

SANTA LUCIA COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025



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**SANTA LUCIA COMMUNITY SERVICES DISTRICT
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YEAR ENDED JUNE 30, 2025**

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**SANTA LUCIA COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS AND OFFICERS
JUNE 30, 2025**

Mark Boitano	Chairman
Nick Santy	Chief Financial Officer
Shaw Pick	General Manager
Ron Eastman	Director
Jack Peat	Director
Melissa Thorme	Director
Cary Whitfield	Director
Robert Latta	Advisor
Carl Schachter	Advisor
John Shupe	Advisor



INDEPENDENT AUDITORS' REPORT

Board of Directors
Santa Lucia Community Services District
Carmel, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Santa Lucia 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 the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Santa Lucia 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 opinion.

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 Santa Lucia 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Santa Lucia 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 Santa Lucia Community Services District's ability to continue as a going concern for a reasonable period of time.

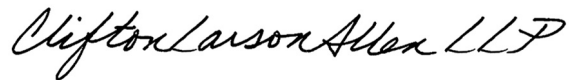
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Board of Directors and Officers, which is not the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Salinas, California
February 19, 2026

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

This section of the Santa Lucia Community Services District (the District) annual financial report presents a discussion and analysis of the District's performance during the year that ended June 30, 2025.

The District, located at 1 Rancho San Carlos Road, Carmel, County of Monterey, California, is a community services district formed in 1998 to provide services related to water supply and distribution, wastewater treatment, storm water collection, garbage collection, security, road and bridge maintenance, and broadband deployment.

The Monterey County Local Agency Formation Commission, pursuant to the Cortese-Knox Local Government Reorganization Act of 1985, established the District on July 13, 1998. The District was established for the benefit of the Santa Lucia Preserve residential community.

FINANCIAL HIGHLIGHTS

- Operating revenues increased from fiscal year-end 2024 by 8.77% to \$9,372,603 in fiscal year-end 2025 and operating expenses exclusive of depreciation and amortization increased by 1.82% to \$8,275,870.
- In fiscal year-end 2025 operating revenues increased over operating revenues from fiscal year-end 2024 by \$755,975.
- Operating expenses exclusive of depreciation and amortization for fiscal year-end 2025 increased from fiscal year-end 2024 by \$147,793.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the District's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation and amortization of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the District are included in the statement of net position.

COMPARATIVE ANALYSIS

Net Position

The statement of net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Net position is reported in two categories: investment in capital assets and unrestricted. Capital assets are the cost of the District's buildings, equipment, and infrastructure after deducting depreciation and amortization. Unrestricted assets are funds available for future operational and capital expenditures.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

COMPARATIVE ANALYSIS (CONTINUED)

Net Position (Continued)

	2025	2024	Percent Change
ASSETS			
Current Assets	\$ 3,451,202	\$ 3,701,352	(6.76)%
Capital Assets, Net	31,324,350	32,347,226	(3.16)
Total Assets	34,775,552	36,048,578	(3.53)
LIABILITIES			
Current Liabilities	696,922	1,106,159	(37.00)
Noncurrent Liabilities	649,800	874,240	(25.67)
Total Liabilities	1,346,722	1,980,399	(32.00)
NET POSITION			
Net Investment in Capital Assets	30,707,639	31,566,221	(2.72)
Unrestricted	2,721,191	2,501,958	8.76
Total Net Position	\$ 33,428,830	\$ 34,068,179	(1.88)%

The District's net position at June 30, 2025, decreased by 1.88% compared to June 30, 2024. Total assets decreased by 3.53% to \$34,775,552 due primarily to affiliate receivable decreasing to \$-0- due to the timing of payments from affiliate. Total liabilities decreased by 32% to \$1,346,722 due to the timing of payments to outside vendors and payments on long-term debt.

Changes in Net Position

Operating revenues increased by \$755,975 to \$9,372,603. Operating revenues increased over the prior fiscal year due to an adjustment each year in property related fees for water, roads, security, and sewer services, continuing through fiscal year 2024-2025 based on election results approving up to a 4% increase each year for those services. Brush management and fire safety fees are fixed. This amounted to an additional \$487,798 in property related fees for an overall increase of 6.53%.

