

Report of Independent Auditors and Financial Statements with  
Required Supplementary Information

**Oceano Community Services District**

June 30, 2025

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## Report of Independent Auditors

Board of Directors of Oceano Community Services District  
Oceano, California

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Oceano 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 Oceano 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, the business-type activities, and each major fund of the Oceano 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 Oceano 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 Oceano 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 Oceano 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 Oceano Community Services District's ability to continue as a going concern for a reasonable period of time.

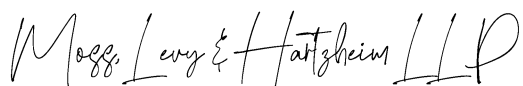
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2026, on our consideration of the Oceano 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.



Santa Maria, California  
March 11, 2026

# OCEANO COMMUNITY SERVICES DISTRICT

## *Management's Discussion and Analysis*

For the Fiscal Year Ended June 30, 2025

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The Oceano Community Services District (District) has prepared the following narrative summarizing the District's financial statements to provide an overview and analysis of District finances for the fiscal year ending June 30, 2025. The District encourages readers to consider the information together with the District's financial statements following this section.

The District is an independent special district serving a population of approximately 7,600. The District is governed by a five-member Board of Directors, elected by voters within five distinct geographic divisions within the District's LAFCO-defined service area; all Board members must reside within the District's boundaries, and must reside within the division they are elected to represent. The District is governed by California Government Code Sections 61000 et al, as well as other specific statutes and regulations that govern its operations.

The District provides both governmental-type activities and enterprise activities. Governmental activities include fire protection services (through December 2024), street lighting, and recreation. Enterprise activities include water service, wastewater collection service, and solid waste and recycling services.

### **District Services and Related Agencies**

As a special District, the District's powers are authorized by the San Luis Obispo County Local Agency Formation Commission (LAFCO). Any proposed additions to the District services, modification of District boundaries, or service provisions outside of the District boundaries must be approved in advance by LAFCO.

The following provides a brief overview of each of the District's services:

#### **Fire Protection Services**

During Fiscal Year 2024-25, the District provided fire protection services through December 31, 2024, with a contract with Five Cities Fire Authority (FCFA). The FCFA was created as a "joint exercise of powers authority" (JPA) through an agreement originally approved in 2010 and amended on May 23, 2018, June 12, 2019, and most recently on June 24, 2020, between the cities of Arroyo Grande and Grover Beach, and the District. One member of the OCSD Board of Directors was appointed to represent the District on the FCFA Board, and a second member of the OCSD Board of Directors served as an alternate on the FCFA Board. The District would pay a portion of the annual costs of FCFA services under a funding formula established in the FCFA agreement, which was modified by the third amendment. The JPA amendments were needed for several reasons, including a multi-year implementation of the FCFA "Strategic Plan." The "Strategic Plan" included increased staffing and service levels exceeding those provided under the existing JPA. The amendments included specific approval of each member's annual costs during the implementation period. Because FCFA's escalating costs exceeded District property tax revenue, the amendment required either a citizen initiative or a District-initiated special tax measure to be placed on the 2022 primary ballot. The increase in the District costs during the implementation period was funded from reserves to the extent that the costs exceeded property tax revenues received by OCSD. The FCFA JPA amendments required the District to call for a special tax election on the March 2020 ballot for voters to

consider approving additional funding so that the District could continue to participate as a member of the FCFA. On March 3, 2020, Measure A-20 received 66.14% support, which was 11 votes short of the required 66.67% to pass. The third amendment to the FCFA JPA was approved on June 24, 2020, which extended the agreement for an additional two years and required the District to provide the community with another opportunity to consider additional funding via a ballot measure in June 2022. On June 7, 2022, the Board of Directors placed Measure A-22 on the ballot, and it failed with 57.75% support. The District then initiated proceedings with LAFCO to divest Fire Protection Services' power and transfer responsibility to the County of San Luis Obispo. The divestiture process continued past June 30, 2024 and the District entered into an agreement with FCFA to contract for services in the amount of \$1,150,000 for the fiscal year 2023-24 and a second agreement of \$1,706,000 (\$142,167 a month) for the fiscal year 2024-25 and was finalized to the County after the first half of this fiscal year. On January 14, 2025, LAFCO approved and endorsed the District's and County's plan for service for the community of Oceano, fully divesting the District from managing fire services within its service area and turning over that responsibility to the County of San Luis Obispo who now pays for the unincorporated community's share of fire protections services provided by FCFA, along with the Cities of Arroyo Grande and Grover Beach.

### Lighting Services

The District provides street lighting services in certain areas of the community. The County of San Luis Obispo and the California Department of Transportation also provide some street lighting. District responsibilities include repairing and replacing street light poles and paying for electricity costs. The only revenue source for this service comes from a 3.85% allocation of a portion of County property tax revenue.

### Parks and Recreation Services

The District is authorized to provide parks and recreation services. The District holds a lease with LMUSD for the Oceano Community Center, and as part of the lease requirements, LMUSD utilizes the community center for recreation programs. A section in the lease allows the District to utilize the community center. Currently, the District offers individuals the opportunity to utilize the Oceano Community Center for up to 10 hours per month and 120 hours per year with discounted fees. In fiscal year 2023-24, the Board established the Oceano Parks and Recreation Committee (OPARC) and provided \$19,500 of General Funds as a grassroots effort. OPARC was awarded a \$15,904 grant from Parks CA for the Field Trips to State Parks Program at Oceano Elementary. OPARC was funded by general fund revenues from the County and is not eligible to use enterprise funding sources. Then, in FY 2024-25, the committee applied to the Community-Based Organization/Preventive Health Grant from the County of SLO and was awarded \$50,000 to the Lucia Mar Unified School District for the new track at Oceano Elementary.

### Water Services

The District provides water service to approximately 2,200 connections. An annual Consumer Confidence Report (CCR) is mailed to all water customers, providing a summary of the District's water quality, including a comparison to regulatory requirements. The California State Division of Drinking Water regulates the District's water supplies, and the CCR is available on the District website or by calling the District office.

The District's water supplies include groundwater, surface water from Lopez Lake, and State Water Project water. Regulation of the District's groundwater supply is also subject to the stipulations and judgment adopted for the adjudication of the Santa Maria groundwater basin. Lopez and State water supplies are provided by the County of San Luis Obispo under two separate water supply contracts. The District's water supply reliability is relatively high, allowing it to store water in Lopez and San Luis Reservoirs. Nevertheless, the need to address water supply reliability continues, and contract amendments for the State Water Project

are being developed by the State Department of Water Resources and, separately, contract amendments for the Lopez Lake water supply were adopted by local agencies in August 2022 to establish water storage rights and enhance multi-year water resource planning. Future state subcontractor contract amendments are anticipated to allow for water transfers in the future.

A water and wastewater rate increase was approved by the Board on June 11, 2025. The rate increase provided funding for ongoing operations, capital improvement projects, and minimum reserves. The rate increase was phased over five years (FY 2025-2030). The water and wastewater rate studies analyzed service costs and estimated revenues to keep up with rising costs for staff labor, water/wastewater line replacements, capital improvement plans, and Lopez/State water delivery costs.

### **Wastewater Collection Services**

The District provides wastewater collection services through a network of neighborhood pipelines that flow into a District-owned lift station, and then into pipelines and facilities owned by the South San Luis Obispo County Sanitation District (SSLOCSD), which is responsible for treatment and disposal. The SSLOCSD customers include the customers of the District as well as those of the cities of Arroyo Grande and Grover Beach. Since the District does not control the operations of SSLOCSD, the financial statements and audit of the SSLOCSD are separate from the District. District operations are regulated by the Central Coast Regional Water Quality Control Board. On June 11, 2025, the Board approved a wastewater rate increase with a Proposition 218 public hearing for the next five years (FY 2026-2030), since the last rate study was done in 2010 and the last rate increase took place in 2015, with sewer rates remaining constant for the last decade with no increased cost to rate payers.

### **Solid Waste and Recycling Services**

The District provides mandatory solid waste, organic waste, and recycling services through a franchise agreement with South County Sanitary Services Incorporated (SCSS Inc.), which is a subsidiary of Waste Connections Incorporated, a publicly traded corporation "WCN" on the New York Stock Exchange. In 2025, the Board adopted a resolution to increase the SCSS franchise fee payment from 5% to 10%. The District manages the franchise hauler activities and enforces SB 1383 requirements and illegal dumping within the community. The District has also adopted incentive programs designed to promote a cleaner community and has worked with the franchise hauler to enhance services, such as bulky item pickup and cart replacements. Since the District does not control operations of SCSS or WCN, the financial statements and audits of those entities are separate from the District.

## Overview of the Financial Statements

This annual report contains the following five parts.

