liability for compensated absences was \$67,580, of which \$33,790 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of July 1, 2024, reflected a material difference upon implementation of GASB Statement No. 101; therefore, a restatement was required.

<u>Balance</u> <u>July 1, 2024</u>	<u>Net change</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 61,940	\$ 5,640	\$ 67,580	\$ 33,790	\$ 33,790

**NOTE 7 – LONG-TERM DEBT PAYABLE**

Changes in long-term debt payable for the year ended June 30, 2025, were as follows:

<u>Long-term Debt</u>	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Loan payable	\$ 1,201,121	\$ -	\$ (51,624)	\$ 1,149,497	\$ 53,136	\$ 1,096,361
<b>Total loans payable</b>	<u>\$ 1,201,121</u>	<u>\$ -</u>	<u>\$ (51,624)</u>	<u>\$ 1,149,497</u>	<u>\$ 53,136</u>	<u>\$ 1,096,361</u>

**Loan Payable – 2022**

The District entered into an installment agreement with Municipal Finance Corporation on June 16, 2021 for \$1,300,000. The loan is to finance the costs of constructing certain improvements to the wastewater facilities. The note is scheduled to mature in fiscal year 2042. Principal and interest annual installments of \$86,816 are payable on July 23<sup>rd</sup> of each year at a rate of 2.93%. Annual debt service requirements on the note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 53,136	\$ 33,680	\$ 86,816
2027	54,692	32,124	86,816
2028	56,295	30,521	86,816
2029	57,945	28,871	86,816
2030	59,642	27,174	86,816
2031-2035	325,470	108,609	434,079
2036-2040	376,029	58,050	434,079
2041-2042	166,288	7,344	173,632
Total	1,149,497	<u>\$ 326,373</u>	<u>\$ 1,475,870</u>
Current	<u>(53,136)</u>		
Long-term	<u>\$ 1,096,361</u>		

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets was calculated as follows as of June 30:

<u>Description</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
<b>Net investment in capital assets:</b>		
Capital assets – not being depreciated	\$ 149,109	\$ 149,109
Capital assets, net – being depreciated	4,185,732	4,006,348
Loan payable – current portion	(53,136)	(51,623)
Loan payable – non-current portion	(1,096,361)	(1,149,498)
Unspent proceeds from loan issuance (Note 3)	<u>138,821</u>	<u>132,805</u>
<b>Total net investment in capital assets</b>	<b><u>\$ 3,324,165</u></b>	<b><u>\$ 3,087,141</u></b>

**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

Beginning net position as of July 1, 2024 was restated by (\$21,874), for the District’s retroactive restatement for the adoption of *GASB No. 101 – Compensated Absences* as noted below:

<u>Description</u>	<u>Balance</u>
<b>Net position:</b>	
Beginning of year, as previously stated – July 1, 2024	\$ 9,707,317
Compensated absences	<u>(21,874)</u>
Total adjustments	<u>(21,874)</u>
Beginning of year, as restated – July 1, 2024	<b><u>\$ 9,685,443</u></b>

**SANTA YNEZ COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

<b>A. Entity</b>	SDRMA	
<b>B. Purpose</b>	To pool member contributions and realize the advantages of self-insurance	
<b>C. Participants</b>	As of June 30, 2025: 503 member agencies for Property/Liability 427 member agencies for Workers' Compensation	
<b>D. Governing board</b>	Seven representatives employed by members	
<b>E. District payments for FY 2025:</b>		
Property/Liability policy	\$22,225	
Workers' compensation policy	\$16,204	
<b>F. Condensed financial information</b>	June 30, 2025	
<b>Statement of net position:</b>		<b>June 30, 2025</b>
Total assets		<u>\$ 185,602,180</u>
Deferred outflows		<u>1,361,901</u>
Total liabilities		<u>78,502,352</u>
Deferred inflows		<u>332,457</u>
Net position		<u>\$ 108,129,272</u>
<b>Statement of revenues, expenses and changes in net position:</b>		
Total revenues		\$ 136,035,247
Total expenses		<u>(113,092,341)</u>
Change in net position		22,942,906
Beginning – net position		<u>85,186,366</u>
Ending – net position		<u>\$ 108,129,272</u>
<b>G. Member agencies share of year-end financial position</b>		Not Calculated

At June 30, 2025, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees’ errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$1,000 deductible per occurrence.

## SANTA YNEZ COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2025

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#### NOTE 10 – RISK MANAGEMENT (continued)

- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2025, 2024 and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2025, 2024 and 2023.

#### NOTE 11 – COMMITMENTS AND CONTINGENCIES

##### Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

##### Litigation

The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel and/or management, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

#### NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 19, 2025, the date which the financial statements were available to be issued.

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***Other Independent Auditors' Reports***

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**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  
Santa Ynez Community Services District  
Santa Ynez, 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 Santa Ynez Community Services District (District) as of and for the 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 November 19, 2025.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. 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.

Murrieta, California  
November 19, 2025