Operating expenses, excluding depreciation and amortization, increased by \$147,793 to \$8,275,870. The Water Service department expenses increased by \$126,442, or 6.86% year-over-year due to increases in water meter expense and repairs and maintenance. The Roads and Drainage department expenses decreased year-over-year by \$414,856 or 24.10% due to decreased salaries and related benefits, repairs and maintenance, and utilities expenses. The Brush Management and Fire Safety department expenses decreased by \$30,656, or 5.58% year-over-year primarily due to a decrease in contract labor for brush clearing and an increase in salaries and wages. The Security and Gatehouse department expenses increased by \$64,352, or 4.51% year-over-year due to increased salaries and related benefits, and repairs and maintenance. The Fire/Emergency Medical department expenses increased by \$211,301 or 119% year-over-year. Since no payroll expense is recorded under this department, labor costs are classified as contract labor, reflecting the increased reliance on contracted services. General and Administrative expenses increased by \$183,963 or 10.05% year-over-year due to increased salaries and related benefits, management fee, insurance, and legal and professional fees. The Trash Service department expenses and the Wastewater department expenses had minor changes compared to the prior year.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

COMPARATIVE ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

SUMMARY OF CHANGES IN NET POSITION

	2025	2024	Percent Change
OPERATING REVENUES			
Property Related Fees	\$ 7,961,790	\$ 7,473,992	6.53 %
Water Usage	530,679	472,068	12.42
Charges for Services	312,379	285,214	9.52
Other Community Revenue	485,268	276,486	75.51
Miscellaneous Income	70,487	69,868	0.89
Meter Connection Charges	12,000	39,000	(69.23)
Total Operating Revenues	<u>9,372,603</u>	<u>8,616,628</u>	<u>8.77</u>
OPERATING EXPENSES			
Water Service	1,969,248	1,842,808	6.86
Wastewater Collection and Treatment	273,215	286,158	(4.52)
Road and Storm Drain Maintenance	1,306,393	1,721,249	(24.10)
Security and Gatehouse Operations	1,492,183	1,427,831	4.51
Fire/ Emergency Medical Services	388,566	177,265	119
Brush Management and Fire Safety	518,588	549,244	(5.58)
Trash Service	313,920	293,728	6.87
General and Administrative	2,013,757	1,829,794	10.05
Total Operating Expenses Before Depreciation	<u>8,275,870</u>	<u>8,128,077</u>	<u>1.82</u>
OPERATING INCOME BEFORE DEPRECIATION	1,096,733	488,551	124.49
DEPRECIATION	<u>1,815,762</u>	<u>1,772,643</u>	<u>2.43</u>
OPERATING LOSS	(719,029)	(1,284,092)	(44.00)
NONOPERATING REVENUES (EXPENSES)			
Interest Revenue	77,043	88,172	(12.62)
Gain on Sale of Investments	27,332	9,677	182.44
Gain on Sale of Assets	-	12,500	(100.00)
Interest Expense	(24,695)	(26,223)	(5.83)
Total Nonoperating Revenues (Expenses)	<u>79,680</u>	<u>84,126</u>	<u>(5.28)</u>
CHANGE IN NET POSITION	(639,349)	(1,199,966)	(46.72)
Net Position - Beginning of Year	<u>34,068,179</u>	<u>35,268,145</u>	<u>(3.40)</u>
NET POSITION - END OF YEAR	<u>\$ 33,428,830</u>	<u>\$ 34,068,179</u>	<u>(1.88)%</u>

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

COMPARATIVE ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

	Operating Revenues			Operating Expenses			Operating Income (Loss)		
	2025	2024	Percent Change	2025	2024	Percent Change	2025	2024	Percent Change
Water Service	\$ 3,006,980	\$ 2,881,924	4.34 %	\$ 1,969,248	\$ 1,842,808	6.86 %	\$ 1,037,732	\$ 1,039,116	(0.13)%
Wastewater Collection and Treatment	457,455	436,175	4.88	273,215	286,158	(4.52)	184,240	150,017	22.81
Road and Storm Drain Maintenance	2,133,836	2,048,789	4.15	1,306,393	1,721,249	(24.10)	827,443	327,540	152.62
Security and Gatehouse Operations	2,300,689	2,211,273	4.04	1,492,183	1,427,831	4.51	808,506	783,442	3.20
Fire/ Emergency Medical Services	406,225	195,412	108	388,566	177,265	119	17,659	18,147	(3)
Brush Management and Fire Safety	754,386	557,140	35.40	518,588	549,244	(5.58)	235,798	7,896	2,886.30
Trash Service	313,032	285,915	9.48	313,920	293,728	6.87	(888)	(7,813)	(88.63)
General and Administrative	-	-	-	2,013,757	1,829,794	10.05	(2,013,757)	(1,829,794)	10.05
Total	\$ 9,372,603	\$ 8,616,628	8.77 %	\$ 8,275,870	\$ 8,128,077	1.82 %	\$ 1,096,733	\$ 488,551	124.49 %

- Administration includes senior management, administrative, purchasing, human resources, information technology, and accounting staff, along with organization wide supplies and services, such as outsourced payroll processing and 401(k) plan administration, computer network and telephone systems, and other professional fees.
- Operating expenses above do not include depreciation and amortization.

