



Santa Lucia Community Services District

## Audit Results for June 30, 2023

*We'll get you there.*





# AGENDA

Audit/Auditor's Opinion

Financial Highlights

Required Governance Communication

Accounting Updates

Recommendations



# SCOPE OF SERVICES



We have performed the following services for Santa Lucia Community Services District:

- Annual financial statement audit as of and for the year ended June 30, 2023

We will also perform the following nonattest service:

- State Controller's report preparation



# SPECIFIC AREAS OF FOCUS



We focused on the following areas during the course of the audit:

- Direct and indirect cost allocations
- Construction in process
  - Placed in service
- Property related fees
  - Reconciliation to the County
  - Allocation



# AUDITOR'S OPINION

## Unmodified Opinion

- The financial statements, in all material respects, are fairly presented in accordance with accounting principles generally accepted in the United States.





## FINANCIAL HIGHLIGHTS



# STATEMENT OF NET POSITION

<b>Assets</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>
Cash and Cash Equivalents	\$ 4,155,060	\$ 7,363,974	\$ (3,208,914)
Accounts Receivable	328,066	202,709	125,357
Prepaid Expenses	146,391	204,751	(58,360)
Inventory	17,773	19,148	(1,375)
Capital Assets, Net	33,151,831	33,762,895	(611,064)
<b>Total Assets</b>	<b>\$ 37,799,121</b>	<b>\$ 41,553,477</b>	<b>\$ (3,754,356)</b>
<b>Liabilities &amp; Net Position</b>			
Accounts Payable & Accrued Liabilities	\$ 608,285	\$ 910,775	\$ (302,490)
Affiliate Payable	1,001,842	3,024,463	(2,022,621)
Deferred Revenue	110,209	110,209	-
Long-Term Debt	810,640	968,104	(157,464)
<b>Total Liabilities</b>	<b>2,530,976</b>	<b>5,013,551</b>	<b>(2,482,575)</b>
Unrestricted	2,926,954	3,745,135	(818,181)
Net Investment in Capital Assets	32,341,191	32,794,791	(453,600)
<b>Total Net Position</b>	<b>\$ 35,268,145</b>	<b>\$ 36,539,926</b>	<b>\$ (1,271,781)</b>



# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<b>Operating Revenues</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>
Property Related Fees	\$ 7,010,649	\$ 6,762,156	\$ 248,493
Water Usage	438,860	461,583	(22,723)
Charges for Services	269,946	-	269,946
Other Community Revenue	238,960	220,846	18,114
Miscellaneous & Meter Charges	67,530	50,656	16,874
<b>Total Operating Revenue</b>	<b>\$ 8,025,945</b>	<b>\$ 7,495,241</b>	<b>\$ 530,704</b>
<b>Operating Expenses</b>			
Personnel	\$ 4,075,034	\$ 3,561,735	\$ 513,299
Management Fee	961,506	913,556	47,950
Repairs & Maintenance	563,789	733,907	(170,118)
Other Operating Expenses	1,948,011	1,443,874	504,137
<b>Total Operating Expenses</b>	<b>\$ 7,548,340</b>	<b>\$ 6,653,072</b>	<b>\$ 895,268</b>
<b>Operating Income before Depreciation</b>	<b>\$ 477,605</b>	<b>\$ 842,169</b>	<b>\$ (364,564)</b>





# INTERNAL REPORTS VS. AUDIT

	Budget	Actual
<b>Revenues Compared to Budget</b>		
Internal Report	\$ 8,043,905	\$ 8,035,567
6395-50 Ranch Club Trails Reimb	36,900	55,350
Accounts 7000-7003	335,675	348,938
	<u>\$ 8,416,480</u>	<u>\$ 8,439,855</u>

## Audit Adjustments:

Remove intercompany revenue	(235,700)
Adjustment to property related fees	(75,250)
Other adjustments/reclasses	(102,960)
Total Adjustments	<u>(413,910)</u>

Audited Operating Revenues \$ 8,025,945

## Consolidated Net Income (Loss)

	Actual
Internal Report	\$ (1,190,427)
Adjustment to property related fees	(75,250)
Adjustment to interest income	20,577
Adjustment to gain/loss	(26,681)
Audited Change in Net Position	<u><u>\$ (1,271,781)</u></u>

	Budget	Actual
<b>Expenses Compared to Budget</b>		
Internal Report	\$ 7,101,215	\$ 7,099,349
6395-50 Ranch Club Trails Reimb	36,900	55,350
Accounts 7000-7003	335,675	348,938
Repairs & Replacements- Reserves	590,200	397,661
Amortization/Interest Expense Dept 50	-	(14,298)
	<u>\$ 8,063,990</u>	<u>\$ 7,887,000</u>

## Audit Adjustments:

Remove intercompany expense	(235,700)
Other adjustments/reclasses	(102,960)
Total Adjustments	<u>(338,660)</u>

Audited Operating Expenses \$ 7,548,340



# REQUIRED GOVERNANCE COMMUNICATION

## Overall

- Purpose is to follow up from planning meeting
- No changes in scope of audit
- The significant accounting policies used are described in the footnotes to the District's financial statements.

## Estimates

- Estimates presented in financial statements
- We are comfortable with management's estimates

## Difficulties

- No significant difficulties encounters in performing the audit
- No disagreements with management or consultations with other accountants

## Other

- No uncorrected misstatements
- AJE's increased net loss \$81,353
- No material weaknesses or significant deficiencies noted
- Management representation letter will be signed at the conclusion of the engagement

# ACCOUNTING UPDATES

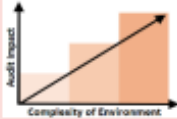
- GASB 101, Compensated Absences – the objective of this statement is to better meet the needs of financial statement users by updating recognition and measurement guidance for compensated absences.

# NEW AUDIT STANDARDS

## **SAS 143-145: New Risk Auditing Standards**

These standards modernize our risk assessment process requiring additional procedures on significant estimates and placing emphasis on the IT environment. This is effective for the District's audit for the year ended June 30, 2024

# SAS 143-145

	<h3><u>What Changed</u></h3> <ul style="list-style-type: none"><li>• Auditing standards were modernized for evolving business environment</li><li>• Effective for calendar year 2023 audits</li></ul>	<h3><u>How to prepare</u></h3> <ul style="list-style-type: none"><li>✓ Review and respond to previous audit comments</li><li>✓ Document IT processes and controls</li><li>✓ Engage consultants where necessary</li></ul>
	<h3><u>New Requirements</u></h3> <ul style="list-style-type: none"><li>• Enhanced risk assessment and understanding of accounting estimates</li><li>• Deeper understanding of IT<ul style="list-style-type: none"><li>• More inquiries of IT managers</li><li>• Additional requests for data</li></ul></li></ul>	
	<h3><u>Audit Impact</u></h3> <ul style="list-style-type: none"><li>• More time evaluating controls</li><li>• Increased use of IT specialists</li><li>• Potential for internal control comments</li><li>• Greater impact on complex IT systems</li></ul> 	





# RECOMMENDATIONS

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# FIXED ASSETS

- Fixed asset schedule was not properly maintained. The schedule was not updated for all additions and deletions including completed projects.

## Issue

## Recommendation

- Reconcile the fixed assets schedule to the fixed asset accounts on a regular basis and update the schedule to ensure proper calculations are made.

- The fixed assets schedule was completed and updated. One disposed assets was not properly removed.

## Status



# STEPS TO FINALIZATION





**THANK YOU**





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