- Management Discussion and Analysis (this section)
- The Basic Financial Statements
- Notes to the Financial Statements
- Supplementary Information – a comparison of the District's budgets to actual results
- Supplementary Information on Pension Disclosures

This management discussion and analysis is intended to provide an overview of the most relevant information affecting the District's financial affairs for the year and the District's end-of-the-year status. The basic financial statements provide information on the governmental and enterprise activities, including operating and non-operating revenues and expenditures, current assets, non-current assets, capital assets, deferred outflows of resources, current and long-term liabilities, and deferred inflows of resources.

The notes to the financial statements provide additional detailed information and explanations on the financial statements. The budget-to-actual comparison illustrates differences between the adopted board budget and actual revenues, expenditures, and changes in fund balance in the General Fund. A positive budget variance took place this year because the County continued to transmit the District's entire allocation of Property Taxes until October 2025, the current year reflects a large budget variance of \$730,927 in the Governmental Fund.

## Financial Statement Analysis and Highlights

The District's Statements of Net Position are illustrated below for the Governmental and Business-type Activities, and subsequently, for each of the Enterprise Funds.

### Statements of Net Position as of June 30, 2024, and 2025

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2024	2025	2024	2025
Current and Other Assets	\$ 1,294,584	\$ 1,912,868	\$ 4,065,210	\$ 3,650,843
Capital Assets, net	1,578,077	1,508,895	5,064,247	5,810,521
<b>Total Assets</b>	<b>2,872,661</b>	<b>3,421,763</b>	<b>9,129,457</b>	<b>9,461,364</b>
Deferred Outflow of Resources	200,391	90,135	335,844	186,017
Current Liabilities	95,441	154,598	663,480	880,137
Non-current Liabilities	169,951	169,766	819,437	756,313
<b>Total Liabilities</b>	<b>265,392</b>	<b>324,364</b>	<b>1,482,917</b>	<b>1,636,450</b>
Deferred Inflow of Resources	93,576	45,099	156,829	93,069
Net Investment in Capital Assets	1,578,077	1,508,895	5,064,247	5,810,521
Restricted	214,751	260,598	42,553	24,705
Unrestricted	921,256	1,372,942	2,718,755	2,082,636
<b>Net Position</b>	<b>\$ 2,714,084</b>	<b>\$ 3,142,435</b>	<b>\$ 7,825,555</b>	<b>\$ 7,917,862</b>

**Statements of Net Position by Enterprise Fund as of June 30, 2024, and 2025**

	<u>Water Fund</u>		<u>Wastewater Fund</u>		<u>Garbage Fund</u>	
	2024	2025	2024	2025	2024	2025
Current and Other Assets	\$3,170,687	\$2,989,034	\$ 1,050,903	\$ 785,253	\$ 113,166	\$ 125,375
Capital Assets, net	4,136,384	4,742,724	929,699	1,063,102	0	24,276
<b>Total Assets</b>	<b>7,307,071</b>	<b>7,731,758</b>	<b>1,980,602</b>	<b>1,848,355</b>	<b>113,166</b>	<b>149,651</b>
Deferred Outflow of Resources	214,387	118,718	107,193	59,373	14,264	7,926
Current Liabilities	671,333	838,825	23,642	67,968	923	4,630
Non-current Liabilities	798,401	737,937	271,354	250,389	0	5,101
<b>Total Liabilities</b>	<b>1,469,734</b>	<b>1,576,762</b>	<b>294,996</b>	<b>318,357</b>	<b>5,306</b>	<b>9,731</b>
Deferred Inflow of Resources	100,112	59,398	50,056	29,706	14,533	3,965
Net Investment in Capital Assets	4,117,888	4,723,143	929,699	1,063,102	16,990	24,276
Restricted	42,553	24,705	—	—	—	—
Unrestricted	1,791,171	1,466,468	813,044	496,563	114,540	119,605
<b>Net Position</b>	<b>\$ 5,951,612</b>	<b>\$ 6,214,316</b>	<b>\$ 2,087,795</b>	<b>\$ 1,559,665</b>	<b>\$ 131,200</b>	<b>\$ 143,881</b>

The Net Position of the Business-type Activities remained consistent with the previous year.

Following the District's Statements of Net Position is the Statement of Activities.

**Statement of Activities for the Years Ending June 30, 2024, and 2025**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2024	2025	2024	2025
Operating Revenues and Grants	\$ 46,847	\$ 19,366	\$ 5,370,053	\$ 4,294,492
Operating Expenditures:				
Administrative	(1,078,139)	(1,163,771)		
Fire Protection	(1,182,460)	(886,393)		
Street Lighting	(45,417)	(47,006)		
Enterprise Funds			(2,879,304)	(3,287,899)
<b>Net Operating Income / (Loss)</b>	<b>(2,259,169)</b>	<b>(2,077,804)</b>	<b>2,490,749</b>	<b>1,006,593</b>
Ad Valorem Taxes	1,362,913	1,428,003	–	–
Other Non-operating Income	182,059	121,200	89,911	42,666
Transfers	879,122	956,952	(879,122)	(956,952)
<b>Total Non-Operating Income</b>	<b>2,424,094</b>	<b>2,506,155</b>	<b>(789,211)</b>	<b>(914,286)</b>
<b>Change in Net Position</b>	<b>\$ 164,925</b>	<b>\$ 428,351</b>	<b>\$ 1,701,538</b>	<b>\$ 92,307</b>

In summary, the Governmental Activities increased from a net income of \$164,925 to \$428,351 in 2025. The increase is due to the County of San Luis Obispo sending the District's full property tax allocation until October 2025. After October 2025, the County updated the District's property tax allocation to match the Property Tax agreement of 3.85%.

The Business-type Activities went from a net income for the prior fiscal year of \$1,701,538 to a net income of \$92,307. The decrease in income is from the grant funds received in the Water Fund for the Stormwater Recapture and Groundwater Recharge Project and the Water Storage Tank Rehabilitation Project in 2024. The Enterprise Funds are broken out by fund in the table below.

**Statements of Revenues, Expenses, and Changes in Net Position as of June 30, 2024, and 2025**

	<u>Water Fund</u>		<u>Wastewater Fund</u>		<u>Garbage Fund</u>	
	2024	2025	2024	2025	2024	2025
Operating Revenues	\$ 3,382,998	\$ 3,587,091	\$ 408,534	\$ 411,254	\$ 101,012	\$ 121,271
Operating Expenditures	(2,525,623)	(2,898,855)	(279,114)	(321,175)	(74,567)	(67,869)
<b>Net Operating Income / (Loss)</b>	<b>857,375</b>	<b>688,236</b>	<b>129,420</b>	<b>90,079</b>	<b>26,445</b>	<b>53,402</b>
Other Non-operating Income	1,513,256	168,289	51,472	22,753	0	0
Non-operating Expenditures	(1,561)	0	(1,131)	0	0	0
<b>Net Non-Operating Income</b>	<b>1,514,817</b>	<b>168,289</b>	<b>52,603</b>	<b>22,753</b>	<b>0</b>	<b>0</b>
Transfers	\$ (561,142)	\$ (593,821)	\$ (280,571)	\$ (295,910)	\$ (37,409)	\$ (40,721)
<b>Net Income / (Loss)</b>	<b>\$ 1,811,050</b>	<b>\$ 262,704</b>	<b>\$ (98,548)</b>	<b>\$ (183,078)</b>	<b>\$ (10,964)</b>	<b>\$ 12,681</b>

The decrease in net income in the Water Fund reflects grant income received in 2024 for the Stormwater Recapture and Groundwater Recharge Project and the Water Storage Tank Rehabilitation Project. The water fund rate structure approved in 2020 began to establish financial stability and provide funds for long-term capital improvement plans and minimum reserves. The rate structure considered and approved by the Board on June 11, 2025, will provide the revenues for the next 5 years to keep up with rising costs for staff labor, construction costs for water/wastewater line replacements, and Lopez/State water delivery costs.

The Wastewater Fund incurred a deficit of (\$183,078) this year. A wastewater rate study was adopted by the Board at the June 11, 2025, Proposition 218 rate-increase public hearing, which set the new wastewater rates for the next 5 years. The new rates will close the structural deficit and provide funding for the new Wastewater CIP Plan for the wastewater system.

The Garbage Fund's net income increased from the prior year because in 2020, the Board adopted a resolution to reduce the franchise fee payment from SCSS from 10% to 5% to reduce the costs to customers and draw down reserves in the Garbage Fund. Then, in January 2025, the Board adopted a resolution to restore the franchise fee payments from SCSS back up to 10%. The District continues to move forward on the Solid Waste Programs adopted by the Board on February 8, 2017. These programs include policies to address illegal dumping, unsanitary conditions, and related solid waste problems within the District.