BUDGET HIGHLIGHTS

The District budgeted general operating revenues, excluding reimbursements for intercompany charges related to Road and Storm Drain Maintenance Department services provided to other functions of the District, of \$8,981,006 for the fiscal year 2025. The District ended the fiscal year with \$215,466 more than budget for operating revenues primarily as a result of the CalFire grant of \$196,431.

The District's budget projected operating expenses before reimbursements for intercompany charges and, excluding depreciation and amortization, of \$8,971,115 for fiscal year 2025. The District ended the fiscal year with \$695,245 less than budget for operating expenses primarily as a result of unspent funds of approximately \$352,000 for road repair and approximately \$43,000 for payroll savings offset by various minor differences to budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation and amortization, at June 30, 2025, totaled \$31,324,350. This amount represents a net decrease of \$1,022,876, which is capital additions being offset by depreciation and amortization expense, or 3.16% from 2024.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets

This year's capital asset additions are as follows:

- Construction in progress for \$764,175
- Equipment for \$28,711

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>2025</u>	<u>2024</u>	<u>Percent Change</u>
Roads and Bridges	\$ 11,502,752	\$ 12,184,507	(5.60)%
Water System	10,782,099	10,964,188	(1.66)
Wastewater System	2,396,782	2,497,058	(4.02)
Buildings	2,764,183	2,864,119	(3.49)
Machinery and Equipment	1,089,212	851,354	27.94
Furniture and Fixtures	3,362	8,414	(60.04)
Vehicles	301,702	407,889	(26.03)
Communication Lines	109,423	114,561	(4.48)
Construction In Progress	2,095,797	2,176,098	(3.69)
Land	279,038	279,038	-
	<u>\$ 31,324,350</u>	<u>\$ 32,347,226</u>	<u>(3.16)%</u>
Total			

Debt Administration

At June 30, 2025, the District had \$584,873 in long-term debt related to the construction of a corporate yard and outstanding financed equipment of \$31,838.

ECONOMIC FACTORS AND NET YEAR'S BUDGET AND RATES

The Budget for the fiscal year ending 2026, despite a modest increase, reflects the following impacts. Water rates for the District are not anticipated to change for the fiscal year 2026 budget cycle. In fiscal year-end 2026, property related fees are anticipated to increase for water, roads, security, and sewer services over fiscal year-end 2025 by 7%, and fire and emergency medical fees are expected to increase by 3.5%. Brush management and fire safety fees are fixed. Overall property related fees are expected to increase 6.5%. Expenses are budgeted to increase by approximately 8.9% due unspent road maintenance budget and vacant/encumbered positions that generated payroll savings in the current year and other inflationary impacts.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Nick Santy, Chief Financial Officer, at (831) 293-4471.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,887,041
Accounts Receivable:	
Property Related Fees	304,537
Other Receivable, Net	149,054
Prepaid Expenses	101,211
Inventory	9,359
Total Current Assets	3,451,202
Capital Assets, Net	31,324,350
Total Assets	34,775,552

LIABILITIES

Current Liabilities:

Accounts Payable	137,296
Affiliate Payable	47,874
Accrued Liabilities	188,433
Accrued Compensated Absences	153,030
Long-Term Debt, Current Portion	170,289
Total Current Liabilities	696,922

Noncurrent Liabilities:

Accrued Compensated Absences	65,584
Unearned Revenue	137,794
Long-Term Debt	446,422
Total Noncurrent Liabilities	649,800
Total Liabilities	1,346,722

NET POSITION

Net Investment in Capital Assets	30,707,639
Unrestricted	2,721,191
Total Net Position	\$ 33,428,830

See accompanying Notes to Financial Statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025**

OPERATING REVENUES

Property Related Fees	\$ 7,961,790
Water Usage:	
Preserve Golf Club	250,896
Residential	239,321
Ranch Club	40,462
Charges for Services	312,379
Other Community Revenue	485,268
Miscellaneous Income	70,487
Meter Connection Charges	12,000
Total Operating Revenues	9,372,603

OPERATING EXPENSES

Salaries and Wages	3,493,369
Employee Benefits and Other Personnel	994,309
Management Fee	845,814
Auto Lease and Expense	89,282
Chemicals and Supplies	179,312
Contract Labor	783,938
Fuel, Oil, and Propane	162,490
Gate Overhead and Operating Expense	40,687
Insurance	246,735
Legal and Professional Fees	90,506
Miscellaneous	123,600
Office Expenses	51,480
Other Operating Expenses	78,345
Permits, Fees, and Collection Charges	65,771
Repairs and Maintenance	425,763
Uniforms	26,711
Utilities	577,758
Total Operating Expenses	8,275,870

OPERATING INCOME (LOSS) BEFORE DEPRECIATION

\$ 1,096,733

DEPRECIATION

1,815,762

OPERATING INCOME (LOSS)

(719,029)

NONOPERATING REVENUES (EXPENSES)

