

SANTA LUCIA COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023



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**SANTA LUCIA COMMUNITY SERVICES DISTRICT
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YEAR ENDED JUNE 30, 2023**

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**SANTA LUCIA COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS AND OFFICERS
JUNE 30, 2023**

Mark Boitano	Chairman
Barbara Santry	Vice-Chairman
Mike Saeidi	Treasurer/Financial Officer
Forrest Arthur	Secretary/General Manager
Scot Smythe	Director
Melissa Thorme	Director
Cary Whitfield	Director
Robert Latta	Advisor



INDEPENDENT AUDITORS' REPORT

Board of Directors
Santa Lucia Community Services District
Carmel, California

Opinion

We have audited the accompanying financial statements of the Santa Lucia Community Services District (the District), as of and for the year ended June 30, 2023, 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 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, 2023, 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. 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.

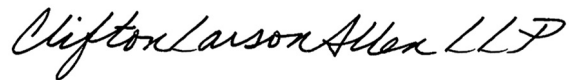
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 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 22, 2024

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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, 2023.

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 2022 by 7.08% to \$8,025,945 in fiscal year-end 2023 and operating expenses exclusive of depreciation and amortization increased by 13.46% to \$7,548,340.
- In fiscal year-end 2023 operating revenues increased over operating revenues from fiscal year-end 2022 by \$530,704.
- Operating expenses exclusive of depreciation and amortization for fiscal year-end 2023 increased from fiscal year-end 2022 by \$895,268.

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, 2023**

COMPARATIVE ANALYSIS (CONTINUED)

Net Position (Continued)

	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
ASSETS			
Current Assets	\$ 4,647,290	\$ 7,790,582	(40.35)%
Capital Assets, Net	<u>33,151,831</u>	<u>33,762,895</u>	<u>(1.81)</u>
Total Assets	<u>37,799,121</u>	<u>41,553,477</u>	<u>(9.03)</u>
LIABILITIES			
Current Liabilities	1,567,064	3,891,047	(59.73)
Noncurrent Liabilities	<u>963,912</u>	<u>1,122,504</u>	<u>(14.13)</u>
Total Liabilities	<u>2,530,976</u>	<u>5,013,551</u>	<u>(49.52)</u>
NET POSITION			
Net Investment in Capital Assets	32,341,191	32,794,791	(1.38)
Unrestricted	<u>2,926,954</u>	<u>3,745,135</u>	<u>(21.85)</u>
Total Net Position	<u>\$ 35,268,145</u>	<u>\$ 36,539,926</u>	<u>(3.48)%</u>

The District's net position at June 30, 2023, decreased by 3.48% compared to June 30, 2022. Total assets decreased by 9.03% to \$37,799,121 due primarily to cash decreasing by 43.58% to \$4,155,060. Total liabilities decreased 49.52% to \$2,530,976 due to the timing on payments to affiliate being offset by payments on long-term debt.

Changes in Net Position

Operating revenues increased by \$530,704 to \$8,025,945. 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 2022-2023 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 \$248,493 in property related fees for an overall increase of 3.67%. This increase was offset by a reduction in residential water sales of \$33,685. The Road and Storm Drain Maintenance Department revenues were also impacted by an abundant rainy season and in increase in lot mowing requests for fuel management, resulting in an increase year over year of \$18,114

Operating expenses exclusive of depreciation and amortization increased by \$895,268 to \$7,548,340. Of the increase, \$453,527 is attributable to full year expenses in Brush Management and Fire Safety (\$225,345) and Trash Service (\$228,182). The Water Department increased \$184,819 year over year due to increases in fuel and utility expenses primarily related to drought conditions that existed in the fall of 2022. General and administrative expenses increased by \$135,991 primarily due to expenses attributed to increased audit expenses, property and liability insurance, legal and professional fees, and Preserve Company administrative cost reimbursements. Preserve Company reimbursement expenses included impacts from legal expenses, higher compensation in payroll expenses, and an increase in property and liability insurance. The Wastewater Collection and Treatment (\$64,140) and Gatehouse Operations (\$58,430) attribute to the remainder of the increase year over year. Overall expenses for Road and Storm Drain Maintenance and Security Operations had minor increases compared to the prior year.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

COMPARATIVE ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

SUMMARY OF CHANGES IN NET POSITION

	2023	2022	Percent Change
OPERATING REVENUES			
Property Related Fees	\$ 7,010,649	\$ 6,762,156	3.67 %
Water Usage	438,860	461,583	(4.92)
Charges for Services	269,946	-	-
Other Community Revenue	238,960	220,846	8.20
Miscellaneous Income	55,530	35,656	55.74
Meter Connection Charges	12,000	15,000	(20.00)
Total Operating Revenues	<u>8,025,945</u>	<u>7,495,241</u>	<u>7.08</u>
OPERATING EXPENSES			
Water Service	1,770,140	1,585,321	11.66
Wastewater Collection and Treatment	256,270	192,130	33.38
Road and Storm Drain Maintenance	1,558,752	1,563,882	(0.33)
Security Operations	769,984	766,493	0.46
Gatehouse Operations	666,335	607,905	9.61
Brush Management and Fire Safety	418,265	192,920	116.81
Trash Service	230,729	2,547	8,958.85
General and Administrative	1,877,865	1,741,874	7.81
Total Operating Expenses	<u>1,877,865</u>	<u>1,741,874</u>	<u>7.81</u>
Before Depreciation and Amortization	<u>7,548,340</u>	<u>6,653,072</u>	<u>13.46</u>
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	477,605	842,169	(43.29)
DEPRECIATION AND AMORTIZATION	<u>1,764,902</u>	<u>1,719,723</u>	<u>2.63</u>
OPERATING LOSS	(1,287,297)	(877,554)	46.69
NONOPERATING REVENUES (EXPENSES)			
Interest Revenue	46,154	45,841	0.68
Loss on Sale of Investments	(13,289)	(36,427)	(63.52)
Gain on Sale of Assets	17,988	36,010	(50.05)
Interest Expense	(35,337)	(40,881)	(13.56)
Total Nonoperating Revenues (Expenses)	<u>15,516</u>	<u>4,543</u>	<u>241.54</u>
CHANGE IN NET POSITION	(1,271,781)	(873,011)	45.68
Net Position - Beginning of Year	<u>36,539,926</u>	<u>37,412,937</u>	<u>(2.33)</u>
NET POSITION - END OF YEAR	<u>\$ 35,268,145</u>	<u>\$ 36,539,926</u>	<u>(3.48)%</u>