## Capital Assets

The District currently owns the Sheriff's substation, the old fire station, and some undeveloped land. In previous years, the community fire station was provided to FCFA for \$15,000 per year; under the FY 2023-24 contract for fire services with FCFA, the District granted FCFA access to the fire station at no cost. The community fire station was then transferred to the County of SLO in 2025 after the divestiture of fire protection services. The lease for the Sheriff substation was also amended in 2025 and is now leased to the County of San Luis Obispo for \$0 per year. In the past, the District received lease revenue of \$126,792 per year, but beginning on January 1, 2025, the new lease agreement reduces annual revenue from the Sheriff's substation lease to zero. The divestiture of the District's fire and emergency services has reduced the substation's rent to no cost to the County, and the District administrative office property has been transferred to the County, with the property to be leased back to the District beginning in July of 2025 for \$116,175 in fiscal year 2025-26.

The Oceano Depot and Community Center are leased to non-governmental agencies. The Lucia Mar Unified School District and Oceano Depot lease the properties for \$1 per year each based on the multi-party agreements developed for those properties in conjunction with grants that funded the development of the community center and the preservation of the historic Oceano train depot.

The District's water and wastewater infrastructure ranges widely in age. Many of the water and wastewater system pipelines were originally constructed in the 1950's. The District completed water and wastewater system master plans, but revenue shortfalls have deferred infrastructure replacement projects. The District completed an updated water system capital improvement program for infrastructure replacement, which was substantially funded by grants approved by the State of California. The 2020 water rates began to set aside funds for long-term capital improvement plans. The Water and Wastewater Proposition 218 hearing held on June 11, 2025, was adopted and provides for revenues to keep up with rising costs for staff labor, construction costs for water/wastewater line replacements, and Lopez/State water delivery costs. The District updated both the water and wastewater CIP plans in 2025 and began the design of the top priority projects.

## Debt Activities

On June 1, 2021, the District entered into a financing agreement with First Foundation Bank after issuing a "Request for Proposals" (RFP) to purchase the District's outstanding California Public Employees' Retirement System (CalPERS) Unfunded Accrued Liability (UAL) or the "CalPERS UAL Repayment Project." The District holds a contract with CalPERS and is required to make contributions to fund pension benefits for miscellaneous employees, safety employees, and amortize a portion of the UAL. The total UAL as of June 30, 2021, for the District's miscellaneous plan and safety plan was \$822,745. The Board adopted Resolution 2021-02 to proceed with refinancing the UAL balances under these plans to bring the funding status of these plans to 100% funded, to enhance budget predictability by "smoothing" out the UAL payment structure over the next 15 years, and to provide cash flow savings to the District. The District received two bids and locked in an interest rate of 3.46%. By lowering the interest rate, this will result in a total cash flow savings of \$328,600 through June 30, 2035. The finance agreement pledged the revenues of the Water and Wastewater Funds. An interfund agreement was also established from the General (17.5%) and Garbage (3.5%) Funds to pay back the Water and Wastewater Funds for the payment of the UAL obligation, which was paid off during fiscal year 2024. The principal and interest payments to First Foundation Bank will range between \$68,000 and \$83,000 until August 1, 2035.

Internal debt, or borrowing between District funds, is more significant. Note #3 to the Financial Statements illustrates interfund liabilities. During the fiscal year ending June 30, 2025, the District recorded the interfund

transfers on the following page to adhere to resolutions adopted April 26, 2017, to ensure repayment of interfund liabilities. In FY 2025-26 the District closed out the safety plan related to the Oceano Fire Department with General Fund reserves to complete the District's divestiture of fire and emergency services.

**Interfund Transfers for the Fiscal Year Ended June 30, 2025**

Interfund (Due to) / Due From	Beginning Balances – July 1, 2024	Interfund Transfers Out	Interfund Transfers In	Ending Balances – June 30, 2025
General Fund Due from Water Fund	306,537	- 0 -	18,510	268,400
Water Fund Due to the General Fund	(306,537)	18,510	- 0 -	(306,537)
Water Fund Due to Garbage Fund	(1,132)	1,132	- 0 -	- 0 -
Garbage Fund Due from Water Fund	1,132	- 0 -	1,132	- 0 -
<b>Totals</b>	<b>\$ - 0 -</b>	<b>\$ 19,642</b>	<b>\$ 19,642</b>	<b>\$ - 0 -</b>

**Budget and Rates**

The District's budget for the year ending June 30, 2025, reflects the water system rate increase approved by the Board of Directors in October 2020, adjusted for increases in the consumer price index and wholesale water costs. The annual increases are prescribed in Ordinance 2020-01, and in accordance with California Government Code section 53756. In June 2025, the Board approved a new rate study effective July 18, 2025. The following illustrates the Water Fund change in net position before and after the 2020 rate increase:

**Water Fund – Change in Net Position**

Fiscal Year	Surplus / (Deficit)
2014/15	\$ (182,216)
2015/16	93,228
2016/17	186,858
2017/18	22,518
2018/19	(187,930)
2019/20	(118,952)
2020/21	87,654
2021/22	1,233,214
2022/23	684,706
2023/24	1,811,050
2024/25	262,704

With the approval of the 2020 rate increase, the District established fiscal stability and funds for minimum reserves. The increase began in November 2020 and was phased in over five years. The new 2026-2030 rate structure considered by the Board on June 11, 2025, for the next 5 years provides the revenues needed to keep up with rising staff labor costs, construction costs for water/wastewater line replacements, and Lopez/State water delivery costs. The District has secured approximately \$4,405,000 in grants from state agencies for the water system and related needs since 2017.

No rate changes affected the wastewater fund for the fiscal year ending June 30, 2025. In June 2025, the Board approved a new rate study effective July 18, 2025. The following shows the running deficit of the Wastewater Fund:

**Wastewater Fund – Change in Net Position**

Fiscal Year	Surplus / (Deficit)
2014/15	\$ (16,927)
2015/16	(54,103)
2016/17	(104,305)
2017/18	(153,944)
2018/19	(165,453)
2019/20	(172,445)
2020/21	(226,848)
2021/22	22,474
2022/23	(333,160)
2023/24	(98,548)
2024/25	(183,078)

The operating revenue for the wastewater fund was addressed at the public hearing in June 2025. On February 12, 2025, the Board of Directors approved a contract to initiate a wastewater rate study. On April 9, 2025, the Board provided direction to schedule a Proposition 218 public hearing at the June 11, 2025 meeting and considered the new increase to the District's wastewater rates for the next five years since the last rate study was done in 2011 and rates in place since 2015 did not meet the District's revenue requirement to operate the sewer utility.

An increase of 4.98% in garbage rates for SCSS Inc. was approved on January 8, 2025, and inflationary adjustments went into effect until 2029. In addition, the Board returned to the franchise fee rate of 5% to 10%.

## Future Outlook

Overall, the District's financial outlook has remained relatively stable in the short term during the fiscal year ending June 30, 2025. The primary challenges are related to deferred infrastructure repairs and replacement in the water and wastewater systems. The District evaluated the deferred infrastructure needs and utilized grants obtained from the State of California for much of this effort in FY 2024-25. Identifying costs and rate impacts to fund the deferred infrastructure was initiated in June 2025 for the water and wastewater rates to allow funds to be set aside for long-term capital projects. The new rate structures in both the water and wastewater systems have solidified the District's fiscal position in the coming years.