Interest Revenue	77,043
Gain (Loss) on Sale of Investments	27,332
Interest Expense	(24,695)
Total Nonoperating Revenues (Expenses)	79,680

CHANGE IN NET POSITION

(639,349)

Net Position - Beginning of Year

34,068,179

NET POSITION - END OF YEAR

\$ 33,428,830

See accompanying Notes to Financial Statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Receipts from Residents and Customers	\$ 9,973,778
Cash Payments to Employees	(4,467,738)
Cash Payments to Suppliers for Goods and Services	<u>(4,208,972)</u>
Net Cash Provided by Operating Activities	1,297,068

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on Long-Term Debt	(164,294)
Cash Paid for Additions to Capital Assets	(792,886)
Interest Paid	<u>(24,695)</u>
Net Cash Used by Capital and Related Financing Activities	(981,875)

CASH FLOWS FROM INVESTING ACTIVITIES

Realized Gain on Investments	27,332
Interest Income Received	<u>77,043</u>
Net Cash Provided by Investing Activities	<u>104,375</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

419,568

Cash and Cash Equivalents - Beginning of Year

2,467,473

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,887,041

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (719,029)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,815,762
(Increase) Decrease In Operating Assets:	
Property Related Fees Receivable	275,988
Other Receivable	(20,568)
Affiliate Receivable	393,170
Prepaid Expenses	13,309
Inventory	7,819
Increase (Decrease) In Operating Liabilities:	
Accounts Payable	(344,532)
Affiliate Payable	47,874
Accrued Liabilities	(102,861)
Accrued Compensated Absences	(22,449)
Unearned Revenue	<u>(47,415)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,297,068</u></u>

See accompanying Notes to Financial Statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 THE FINANCIAL REPORTING ENTITY

Reporting Entity

The Santa Lucia Community Services District (the District) was established on July 13, 1998, by the Monterey County Local Agency Formation Commission, pursuant to the Cortese-Knox Local Government Reorganization Act of 1985. The District was established for the benefit of the Santa Lucia Preserve (the Preserve) residential community.

The District, which exclusively incorporates the 31 square miles of the Preserve, oversees all of the infrastructure services to the Settled Lands, either directly or through sub-contractors. The District provides water for domestic, irrigation and fire protection uses through a Preserve-wide, pressurized water system supplied from well clusters across the property. The District maintains all sewer and septic systems. The District maintains, repairs and replaces the roadways, culverts and drainage systems. The District also provides security services, brush management and fire safety, fire/emergency medical services and trash service. The District's annual budget is primarily funded from a direct assessment on the annual real property tax bill for all parcels within the settled lands.

The District formed the Community Facilities District No. 1 (Fire/EMS) of the Santa Lucia Community Services District (the CFD) on May 23, 2023, pursuant to Government Code Section 61121(b), the Mello-Roos Community Facilities Act of 1982. The CFD was formed to enable the District to fund fire and emergency medical services.

Component Units

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards have been considered and the District has accounted for the CFD as a "blended" component unit. There are no other agencies or entities which should be presented with the District as component units.

Affiliated Organizations

The District is affiliated with the following organizations:

The Santa Lucia Preserve Company (the Preserve Company)

The Preserve Company was established to provide professional, coordinated management and services for the District and the Santa Lucia Preserve Association. It contracts with these entities to deliver their services and fulfill their obligations to the residents of the Preserve. It also contracts with The Preserve Golf Club, Inc. and The Ranch Club, Inc. to manage their respective facilities at the direction of the respective boards of directors of the clubs.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 THE FINANCIAL REPORTING ENTITY (CONTINUED)

Affiliated Organizations (Continued)

The Ranch Club, Inc. (the Ranch Club)

The community's activity focus is at the historic grand Hacienda and surrounding facilities that make up the Ranch Club. The Ranch Club is the place where residents gather as a community – the heart of the Preserve community; where residents, their families and guests gather to dine, lodge, enjoy cultural programs and use the tennis, health and fitness facilities. The Ranch Club also offers an equestrian center, 100 miles of hiking, riding and cycling trails, as well as camping and fishing at Moore's Lake. The District provides security, road maintenance, water supply, wastewater disposal and solid waste disposal to the Ranch Club.

The Preserve Golf Club, Inc. (the Golf Club)

The Golf Club is a private 18-hole golf course and clubhouse. The course, designed by Tom Fazio, is located in the sunny coastal foothills of the 20,000-acre Preserve. The clubhouse overlooks the first tee, the 18th green and the surrounding hills, ridges and mountains of the Santa Lucia Preserve. The District provides security, road maintenance, water supply, wastewater disposal and solid waste disposal to the Golf Club.

The Santa Lucia Preserve Association (the Association)

The Association is comprised of all Preserve property owners. The Association was organized on November 24, 1998 with the recording of the Declaration of Protective Restrictions at the office of Official Records of Monterey County. The Association derives its authority and responsibilities from this Declaration. The Association was incorporated as a nonprofit mutual benefit corporation on December 4, 1998. It administers and enforces the Covenants, Conditions and Restrictions, particularly the Design Guidelines. Through its Design Review Board and its Design and Construction Services Group, the Association assures that all structures comply with the principles of subordination to and compatibility with the landscape and the architectural traditions of the central California coast. The District provides construction monitoring through security services to the Association.

Santa Lucia Preserve Housing, LLC (SLPH)

SLPH was established to acquire lots for employee and inclusionary housing. Employee housing is located on lot 61 and consists of four single family homes. These units are restricted to employees of the Preserve Company and are market rate housing. Inclusionary housing is located on lot 62 and is income restricted property. Current inclusionary housing consists of the six units located on lot 62 and two additional units above the equestrian center that are under title to the Ranch Club. The District manages the employee and inclusionary housing units which house Preserve Company employees.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 THE FINANCIAL REPORTING ENTITY (CONTINUED)

Affiliated Organizations (Continued)

The Santa Lucia Conservancy (the Conservancy)

The Conservancy has been established as a nonprofit, tax-exempt California corporation to ensure that approximately 90% of the Preserve, including its most environmentally sensitive acres, remains natural and is never subdivided. The Conservancy will protect and manage 18,000 private acres for recreation, grazing, environmental research, and wildlife habitat for the community. The Conservancy manages, restores and enhances the Preserve lands. The District and the Conservancy work together to share information for the benefit of the Preserve.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America applicable to governmental units, the accounts of the District are organized into a single proprietary type fund, the Enterprise Fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Method of Allocating Revenue and Expenses

The District allocates property related fees revenue that is not specific to wastewater collection and treatment or brush management and fire safety to the remaining activities of the District. The property related fees revenue and property administrative costs are allocated to the various activities based on budgeted costs. Administrative costs are comprised of the General Manager's salary and related benefits, personnel services provided by the Preserve Company, insurance, legal, corporate yard overhead and various other general and administrative expenses that are not directly charged to one of the District's activities.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which the liability is incurred, regardless of the timing of related cash flows.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The District considers all highly liquid assets with an original maturity of three months or less when purchased and pooled cash as cash equivalents. Cash and cash equivalents are comprised of cash in checking, money market accounts, certificates of deposit, amounts in the California State Treasurer's Investment Fund, known as the Local Agency Investment Fund (LAIF), amounts in the CalTrust Investment Pool and United States treasury bills and notes. The CalTrust Investment Pool includes certain investments with longer maturities, however, the pooled funds are considered readily available for immediate use and, therefore, are included with cash equivalents.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The District uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. 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. For the fiscal year ended June 30, 2025, the application of valuation techniques applied to the District's financial statements has been consistent.

Receivables

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2025, the allowance was estimated to be \$38,810.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliate Receivable/Payable

Under the management agreement with the Preserve Company, all District vendor invoices are paid by the Preserve Company. Additionally, all billings are performed by the Preserve Company. The District and the Preserve Company maintain reciprocal intercompany payable and receivable accounts that reflect these transactions. For example, when the District is invoiced by a vendor, the payable is recorded on the Preserve Company's books and a corresponding entry is made to increase the intercompany payable from the District to the Preserve Company. The balance in affiliate receivable represents amounts payable from the Preserve Company to the District.

Prepaid Expenses

Prepaid expenses are capitalized and amortized ratably over the period of benefit.

Inventory

Inventory is valued at lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Capital Assets

Capital Assets are accounted for at historical cost or estimated historical cost if actual historical cost is not known. It is the policy of the District to capitalize assets with an initial individual cost of more than \$2,000 (computer equipment), \$5,000 (other equipment) and \$10,000 (land and facilities improvements) and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over their estimated useful life.

The useful lives used to depreciate capital assets, by asset class, are as follows:

Vehicles	5 Years
Furniture and Fixtures	5 Years
Machinery and Equipment	5 Years
Financed Equipment	15 Years
Roads and Bridges	20 to 40 Years
Water System	40 Years
Wastewater System	40 Years
Communication Lines	40 Years
Buildings	40 Years

Expenditures for maintenance and repairs are charged to operating expenses as incurred. Renewals, betterments, and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation and amortization are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The following is the District's policy on compensated absences upon discontinuation of services:

Employee Status	Percent of Vacation Hours Received
Full-Time	100

Although all employees are employed by the Preserve Company, the District records a liability for accrued compensated absences which includes vacation and sick leave. All full-time employees accrue compensated absences by a prescribed formula based on length of service. Employees may accumulate up to two times their annual current accrual rate. If the earned, but unused vacation and sick hours reach this maximum, additional benefits will not accrue until unused benefits are used or otherwise reduced as allowed by the policy.