## **Basic Financial Statements**

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**Oceano Community Services District**  
**Statement of Net Position**  
**June 30, 2025**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 1,331,486	\$ 3,136,996	\$ 4,468,482
Restricted cash and investments	260,598	-	260,598
Accounts receivable, net	-	628,070	628,070
Prepaid items	52,384	102,046	154,430
Inventory	-	32,550	32,550
Internal balances	268,400	(268,400)	-
Total current assets	1,912,868	3,631,262	5,544,130
JOINT VENTURE DEPOSITS	-	19,581	19,581
<b>CAPITAL ASSETS</b>			
Non-depreciable capital assets			
Land	610,390	6,000	616,390
Construction in progress	-	562,927	562,927
Depreciable capital assets			
Buildings and improvements	2,154,547	10,835,162	12,989,709
Equipment, vehicles and machinery	446,061	1,153,221	1,599,282
Software	6,096	195,918	202,014
Accumulated depreciation	(1,708,199)	(6,942,707)	(8,650,906)
Total assets	3,421,763	9,461,364	12,883,127
DEFERRED OUTFLOWS OF RESOURCES	90,135	186,017	276,152
Total assets and deferred outflows of resources	<u>\$ 3,511,898</u>	<u>\$ 9,647,381</u>	<u>\$ 13,159,279</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 85,624	\$ 626,431	\$ 712,055
Accrued payroll and benefits	29,375	9,856	39,231
Deposits	1,000	139,900	140,900
Unearned revenue	1,346	46,050	47,396
Current portion of compensated absences	37,253	-	37,253
Current portion of taxable revenue bond obligation	-	57,900	57,900
Total current liabilities	154,598	880,137	1,034,735
<b>NONCURRENT LIABILITIES</b>			
Compensated absences, net of current portion	111,758	-	111,758
Taxable revenue bond obligation, net of current portion	-	636,600	636,600
Net pension liability	58,008	119,713	177,721
Total liabilities	324,364	1,636,450	1,960,814
DEFERRED INFLOWS OF RESOURCES	45,099	93,069	138,168
<b>NET POSITION</b>			
Investment in capital assets	1,508,895	5,810,521	7,319,416
Restricted for			
Capital facilities	260,598	-	260,598
Water joint venture agreement	-	24,705	24,705
Unrestricted	1,372,942	2,082,636	3,455,578
Total net position	3,142,435	7,917,862	11,060,297
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,511,898</u>	<u>\$ 9,647,381</u>	<u>\$ 13,159,279</u>

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

**Oceano Community Services District**  
**Statement of Activities**  
**Year Ended June 30, 2025**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Administration	\$ 1,163,771	\$ -	\$ -	\$ 19,366	\$ (1,144,405)	\$ -	\$ (1,144,405)
Fire protection	886,393	-	-	-	(886,393)	-	(886,393)
Street lighting	47,006	-	-	-	(47,006)	-	(47,006)
<b>Total governmental activities</b>	<b>2,097,170</b>	<b>-</b>	<b>-</b>	<b>19,366</b>	<b>(2,077,804)</b>	<b>-</b>	<b>(2,077,804)</b>
<b>Business-type activities:</b>							
Water	2,898,855	3,386,354	200,737	165,376	-	853,612	853,612
Sewer	321,175	403,448	7,806	9,500	-	99,579	99,579
Garbage	67,869	-	121,271	-	-	53,402	53,402
<b>Total business-type activities</b>	<b>3,287,899</b>	<b>3,789,802</b>	<b>329,814</b>	<b>174,876</b>	<b>-</b>	<b>1,006,593</b>	<b>1,006,593</b>
<b>Total governmental</b>	<b>\$ 5,385,069</b>	<b>\$ 3,789,802</b>	<b>\$ 329,814</b>	<b>\$ 194,242</b>	<b>(2,077,804)</b>	<b>1,006,593</b>	<b>(1,071,211)</b>
<b>General Revenues and Transfers:</b>							
Taxes:							
Property							
				1,428,003	-		1,428,003
Use of money and property							
				115,697	26,506		142,203
Other general revenues							
				5,503	16,160		21,663
Transfers							
				956,952	(956,952)		-
<b>Total general revenues and transfers</b>							
				<b>2,506,155</b>	<b>(914,286)</b>		<b>1,591,869</b>
Change in net position							
				428,351	92,307		520,658
Net position - beginning of year							
				<b>2,714,084</b>	<b>7,825,555</b>		<b>10,539,639</b>
Net position - end of year							
				<b>\$ 3,142,435</b>	<b>\$ 7,917,862</b>		<b>\$ 11,060,297</b>

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

**Oceano Community Services District**  
 Balance Sheet – Government Fund  
 June 30, 2025

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General  
Fund

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**ASSETS**

ASSETS

Cash and investments	\$	1,331,486
Restricted cash and investments		260,598
Prepaid items		52,384
Advances receivable		<u>268,400</u>
 Total assets	 \$	 <u><u>1,912,868</u></u>

**LIABILITIES AND FUND BALANCE**

LIABILITIES

Accounts payable	\$	85,624
Accrued payroll and benefits		29,375
Deposits		1,000
Unearned revenue		<u>1,346</u>
 Total liabilities		 <u>117,345</u>

FUND BALANCE

Nonspendable		
Prepaid items		52,384
Advances receivable		268,400
Restricted		
Capital facilities		260,598
Assigned		
Infrastructure replacement		132,658
Unassigned		<u>1,081,483</u>
 Total fund balance		 <u>1,795,523</u>
 Total liabilities and fund balance	 \$	 <u><u>1,912,868</u></u>

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

**Oceano Community Services District**

Reconciliation of the Governmental Fund – Balance Sheet  
to the Statement of Net Position  
June 30, 2025

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Total fund balance - governmental fund \$ 1,795,523

In the governmental fund, 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 \$ 3,217,094

Accumulated depreciation (1,708,199)

Net 1,508,895

Long-term liabilities: In the governmental fund, 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 \$ 149,011

Net pension liability 58,008

Total (207,019)

In the governmental fund, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of \$90,135 and inflows of resources of \$(45,099) relating to pensions are reported.

45,036

Total net position - governmental activities \$ 3,142,435

**Oceano Community Services District**  
Statement of Revenues, Expenditures, and Changes In  
Fund Balance – Governmental Fund  
Year Ended June 30, 2025

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	General Fund
	<u>                    </u>
REVENUES	
Taxes and assessments	\$ 1,428,003
Public facility fee	4,718
Interest income	27,265
Rental income	88,432
Grant income	14,648
Other	<u>5,503</u>
Total revenues	<u>1,568,569</u>
EXPENDITURES	
Salaries, wages and directors' stipends	474,862
Payroll taxes and employee benefits	241,612
Liability insurance	45,897
Repairs and maintenance	18,584
Administrative services	9,240
Data processing	21,131
Dues and fees	33,891
Education	11,198
Legal fees	81,137
Miscellaneous	2,849
Office expense	14,796
Street lighting	35,442
Professional fees	74,420
Public safety	864,204
Utilities	23,414
Grant expense	<u>8,265</u>
Total expenditures	<u>1,960,942</u>
Excess of revenues under expenditures	<u>(392,373)</u>
OTHER FINANCING SOURCES	
Transfers in	<u>956,952</u>
Total other financing sources	<u>956,952</u>
Net change in fund balance	564,579
FUND BALANCE - beginning of year	<u>1,230,944</u>
FUND BALANCE - end of year	<u>\$ 1,795,523</u>

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

**Oceano Community Services District**

Reconciliation of the Governmental Fund Statement of Revenues,  
Expenditures and Changes in Fund Balance to the Statement of Activities  
Year Ended June 30, 2025

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Total net change in fund balance - governmental fund	\$ 564,579
Capital outlays are reported in the governmental fund 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 \$0 is less than depreciation expense (\$69,182) in the period.	(69,182)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation earned exceeded the amounts used by \$21,807.	(21,807)
In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	<u>(45,239)</u>
Changes in net position - governmental activities	<u><u>\$ 428,351</u></u>

**Oceano Community Services District**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2025**

	Water Fund	Sewer Fund	Garbage Fund	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 2,319,239	\$ 719,811	\$ 97,946	\$ 3,136,996
Accounts receivable, net	537,129	63,737	27,204	628,070
Prepaid expenses	101,821	–	225	102,046
Inventory	30,845	1,705	–	32,550
Total current assets	2,989,034	785,253	125,375	3,899,662
JOINT VENTURE DEPOSITS	19,581	–	–	19,581
<b>CAPITAL ASSETS</b>				
Non-depreciable capital assets				
Land	6,000	–	–	6,000
Construction in progress	417,145	145,782	–	562,927
Depreciable capital assets				
Buildings and improvements	8,027,395	2,807,767	–	10,835,162
Equipment, vehicles and machinery	719,437	390,269	43,515	1,153,221
Software	156,734	39,184	–	195,918
Accumulated depreciation	(4,603,568)	(2,319,900)	(19,239)	(6,942,707)
Total assets	7,731,758	1,848,355	149,651	9,729,764
DEFERRED OUTFLOWS OF RESOURCES	118,718	59,373	7,926	186,017
Total assets and deferred outflows of resources	<u>\$ 7,850,476</u>	<u>\$ 1,907,728</u>	<u>\$ 157,577</u>	<u>\$ 9,915,781</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 576,772	\$ 45,415	\$ 4,244	\$ 626,431
Accrued wages and benefits	7,265	2,205	386	9,856
Deposits	139,900	–	–	139,900
Unearned revenue	45,000	1,050	–	46,050
Current portion of advance payable	31,286	–	–	31,286
Current portion of taxable revenue bond obligation	38,602	19,298	–	57,900
Total current liabilities	838,825	67,968	4,630	911,423
<b>NONCURRENT LIABILITIES</b>				
Advances payable, net of current portion	237,114	–	–	237,114
Taxable revenue bond obligation, net of current portion	424,421	212,179	–	636,600
Net pension liability	76,402	38,210	5,101	119,713
Total liabilities	1,576,762	318,357	9,731	1,904,850
DEFERRED INFLOWS OF RESOURCES	59,398	29,706	3,965	93,069
<b>NET POSITION</b>				
Investment in capital assets	4,723,143	1,063,102	24,276	5,810,521
Restricted	24,705	–	–	24,705
Unrestricted	1,466,468	496,563	119,605	2,082,636
Total net position	6,214,316	1,559,665	143,881	7,917,862
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,850,476</u>	<u>\$ 1,907,728</u>	<u>\$ 157,577</u>	<u>\$ 9,915,781</u>