The liability for compensated absences reported in the accompanying financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. At June 30, 2025, the accrued compensated absences balance is \$218,614.

Net Position

Net position represents the difference between assets and liabilities and is classified into the following net position categories:

Net Investment in Capital Assets

Investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, excludes unspent debt proceeds.

Restricted Net Positions

Restricted net positions result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. At June 30, 2025, the District does not have any restricted net position.

Unrestricted

Unrestricted net positions consist of assets that do not meet the definition of the two preceding categories. Unrestricted net position includes net position that has been designated by management to be used for other than general operating purposes.

When restricted balance resources are available for use, it is the District's policy to use restricted resources first.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

For the fiscal year ended June 30, 2025, the District implemented the following Governmental Accounting Standards Board (GASB) Statement:

- GASB Statement No. 101, Compensated Absences. In June of 2022, the GASB issued GASB Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but has not yet been paid. The District adopted the requirements of the guidance effective July 1, 2024, and has applied the provision of this standard to the beginning of the period of adoption. The results of this implementation are discussed in Note 12.

Property Related and Special Parcel Fees

The County is responsible for the assessment and collection of property related and special parcel fees for all taxing jurisdictions, including the District. The District is responsible for determining the amount of property related and special parcel fees and the County is responsible for the collection and apportionment. Property related and special parcel fees are payable in equal installments, November 1st and February 1st, and become delinquent on December 10th and April 10th, respectively. The assessment date is July 1st of each year. Property related and special parcel fees are recognized in the fiscal year in which the assessments have been levied.

Other Community Revenue

The District provides services to property owners of the Preserve. The provision of these services are sanctioned under the District's by-laws, are billed to property owners at arms-length and include the following types of services: fire clearing, erosion control, pasture preparation, lot mowing, lot cleanup, poison oak spraying, driveway maintenance, carpentry, mechanical services, and other operations.

Income Taxes

Santa Lucia Community Services District is a California local governmental unit and is exempt from both federal and state income taxes.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2025, consisted of the following:

CalTrust Investment Pool	\$ 2,028,220
Deposits with Financial Institutions	736,023
Local Agency Investment Fund	122,798
Total	<u>\$ 2,887,041</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor 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 custodial credit risk for investments is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a depositor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's 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 provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governments units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The value of each participating dollar equals the fair value divided by the amortized cost. The District's fair value of the position in the pool is the same as the value of the pool shares.

The District maintains its cash accounts in commercial banks located in Monterey, California. Accounts are guaranteed by the Federal Depository Insurance Corporation (FDIC), the Securities Investment Protection Corporation (SIPC), or collateralized by the pledging institution under the California Government Code and unsecured and uncollateralized deposits in the California State Treasurer's Investment Pool (LAIF) and the CalTrust Investment Pool.

As of June 30, 2025, the District's deposits with financial institutions are either insured by the FDIC, SIPC, or collateralized with pledged securities held in the trust department of the financial institutions not in the District's name. The total amount which the District's deposits exceeded insured limits at June 30, 2025, was \$444,839.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Authorized Investments

The table below identifies the investment types that are authorized by the District's Investment Policy and are authorized by California Government Code. Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings.

	Maximum Percentage of Portfolio
Authorized Investment Type:	
Investment Trust of California (CalTRUST)	100 %
The Local Agency Investment Fund (LAIF)	50
Certificates of Deposit Insured by the FDIC	50
United States Treasury Securities	50
Triple A Rated Money Market Mutual Funds	
Regulated by the SEC	100
FDIC Insured Deposits in Banks	50
Other Prudent Investment Instruments Authorized by California Government Code	50

The District's general policy is to apply the prudent-investor rule: Investments are made as a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

Investment in State Investment Pools

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California and the CalTrust Joint Powers Authority under the oversight of the Wachovia Portfolio Services. The investment of state pooled funds is governed by state law, by policies adopted by the Pooled Money Investment Board (PMIB) and by accepted norms for prudent fiduciary management of investments.

PMIB funds may be invested in a wide range of interest-bearing securities, such as Treasury notes, prime commercial paper, certain California municipal and agency obligations, highly rated corporate bonds, obligations of such agencies as Fannie Mae, and negotiable certificates of deposit. Also allowed are time deposits in California banks, savings and loans, and credit unions that have no less than a "satisfactory" CRA rating.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investment in State Investment Pools (Continued)

Deposits in LAIF are invested by the State Treasurer to realize the maximum return consistent with prudent treasury management. All earnings of the fund, less a reimbursement of management costs incurred not to exceed 0.25% of earnings, are distributed to the contributing agencies in their relative share each quarter. The fair value of each participating dollar equals the fair value divided by the amortized cost. The District's fair value position in the pool is the same as the value of the pool shares. The District relied upon information provided by the State Treasurer in estimating the District's fair value position of its holding in LAIF. The District's deposits with CalTrust are stated at fair value. Increases or decreases in fair value are recognized in the period in which they occur.

NOTE 4 CAPITAL ASSETS

Capital assets consist of the following at June 30:

	2024	Additions	Deletions	Transfers	2025
Capital Assets Being Depreciated:					
Roads and Bridges	\$ 31,154,021	\$ -	\$ -	\$ 27,511	\$ 31,181,532
Water System	23,816,090	28,711	-	405,145	24,249,946
Wastewater System	4,551,242	-	-	14,556	4,565,798
Buildings	3,997,441	-	-	-	3,997,441
Machinery and Equipment	1,825,781	-	-	378,946	2,204,727
Furniture and Fixtures	369,960	-	-	-	369,960
Vehicles	1,299,647	-	-	18,318	1,317,965
Communication Lines	205,500	-	-	-	205,500
Total Cost	<u>67,219,682</u>	<u>28,711</u>	<u>-</u>	<u>844,476</u>	<u>68,092,869</u>
Accumulated Depreciation:					
Roads and Bridges	(18,969,514)	(709,266)	-	-	(19,678,780)
Water System	(12,851,902)	(615,945)	-	-	(13,467,847)
Wastewater System	(2,054,184)	(114,832)	-	-	(2,169,016)
Buildings	(1,133,322)	(99,936)	-	-	(1,233,258)
Machinery and Equipment	(974,427)	(141,088)	-	-	(1,115,515)
Furniture and Fixtures	(361,546)	(5,052)	-	-	(366,598)
Vehicles	(891,758)	(124,505)	-	-	(1,016,263)
Communication Lines	(90,939)	(5,138)	-	-	(96,077)
Total Accumulated Depreciation	<u>(37,327,592)</u>	<u>(1,815,762)</u>	<u>-</u>	<u>-</u>	<u>(39,143,354)</u>
Total Capital Assets, Being Depreciated, Net of Depreciation	<u>29,892,090</u>	<u>(1,787,051)</u>	<u>-</u>	<u>844,476</u>	<u>28,949,515</u>
Capital Assets Not Being Depreciated:					
Construction In Progress	2,176,098	764,175	-	(844,476)	2,095,797
Land	279,038	-	-	-	279,038
Total Capital Assets Not Being Depreciated	<u>2,455,136</u>	<u>764,175</u>	<u>-</u>	<u>(844,476)</u>	<u>2,374,835</u>
Capital Assets, Net	<u>\$ 32,347,226</u>	<u>\$ (1,022,876)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,324,350</u>

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2025:

	Amount
Note payable to the Municipal Finance Corporation in the original amount of \$1,821,000. The note bears interest at 3.65% per annum to be paid July 15 each year until maturity on July 15, 2028. The note is unsecured.	\$ 584,873
Financed equipment payable to the David Casarez Leasing Company in the original amount of \$165,000 for a John Deere Bulldozer. The note is to be paid annually until maturity on August 1, 2026. The note is unsecured.	31,838
Long-Term Debt	\$ 616,711

The District's outstanding notes from direct borrowings of \$584,873 contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment.

Long-term debt repayments are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 170,289	\$ 21,348	\$ 191,637
2027	143,506	16,294	159,800
2028	148,743	11,057	159,800
2029	154,173	5,627	159,800
Total	\$ 616,711	\$ 54,326	\$ 671,037

A summary of the changes in long-term debt for the year ended June 30, 2025, is as follows:

	Beginning Balance - June 30, 2024	Additions	Payments	Ending Balance - June 30, 2025	Due Within One Year
Financed Purchase	\$ 62,555	\$ -	\$ (30,717)	\$ 31,838	\$ 31,838
Notes Payable	718,450	-	(133,577)	584,873	138,451
Compensated Absences *	241,063	-	(22,449)	218,614	153,030
Total	\$ 1,022,068	\$ -	\$ (186,743)	\$ 835,325	\$ 323,319

* The change in the compensated absences liability is presented as a net change.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 UNRESTRICTED NET POSITION

Unrestricted net position includes reserve funds set aside by management for specific uses. The balance of the unrestricted net position is available for spending at the District's discretion. Designations are established by actions of the District's board of directors and management and can be increased, reduced, or eliminated by similar actions.

The District currently has a policy in place to accumulate reserves for the replacement and improvement of the District's capital assets and for seasonal or emergency working capital requirements. Reserves are funded based on the existence of an operating surplus at fiscal year-end, before depreciation and amortization and net of any capital reserves spent. As of June 30, 2025, the entire unrestricted net position of \$2,721,191 is designated for reserves.