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

**Oceano Community Services District**  
**Statement of Revenues, Expenditures and Changes In**  
**Net Position – Proprietary Funds**  
**Year Ended June 30, 2025**

	Water Fund	Sewer Fund	Garbage Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,386,354	\$ 403,448	\$ –	\$ 3,789,802
Other fees	200,737	7,806	121,271	329,814
<b>Total operating revenues</b>	<b>3,587,091</b>	<b>411,254</b>	<b>121,271</b>	<b>4,119,616</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	194,575	75,160	16,998	286,733
Payroll taxes and employee benefits	198,277	82,119	26,160	306,556
Repairs and maintenance	40,312	13,862	379	54,553
Legal and professional	215,747	40,300	11,648	267,695
Dues and fees	21,305	4,360	–	25,665
Education	2,031	65	10,000	12,096
Water meters	26,257	–	–	26,257
Wheeled water expense	28,945	–	–	28,945
Office expense	425	193	129	747
Supplies	20,835	19,653	503	40,991
Utilities	26,922	1,568	614	29,104
Water supply expense	1,938,764	–	–	1,938,764
Depreciation	184,460	83,895	1,438	269,793
<b>Total operating expenses</b>	<b>2,898,855</b>	<b>321,175</b>	<b>67,869</b>	<b>3,287,899</b>
<b>OPERATING INCOME</b>	<b>688,236</b>	<b>90,079</b>	<b>53,402</b>	<b>831,717</b>
<b>NONOPERATING REVENUES</b>				
Revenue from other governmental agencies	148,376	–	–	148,376
Interest on bank deposits, net	4,216	22,290	–	26,506
Other nonoperating income	15,697	463	–	16,160
<b>Total nonoperating revenues, net</b>	<b>168,289</b>	<b>22,753</b>	<b>–</b>	<b>191,042</b>
<b>Income before transfers</b>	<b>856,525</b>	<b>112,832</b>	<b>53,402</b>	<b>1,022,759</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Connection fees	17,000	9,500	–	26,500
Transfers out	(610,821)	(305,410)	(40,721)	(956,952)
<b>Total capital contributions and transfers</b>	<b>(593,821)</b>	<b>(295,910)</b>	<b>(40,721)</b>	<b>(930,452)</b>
<b>Change in net position</b>	<b>262,704</b>	<b>(183,078)</b>	<b>12,681</b>	<b>92,307</b>
<b>NET POSITION - beginning of year</b>	<b>5,951,612</b>	<b>1,742,743</b>	<b>131,200</b>	<b>7,825,555</b>
<b>NET POSITION, end of year</b>	<b>\$ 6,214,316</b>	<b>\$ 1,559,665</b>	<b>\$ 143,881</b>	<b>\$ 7,917,862</b>

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

**Oceano Community Services District**  
**Statement of Cash Flows**  
**Year Ended June 30, 2025**

	Water Fund	Sewer Fund	Garbage Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 4,811,633	\$ 407,612	\$ 105,434	\$ 5,324,679
Payments to suppliers	(2,078,341)	(35,277)	(19,045)	(2,132,663)
Payments to employees	(339,217)	(133,100)	(40,242)	(512,559)
Net cash provided by operating activities	<u>2,394,075</u>	<u>239,235</u>	<u>46,147</u>	<u>2,679,457</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES</b>				
Acquisition of capital assets	(789,712)	(217,299)	(9,056)	(1,016,067)
Net cash used in capital and related financing activities	<u>(789,712)</u>	<u>(217,299)</u>	<u>(9,056)</u>	<u>(1,016,067)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</b>				
Grants received	148,376	-	-	148,376
Transfers to other funds	(630,466)	(305,407)	(39,586)	(975,459)
Connection fees received	17,000	9,500	-	26,500
Interfund interest paid	(13,041)	-	-	(13,041)
Principal paid on loan payable	(37,335)	(18,665)	-	(56,000)
Interest paid on loan payable	(16,667)	(8,332)	-	(24,999)
Other revenue	15,697	463	-	16,160
Net cash used in noncapital financing activities	<u>(516,436)</u>	<u>(322,441)</u>	<u>(39,586)</u>	<u>(878,463)</u>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>				
Interest income	33,924	30,622	-	64,546
Net cash provided by investing activities	<u>33,924</u>	<u>30,622</u>	<u>-</u>	<u>64,546</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,121,851</b>	<b>(269,883)</b>	<b>(2,495)</b>	<b>849,473</b>
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,197,388</u>	<u>989,694</u>	<u>100,441</u>	<u>2,287,523</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,319,239</u>	<u>\$ 719,811</u>	<u>\$ 97,946</u>	<u>\$ 3,136,996</u>
Reconciliation to Statement of Net Position:				
Cash and investments	<u>\$ 2,319,239</u>	<u>\$ 719,811</u>	<u>\$ 97,946</u>	<u>\$ 3,136,996</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 688,236	\$ 90,079	\$ 53,402	\$ 831,717
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	184,460	83,895	1,438	269,793
Change in assets, liabilities, deferred outflows, and deferred inflows				
Receivables, net	1,301,272	(4,167)	(15,837)	1,281,268
Prepaid expenses	5,923	-	-	5,923
Inventories	(3,691)	(68)	-	(3,759)
Joint venture deposits	(1,085)	-	-	(1,085)
Deferred outflows	95,669	47,820	6,338	149,827
Accounts payable	242,055	44,792	4,228	291,075
Accrued wages and benefits	2,032	(1,624)	(521)	(113)
Deposits	(121,730)	-	-	(121,730)
Unearned revenues	45,000	525	-	45,525
Net pension liability	(3,352)	(1,667)	(205)	(5,224)
Deferred inflows	(40,714)	(20,350)	(2,696)	(63,760)
Net cash provided by operating activities	<u>\$ 2,394,075</u>	<u>\$ 239,235</u>	<u>\$ 46,147</u>	<u>\$ 2,679,457</u>

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

# Oceano Community Services District

## Notes to Basic Financial Statements

June 30, 2025

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### Note 1 – Summary of Significant Accounting Policies

#### A. Reporting Entity

The Oceano Community Services District (the “District”) is a multipurpose special district established on January 1, 1981. The District is a political subdivision of the State of California and operates under a Board of Directors. The District provides water, wastewater, street lighting, and garbage franchise services.

The District complies with the U. S. Generally Accepted Accounting Principles (GAAP) and all relevant Government Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the District’s activities and functions that are included in the financial statements of a governmental unit. The proprietary funds apply Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) unless those principles conflict with or contradict GASB pronouncements, in which case GASB prevails. There are no component units included in this report which meet the criteria of GASB Statement No. 14 as amended by GASB Statements No. 39, 61, 80, and 90.

#### B. 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” below.

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.
- 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 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

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acquisitions under 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.

Grant revenues are recognized in the year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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.

**C. Basis of Presentation**

**Government-wide Statements** – The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**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, deferred inflows of resources, liabilities, deferred outflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. All District funds are considered major funds.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred. The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund* – This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The fund provides for public

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administration and overall management as it pertains to the District as a whole as well as the District's street lighting services. It also accounts for the District's fire protection services as agreed upon with the Five Cities Fire Authority Joint Powers Authority.

**Proprietary Funds**

*Enterprise Funds* – Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Water Fund – This fund accounts for the operation and maintenance of the District's water distribution, treatment, and monitoring systems.

Sewer Fund – This fund is used to account for all activities of operating sewer services and maintaining the sewer lines.

Garbage Fund – This fund is used to account for the garbage franchise services.

**D. Property Taxes**

San Luis Obispo County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the 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 year and is delinquent if not paid by December 10; and the second is due on March 1 of the 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 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.

Tax levy dates are attached annually on January 1 preceding the year for which the taxes are levied. The 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 deposited with fiscal agent in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the District's cash and investment pool. 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.

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In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The District maintains its cash balance in financial institutions in the United States. The balances at the institutions are generally insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2025, the District held cash in financial institutions in excess of federally insured limits.

**F. Accounts and Interest Receivable**

In the government-wide statements, receivables consist of all revenues earned at 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 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 year-end and not yet received. Utility accounts receivable and interest earnings comprise most proprietary fund receivables.