NOTE 7 PROPERTY-RELATED FEES

The District receives property-related fees from the County of Monterey. The property-related fees are charged to the individual lot owners in three components. One component is for wastewater collection and treatment. One component is for brush management and fire safety. The next component is to cover the other activities of the District. This part of the assessment is allocated to the other activities of the District based on budgeted expenses. The breakdown for 2025 is as follows:

Water Service	\$ 2,460,480
Wastewater Collection and Treatment	456,840
Road and Storm Drain Maintenance	1,911,137
Security and Gatehouse Operations	2,282,029
Fire/Emergency Medical Services	405,432
Brush Management and Fire Safety	445,872
Total Property-Related Fees	<u>\$ 7,961,790</u>

The total number of parcels that were assessed in 2025 was 319. This total includes 297 full year residential parcels, 4 Ranch Club parcels, 3 Golf Club parcels, 12 employee housing parcels, and 3 District parcels.

The District assesses for septic maintenance in the amount of \$789 annually and sewer service in the amount of \$3,317 annually. In 2025, \$82,056 in assessments was made by the District for septic and \$374,784 was made for sewer. These assessments are reported as property related fees under the wastewater collection and treatment activities in the accompanying financial statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

The affiliate payable balance of \$47,874 is due to the Santa Lucia Preserve Company.

The District provides potable water and irrigation to the Golf Club from a combination of recycled domestic wastewater, recycled golf course irrigation, and pumping from wells. The charge for water usage provided by the District for the Golf Club for the year ended June 30, 2025, was \$250,896.

The District provides potable water and irrigation to the Ranch Club from a combination of recycled domestic wastewater and pumping from wells. The charge for water usage provided by the District for the Ranch Club for the year ended June 30, 2025, was \$40,462.

The District contracts with the Preserve Company for personnel services. Salaries and related payroll expenses for the year ended June 30, 2025, directly charged to the District by the Preserve Company were \$4,487,678.

The Preserve Company receives funds from the District for monthly operating expenses. The total of all funds received by the Preserve Company for the year ended June 30, 2025, was \$7,889,434.

The District has a management services agreement with the Preserve Company. The District reimburses the Preserve Company for operating expenses incurred. Administrative costs for the year ended June 30, 2025, were \$845,814.

The District contracts with Santa Lucia Preserve Housing, LLC to manage the employee and inclusionary housing units. The District receives a management fee of \$6,000 per year for such services and reported it as miscellaneous income in the accompanying financial statements.

NOTE 9 RISK MANAGEMENT

The District is insured against various risks of loss related to torts, thefts of, damage or destruction of assets; errors and omissions; work-related injuries to employees and natural disasters through participation in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The insurance carried by the District includes policies for workers' compensation, general liability, errors and omissions, and vehicular liability.

There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three years.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 RISK MANAGEMENT (CONTINUED)

SDRMA was formed under a joint powers agreement pursuant to California Government Code Section 6500 et seq. effective August 1, 1986, to provide general liability, comprehensive/collision liability and property damage, and errors and omissions risk financing for the member districts. SDRMA is administered by a board of directors, consisting of one member appointed by the California Special Districts Association and five members elected by the districts participating. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

The SDRMA did not have long-term debt outstanding at June 30, 2025, other than claims liabilities and lease obligations. The District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA. The agency issues stand-alone financial statements that are available on their website.

NOTE 10 JOINT POWERS AGREEMENTS

The District participates in a joint venture under a joint powers agreement (JPA) with the Monterey County Regional Fire District (Fire District). The Fire District provides fire protection and paramedic services to Carmel Valley and surrounding areas. The Fire District provides paramedic coverage, fire protection planning and fire response services on the Preserve per its separate funding sources which are primarily made up of county tax assessments. The two special districts cooperate on many programs and several District personnel are volunteers with the Fire District. The District and the Fire District contract or reimburse each other for certain services or equipment as needed. The agency issues stand-alone financial statements that are available on their website.

The District participates in a joint venture under a joint powers agreement (JPA) with the Investment Trust of California (CalTrust). CalTrust is a Joint Powers Authority created by public agencies to provide a convenient method for public agencies to pool their assets for investment purposes. CalTrust is governed by a board of trustees made up of experienced local agency treasurers and investment officers. The board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. The purpose of CalTrust is to consolidate investment activities of the Participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies. The agency issues stand-alone financial statements that are available on their website.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 COMMITMENTS

The District’s signed commitments for the year ended June 30, 2025, are as follows:

<u>Vendor/Contractor</u>	<u>Project</u>	<u>Contract Limit</u>	<u>June 30, 2025</u>
Willdan	Engineering Services	\$ 37,308	\$ 32,584
Climate Equity Solutions	Conservation	\$ 107,132	\$ 11,843

NOTE 12 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2024, the District implemented GASB Statement No. 101, Compensated Absences. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. The implementation of this standard did not affect beginning net position.



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