**G. Prepaid Expenses and Inventory**

Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method. The cost is recorded as an expenditure/expense in the funds at the time individual inventory items are purchased rather than when consumed. This is then adjusted by physical inventory at year-end. Inventory in the enterprise funds consist principally of materials and supplies for utility operations.

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**H. 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 many of the assets. With the implementation of GASB Statement No. 34, the District has recorded all its public domain infrastructure capital assets on the government-wide statements.

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.

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The range of estimated useful lives by type of asset is as follows:

Water system	5 to 75 years
Sanitation system	10 to 50 years
Drainage	5 to 50 years
Administration	5 to 40 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.

**I. Compensated Absences**

Compensated absences comprise unused vacation leave, sick leave, and compensatory time off, which are accrued as earned. Vacation hours, which accrue from the first day of employment, can be taken immediately and are capped at 320 hours. Upon termination, all accumulated vacation hours up to 320 hours are paid out. Sick leave, which accrue from the first day of employment can be taken immediately and can be accrued up to 180 days or 1,440 hours. Upon termination, all accumulated vacation hours up to 180 days are paid out. Payments will be based on the pay rate at the time of termination. 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, 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 year-end.

**J. Long-Term Liabilities**

In the government-wide financial statements, long-term liabilities are presented for both governmental and proprietary fund types. In the fund financial statements, only the proprietary funds show long-term liabilities.

**K. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oceano Community Services District California Public Employees’ Retirement System (CalPERS) Miscellaneous, Miscellaneous PEPRAs, and Safety Fire Plans and additions to/deductions from the Plans’ 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.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2024
Measurement Period:	July 1, 2023 through June 30, 2024

**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.

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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 one item which qualifies for reporting in this category, refer to Note 7 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 one item which qualifies for reporting in this category; refer to Note 7 for a detailed listing of the deferred inflows of resources the District has recognized.

**M. Interfund Transactions**

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**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.

**Governmental Fund Statements** – Fund balance is the difference between the assets and liabilities reported in the governmental funds. In compliance with GASB Statement No. 54, the District has established the following fund balance classifications:

*Non-spendable* – The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – The restricted fund balance classification includes amounts that reflect constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance, etc.) employed to previously commit those amounts. Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent is to be established by (a) the Board of Directors itself or (b) the General Manager to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes.

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**Notes to Basic Financial Statements**  
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*Unassigned* – The unassigned fund balance classification includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes within the General Fund.

When an expenditure is incurred for which both restricted and unrestricted fund balances are available, it is District’s policy that the restricted fund balance be spent first followed by committed, then assigned, and, if applicable, unassigned.

**O. Future Accounting Pronouncements**

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

Statement No. 103	“Financial Reporting Model Improvements”	This statement revises financial statement presentation requirements, including enhancements to Management’s Discussion and Analysis (MD&A), proprietary fund reporting, and disclosures for major component units. The provisions of this statement are effective for years beginning after June 15, 2025.
Statement No. 104	“Disclosure of Certain Capital Assets”	This statement establishes new disclosure requirements for certain types of capital assets, including assets held for sale. The provisions of this statement are effective for years beginning after June 15, 2025.

**Note 2 – Cash and Investments**

The composition of cash and investments as of June 30, 2025, is as follows:

Cash and Investments	
Imprest cash	\$ 625
Cash with County Treasurer	41,865
Cash with financial institutions	438,499
Investment in California Asset Management Program	2,147,226
Investment with financial institution	1,815,562
Restricted Cash and Investments	
Cash with financial institution	260,598
Cash with fiscal agent	<u>24,705</u>
 Total cash and investments	 <u>\$ 4,729,080</u>

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

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The fair value measurement of the District's investments as of June 30, 2025, is as follows:

Investment Type	Fair Value	Fair Value Measurement		
		Level 1	Level 2	Level 3
Negotiable certificate of deposits	\$ 99,918	\$ –	\$ 99,918	\$ –
U.S. Treasury Securities	981,843	981,843	–	–
Federal agency securities	704,816	–	704,816	–
Mutual funds	28,985	28,985	–	–
California Asset Management Program Investment Pool	2,147,226	–	2,147,226	–
	<u>\$ 3,962,788</u>	<u>\$ 1,010,828</u>	<u>\$ 2,951,960</u>	<u>\$ –</u>

**Investments Authorized by the California Government Code and the District's Investment Policy** – 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. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations – CA and Others	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Bankers' Acceptances	180 Days	40%	None
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Non-negotiable Certificates of Deposit	5 Years	50%	None
Placement Services Deposits	5 Years	50%	None
Medium-Term Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
State Registered Warrants, Notes or Bonds	N/A	None	None
Notes and Bonds for other Local California Agencies	5 Years	None	None
Local Agency Investment Fund	5 Years	None	\$ 75,000,000
Capital Asset Management Plan Investment Pool	N/A	None	None

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**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.

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustee) to market rate fluctuations is provided by the table on the following page 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 certificate of deposits	\$ 99,918	\$ 99,918	\$ –	\$ –	\$ –
U.S. Treasury Securities	981,843	200,396	99,106	682,341	–
Federal agency securities	704,816	–	299,589	405,227	–
Mutual funds	28,985	28,985	–	–	–
California Asset Management Program Investment Pool	<u>2,147,226</u>	<u>2,147,226</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>\$ 3,962,788</u>	<u>\$ 2,476,525</u>	<u>\$ 398,695</u>	<u>\$ 1,087,568</u>	<u>\$ –</u>

**Disclosures Relating to Credit Risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of 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 year ended June 30, 2025 for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AA+	AAA	Not Rated
Negotiable certificate of deposits	\$ 99,918	N/A	\$ –	\$ –	\$ –	\$ 99,918
U.S. Treasury Securities	981,843	N/A	981,843	–	–	–
Federal agency securities	704,816	N/A	–	704,816	–	–
Mutual funds	28,985	N/A	–	–	–	28,985
California Asset Management Program Investment Pool	<u>2,147,226</u>		<u>–</u>	<u>–</u>	<u>2,147,226</u>	<u>–</u>
	<u>\$ 3,962,788</u>		<u>\$ 981,843</u>	<u>\$ 704,816</u>	<u>\$ 2,147,226</u>	<u>\$ 128,903</u>

**Concentration of Credit Risk** – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District minimizes its credit risk by investing only in the safest types of securities or investments.

**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 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.

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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.

The investment in the San Luis Obispo County Investment Pool is not required to be collateralized. The fair value of securities in the pool is based on quoted market prices. The San Luis Obispo County Treasurer’s Office performs a monthly fair market valuation of all securities held against carrying costs. Reports of valuations and financial statements are available to participants on the San Luis Obispo County Treasurer’s website.

**Note 3 – Interfund Transactions**

Transfers between funds during the year ended June 30, 2025, were as follows:

**Interfund Transfers:**

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Fund:</u>		
General	\$ 956,952	\$ -
<u>Proprietary Funds:</u>		
Water	-	610,821
Sewer	-	305,410
Garbage	-	40,721
	<u>\$ 956,952</u>	<u>\$ 956,952</u>

Borrowing between funds during the year ended June 30, 2025, were as follows:

**Advances and Due To/Due From:**

	<u>Due From</u>	<u>Due To</u>	<u>Advances Receivable</u>	<u>Advances Payable</u>
<u>Governmental Fund:</u>				
General	\$ -	\$ -	\$ 268,400	\$ -
<u>Proprietary Funds:</u>				
Water	-	-	-	268,400
Sewer	-	-	-	-
Garbage	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,400</u>	<u>\$ 268,400</u>

**Oceano Community Services District**  
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**Note 4 – Capital Assets**

Capital assets activity for the year ended June 30, 2025 was as follows:

	Beginning July 1, 2024	Additions	Retirements/ Transfers	Ending June 30, 2025
<b>Governmental activities:</b>				
Capital assets not subject to depreciation				
Land	\$ 610,390	\$ –	\$ –	\$ 610,390
Total capital assets not subject to depreciation	<u>610,390</u>	<u>–</u>	<u>–</u>	<u>610,390</u>
Capital assets subject to depreciation				
Buildings and improvements	2,154,547	–	–	2,154,547
Software	6,096	–	–	6,096
Equipment, vehicles and machinery	446,061	–	–	446,061
Total capital assets subject to depreciation	<u>2,606,704</u>	<u>–</u>	<u>–</u>	<u>2,606,704</u>
Less accumulated depreciation	<u>1,639,017</u>	<u>69,182</u>	<u>–</u>	<u>1,708,199</u>
Total capital assets subject to depreciation, net	<u>967,687</u>	<u>(69,182)</u>	<u>–</u>	<u>898,505</u>
Total capital assets, net	<u>\$ 1,578,077</u>	<u>\$ (69,182)</u>	<u>\$ –</u>	<u>\$ 1,508,895</u>
	Beginning July 1, 2024	Additions	Retirements/ Transfers	Ending June 30, 2025
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 6,000	\$ –	\$ –	\$ 6,000
Construction in progress	2,311,675	562,927	(2,311,675)	562,927
Total capital assets not subject to depreciation	<u>2,317,675</u>	<u>562,927</u>	<u>(2,311,675)</u>	<u>568,927</u>
Capital assets being depreciated				
Buildings and improvements	8,142,160	381,327	2,311,675	10,835,162
Software	195,918	–	–	195,918
Equipment, vehicles and machinery	1,081,408	71,813	–	1,153,221
Total capital assets subject to depreciation	<u>9,419,486</u>	<u>453,140</u>	<u>2,311,675</u>	<u>12,184,301</u>
Less accumulated depreciation	<u>6,672,914</u>	<u>269,793</u>	<u>–</u>	<u>6,942,707</u>
Total capital assets subject to depreciation, net	<u>2,746,572</u>	<u>183,347</u>	<u>2,311,675</u>	<u>5,241,594</u>
Total capital assets, net	<u>\$ 5,064,247</u>	<u>\$ 746,274</u>	<u>\$ –</u>	<u>\$ 5,810,521</u>

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**Note 5 – Long-Term Liabilities**

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

	Beginning July 1, 2024	Additions	Reductions	Ending June 30, 2025	Current Portion	Long Term Portion
<b>Governmental Activities:</b>						
Compensated absences	\$ 127,204	\$ 21,807	\$ –	\$ 149,011	\$ 37,253	\$ 111,758
Net pension liability	74,548	–	16,540	58,008	–	58,008
Total governmental activities	<u>\$ 201,752</u>	<u>\$ 21,807</u>	<u>\$ 16,540</u>	<u>\$ 207,019</u>	<u>\$ 37,253</u>	<u>\$ 169,766</u>
<b>Business-Type Activities:</b>						
Taxable revenue bond obligations	\$ 750,500	\$ –	\$ 56,000	\$ 694,500	\$ 57,900	\$ 636,600
Net pension liability	124,937	–	5,224	119,713	–	119,713
Total business-type activities	<u>\$ 875,437</u>	<u>\$ –</u>	<u>\$ 61,224</u>	<u>\$ 814,213</u>	<u>\$ 57,900</u>	<u>\$ 756,313</u>

**Note 6 – Taxable Revenue Bond Obligations**

On June 3, 2021, the District issued \$906,000 in taxable revenue bonds in order to pay off the unfunded accrued liability with CalPERS on the District’s pension plans. The taxable revenue obligations were issued at an interest rate of 3.46% per annum and mature on August 1, 2035. Net revenues of the Water and Sewer funds were pledged as the security for the obligations. Debt service payments are due semi-annually on August 1 and February 1. The future minimum payment obligations for the taxable revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 57,900	\$ 23,028	\$ 80,928
2027	60,000	20,988	80,988
2028	62,100	18,876	80,976
2029	64,400	16,688	81,088
2030-2034	318,900	49,760	368,660
2035-2036	<u>131,200</u>	<u>4,546</u>	<u>135,746</u>
Total	<u>\$ 694,500</u>	<u>\$ 133,886</u>	<u>\$ 828,386</u>

**Note 7 – 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 separate Safety and Miscellaneous 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.

**Oceano Community Services District**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

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**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. Classic Plan members with five years of total service are eligible to retire at age 50 and new members/PEPRA Plan members with five years of total service are eligible to retire at age 52, with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. Contribution rates are based on the Actuarial Valuation Report as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. 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	Classic Member Hired Prior to January 1, 2013*
Hire Date			
Benefit formula	2.0% @ 55	2% @ 62	2% @ 50
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	50-55
Monthly benefits, as a % of eligible compensation	1.46% to 2.418%	1.0% to 2.5%	2.0-2.7%
Required employee contribution rates	7.00%	7.75%	N/A
Required employer contribution rates	11.84% + \$0	7.68% + \$0	\$0

\* A new employee may transfer into the Classic Member formula if he/she comes from another agency participating in the CalPERS or reciprocal retirement system and did not have more than a six month break in service.

**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 is 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 \$0 for the Safety Plan and \$78,252 for the Miscellaneous Plan for the year ended June 30, 2025.

**Oceano Community Services District**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

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

At June 30, 2025, the District reported net pension assets for its proportionate shares of the net position liability (asset) of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 161,459
Safety	<u>16,262</u>
Total	<u>\$ 177,721</u>

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, 2025, the District's proportionate share of the net pension liability for each Plan as of June 30, 2023 and June 30, 2024 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2023	0.00350%	0.00033%
Proportion - June 30, 2024	<u>0.00334%</u>	<u>0.00022%</u>
Change - decrease	<u>-0.00016%</u>	<u>-0.00011%</u>

For the year ended June 30, 2025, the District recognized pension expense of \$204,334. 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.

**Oceano Community Services District**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

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At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,287	588
Changes in assumptions	4,550	-
Net difference between projected and actual earnings on retirement plan investments	10,081	-
Adjustment due to differences in proportion	167,981	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	137,580
District contributions subsequent to the measurement date	<u>78,253</u>	<u>-</u>
	<u>\$ 276,152</u>	<u>\$ 138,168</u>

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. \$78,253 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 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>Year ending June 30,</u>	<u>Amount</u>
2026	\$ 63,267
2027	5,472
2028	(5,554)
2029	<u>(3,454)</u>
	<u>\$ 59,731</u>

**Oceano Community Services District**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

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**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 Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.30% thereafter

(1) The mortality table used 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.

**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:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return (a,b)</u>
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 Asset Liability Management Study.

**Oceano Community Services District**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

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**Discount rate** – The discount rate used to measure the total pension liability 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:

	Discount Rate-1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
Net pension liability - Miscellaneous	\$ 675,788	\$ 161,459	\$ (261,910)
Net pension liability - Safety	<u>83,266</u>	<u>16,262</u>	<u>(38,538)</u>
Total net pension liability	<u>\$ 759,054</u>	<u>\$ 177,721</u>	<u>\$ (300,448)</u>

**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 year ended June 30, 2025.

**Note 8 – Joint Ventures**

**State Water Project** – In 1991, the District approved participation in the State Water Project (SWP). As a result, the District entered into two contracts with the San Luis Obispo County Flood Control and Water Conservation District (SLOFCD). One agreement is entitled “Water Supply Agreement” and the other is entitled “Water Treatment and Local Facilities Agreement.”

The Water Supply Agreement is for the SWP source of supply, which is an allocation of 750 acre feet per year. The Water Supply Agreement incorporates by reference the SLOFCD agreement with the California Department of Water Resources (DWR), which is termed the “Master Water Supply Agreement.” The District is obligated to pay its proportionate share of the cost of the SWP facilities owned by the California Department of Water Resources (DWR) that is used to convey the District’s source of supply to the “Lopez Turnout,” plus a proportionate share of the SLOFCD costs. The Lopez Turnout connects the SWP facilities to Lopez facilities enabling State Water deliveries to the District. The District’s prorated share of operating, maintenance, pumping, and other related costs are charged as an operating expense in the Water Fund. The portion of the costs that is fixed in nature must be paid regardless of water deliveries. Variable costs are paid based on actual water deliveries.

The Water Treatment and Local Facilities agreement is for treatment of the SWP supply and for construction associated with the Lopez Turnout, a local facility. The Water Treatment and Local Facilities agreement incorporates by reference the SLOFCD agreement with the Central Coast Water Authority termed the “Master Water Treatment Agreement.” The District is obligated to pay its proportionate share of treatment facilities owned and operated by CCWA, and for the cost

**Oceano Community Services District**  
Notes to Basic Financial Statements  
June 30, 2025

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of local facilities specifically benefitting the District – the Lopez Turnout. The portion of the costs that is fixed in nature must be paid regardless of water deliveries. Variable costs are paid based on actual water deliveries.

The District is required to make payments under its Water Supply agreement and its Water Treatment and Local Facilities agreement from the revenues of its water system. The District has agreed in its agreements to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each year's net revenues equal to 125% of the sum of (1) the payment required pursuant to the agreements, and (2) debt service on any existing participant obligation for which revenues are also pledged.

On October 1, 1992, CCWA sold \$177,120,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat SWP water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, local facilities needed to deliver such water to the participating water purveyors and users, and certain other local improvements to the water systems of some of the participating purveyors. In November 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of the CCWA facilities.

The District's current year State water project expense totaled \$1,171,170. All of the District's disbursements were paid to the SLOFCD, which is obligated to pay to DWR and CCWA the District's proportionate share of costs to those agencies.

The District also contracts with SLOFCD for an annual allocation of 303 acre feet of water from the Lopez project, issued voter- approved general obligation bonds for the purpose of building Lopez Dam, a storage reservoir, water treatment plant, and other facilities to provide a primary municipal water supply. The District has entered into a water supply agreement wherein the District has agreed to pay annually, regardless of water deliveries, a prorated percentage of certain costs. In addition, the District also pays the San Luis Obispo County Flood Control and Water Conservation District a prorated share of operating, maintenance, pumping, and related operating costs which are charge as an operating expense in the Water Fund. The District's current year San Luis Obispo County Flood Control and Water Conservation District expense totaled \$767,594.

**South San Luis Obispo County Sanitation District** – The District does not own and operate a separate wastewater treatment plant facility. The Oceano Community Services District's waste is transported through District-owned and District-maintained lines for processing at the South San Luis Obispo County Sanitation District plant.

**Note 9 – Divestiture of Fire Protection Services**

The District historically provided fire protection services to the community of Oceano through a contractual arrangement with the Five Cities Fire Authority (FCFA). During the year ended June 30, 2025, the District completed a multi-year process to divest its fire protection services power and transfer that responsibility to the County of San Luis Obispo through proceedings with the San Luis Obispo Local Agency Formation Commission (LAFCO).

The District maintained contractual agreements with FCFA during the transition period as follows: \$1,150,000 for the year ended June 30, 2024, and \$1,706,000 for the year ended June 30, 2025. Under the latter agreement, the District funded fire protection services through December 31, 2024, representing the first six months of the year.

On January 14, 2025, LAFCO approved the District's and County's plan for service for the community of Oceano, completing the divestiture. Effective upon LAFCO's approval, the District is fully divested of all fire protection services within its service area. The County of San Luis Obispo has assumed responsibility for funding the unincorporated community's share of fire protection services provided by FCFA, alongside the Cities of Arroyo Grande and Grover Beach. As a result of the divestiture, fire protection expenditures are not expected to recur in future years.

## Oceano Community Services District

### Notes to Basic Financial Statements

June 30, 2025

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#### Note 10 – Risk Management and Contingencies

**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 California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority (JPRIMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for small California water agencies. The purpose of the JPRIMA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At June 30, 2025, the District participated in the liability and property programs of the JPRIMA as follows:

- General and auto liability: The District has a \$500 deductible for general and auto liability. The District purchased additional excess coverage layers: \$5 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Employee dishonesty coverage and public officials' liability up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, computer fraud coverages.
- Property loss/Boiler and Machinery is paid based on the replacement cost or actual cash value for the property on file. If the property is replaced within two years after the loss or otherwise paid on an actual cash value basis, to a combined total of \$4 million subject to a \$1,000 deductible per occurrence for most equipment.
- Workers' compensation insurance provides coverage with a self-insured retention limit of \$1 million for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three years and there were no reductions in the District's insurance coverage during the years ending June 30, 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.

**Legal contingency** – In the opinion of management and legal counsel, the disposition of any pending litigation will not have an anticipated material effect on the District's financial statements as of June 30, 2025.

**Construction contingency** – The District has no construction contingencies as of June 30, 2025.

## **Required Supplementary Information**

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# Oceano Community Services District

## Schedule of Revenues, Expenditures, and Changes in Fund Balance

### Budget to Actual – General Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 703,778	\$ 703,778	\$ 1,428,003	\$ 724,225
Public facility fee	–	–	4,718	4,718
Interest income	6,996	6,996	27,265	20,269
Rental income	75,693	75,693	88,432	12,739
Grant income	–	–	14,648	14,648
Other	1,200	1,200	5,503	4,303
<b>Total revenues</b>	<b>787,667</b>	<b>787,667</b>	<b>1,568,569</b>	<b>780,902</b>
<b>EXPENDITURES</b>				
Salaries, wages, and directors' stipends	500,500	500,500	474,862	25,638
Payroll taxes and employee benefits	203,493	203,493	241,612	(38,119)
Liability insurance	42,500	42,500	45,897	(3,397)
Repairs and maintenance	37,410	37,410	18,584	18,826
Administrative services	14,045	14,045	9,240	4,805
Data processing	38,250	38,250	21,131	17,119
Dues and fees	35,400	35,400	33,891	1,509
Education	14,450	14,450	11,198	3,252
Legal fees	85,000	85,000	81,137	3,863
Miscellaneous	17,230	17,230	2,849	14,381
Office expense	19,930	19,930	14,796	5,134
Street lighting	37,000	37,000	35,442	1,558
Professional fees	73,250	73,250	74,420	(1,170)
Utilities	18,000	18,000	23,414	(5,414)
Grant expense	7,111	–	8,265	(8,265)
Public safety	853,000	853,000	864,204	(11,204)
<b>Total expenditures</b>	<b>1,996,569</b>	<b>1,989,458</b>	<b>1,960,942</b>	<b>28,516</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,208,902)</b>	<b>(1,201,791)</b>	<b>(392,373)</b>	<b>809,418</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,101,535	1,101,535	956,952	(144,583)
Transfers out	(66,092)	(66,092)	–	66,092
<b>Total other financing sources (uses)</b>	<b>1,035,443</b>	<b>1,035,443</b>	<b>956,952</b>	<b>(78,491)</b>
<b>Net change in fund balance</b>	<b>(173,459)</b>	<b>(166,348)</b>	<b>564,579</b>	<b>730,927</b>
<b>FUND BALANCE - beginning of year</b>	<b>1,230,944</b>	<b>1,230,944</b>	<b>1,230,944</b>	<b>–</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 1,057,485</b>	<b>\$ 1,064,596</b>	<b>\$ 1,795,523</b>	<b>\$ 730,927</b>

## Oceano 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	0.00015%	0.00016%	0.00094%	-0.01004%	0.00763%
Proportionate share of the net pension liability (asset)	\$ 177,721	\$ 199,485	\$ 108,549	\$ (542,757)	\$ 830,340
Covered payroll	\$ 677,922	\$ 674,032	\$ 682,293	\$ 674,882	\$ 643,799
Proportionate share of the net pension liability as a percentage of covered payroll	26.22%	29.60%	15.91%	-80.42%	128.98%
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	\$ 43,193,516,203	\$ 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	0.00741%	0.00715%	0.00704%	0.00692%	0.00649%
Proportionate share of the net pension liability (asset)	\$ 759,574	\$ 689,459	\$ 698,116	\$ 598,558	\$ 445,280
Covered payroll	\$ 577,089	\$ 573,557	\$ 544,352	\$ 437,408	\$ 453,904
Proportionate share of the net pension liability as a percentage of covered payroll	131.62%	120.21%	128.25%	136.84%	98.10%
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%

#### Note to Schedule

There were no changes in assumptions or benefits for the year ended June 30, 2025.

**Oceano Community Services District**  
**Schedule of Contributions – Last 10 Years**  
**As of June 30, 2025**

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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>
Contractually required contribution (actuarially determined)	\$ 78,253	\$ 62,794	\$ 72,517	\$ 68,835	\$ 122,565
Contribution in relation to the actuarially determined contributions	<u>(78,253)</u>	<u>(62,794)</u>	<u>(72,517)</u>	<u>(68,835)</u>	<u>(954,271)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (831,706)</u>
Covered payroll	\$ 758,332	\$ 677,922	\$ 674,032	\$ 682,293	\$ 674,882
Contributions as a percentage of covered payroll	10.32%	9.26%	10.76%	10.09%	141.40%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution (actuarially determined)	\$ 101,217	\$ 83,717	\$ 73,333	\$ 65,457	\$ 52,723
Contribution in relation to the actuarially determined contributions	<u>(101,217)</u>	<u>(83,717)</u>	<u>(73,333)</u>	<u>(65,457)</u>	<u>(52,723)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 643,779	\$ 577,089	\$ 573,557	\$ 544,352	\$ 437,408
Contributions as a percentage of covered payroll	15.72%	14.51%	12.79%	12.02%	12.05%

**Note to Schedule**

There were no changes in assumptions or benefits for the year ended June 30, 2025.

## **Report of Independent Auditors 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**

To the Board of Directors  
Oceano Community Services District

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Oceano Community Services District (the “District”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Oceano Community Services District’s basic financial statements, and have issued our report thereon dated March 11, 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.

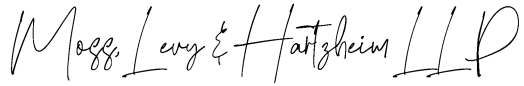
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Oceano Community Services 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss, Levy & Hartzheim LLP".

Santa Maria, CA  
March 11, 2026