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

COMPARATIVE ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

	Operating Revenues			Operating Expenses			Operating Income (Loss)		
	2023	2022	Percent Change	2023	2022	Percent Change	2023	2022	Percent Change
Water Service	\$ 2,731,108	\$ 2,679,093	1.94 %	\$ 1,770,140	\$ 1,585,321	11.66 %	\$ 960,968	\$ 1,093,772	(12.14)%
Wastewater Collection and Treatment	418,525	401,822	4.16	256,270	192,130	33.38	162,255	209,692	(22.62)
Road and Storm Drain Maintenance	1,956,330	1,900,505	2.94	1,558,752	1,563,882	(0.33)	397,578	336,623	18.11
Security Operations	1,157,060	1,159,215	(0.19)	769,984	766,493	0.46	387,076	392,722	(1.44)
Gatehouse Operations	973,037	889,473	9.39	666,335	607,905	9.61	306,702	281,568	8.93
Brush Management and Fire Safety	519,067	465,133	11.60	418,265	192,920	116.81	100,802	272,213	(62.97)
Trash Service	270,818	-	-	230,729	2,547	8,958.85	40,089	(2,547)	(1,673.97)
General and Administrative	-	-	-	1,877,865	1,741,874	7.81	(1,877,865)	(1,741,874)	7.81
Total	\$ 8,025,945	\$ 7,495,241	7.08 %	\$ 7,548,340	\$ 6,653,072	13.46 %	\$ 477,605	\$ 842,169	(43.29)%

- 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 \$8,043,905 for the fiscal year 2023. The District ended the fiscal year with \$186,548 less than budget for operating revenues primarily as a result of lower revenues in the Road and Storm Drain Maintenance Department by \$136,137 relating to a decrease in other community revenue and a \$66,713 decrease in water sales in the Water Service Department. The District budgeted \$372,575 for reimbursements and received \$404,288, however, \$235,700 was for intercompany charges which are offset by the expense for financial reporting for a difference of \$203,987 less than budget. With reimbursements, total operating revenues as budgeted are \$8,416,480 for a total difference of \$390,535 less than budget.

The District's budget projected operating expenses, excluding considerations (repair & replacement reserves), depreciation and amortization, of \$7,101,215 for fiscal year 2023. The District ended the fiscal year with approximately \$49,464 more than budget for operating expenses primarily as a result of increased repairs and maintenance expenses and higher fuel costs. The District approved \$590,200 in considerations for the budget year. Final considerations were expensed and included in the operating expenses for \$397,661. With considerations, total operating expenses as budgeted are \$7,691,415. Including considerations, the total operating expenses are reported at \$7,548,340 for difference from budget of \$143,075.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation and amortization, at June 30, 2023, totaled \$33,151,831. This amount represents a net decrease of \$611,064, which is capital additions being offset by depreciation and amortization expense, or 1.81% from 2022.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

This year's capital asset additions are as follows:

- Construction in progress for \$1,047,759
- Machinery and equipment for \$74,696
- Vehicles for \$52,525

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION

	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
Roads and Bridges	\$ 12,864,935	\$ 13,570,677	(5.20)%
Water System	11,390,703	11,983,965	(4.95)
Wastewater System	2,402,680	2,512,133	(4.36)
Buildings	2,788,787	2,884,413	(3.32)
Machinery and Equipment	807,050	816,367	(1.14)
Furniture and Fixtures	13,466	18,517	(27.28)
Vehicles	361,595	444,331	(18.62)
Communication Lines	119,698	124,836	(4.12)
Right-to-Use Leased Equipment	128,584	138,475	(7.14)
Construction In Progress	1,995,295	990,143	101.52
Land	<u>279,038</u>	<u>279,038</u>	<u>-</u>
Total	<u><u>\$ 33,151,831</u></u>	<u><u>\$ 33,762,895</u></u>	<u><u>(1.81)%</u></u>

Debt Administration

At June 30, 2023, the District had \$718,450 in long-term debt related to the construction of a corporate yard and outstanding lease commitments of \$92,190.

ECONOMIC FACTORS AND NET YEAR'S BUDGET AND RATES

The Budget for the fiscal year ending 2024, despite a modest increase, reflects the following impacts. Water rates for the District are not anticipated to change for the fiscal year 2024 budget cycle. In fiscal year-end 2024, property related fees are anticipated to increase for water, roads, security, and sewer services over fiscal year-end 2023 by 4%, which is an increase of approximately \$240,000. Brush management and fire safety fees are fixed. Overall property related fees are expected to increase 3.8%. With the approval of advanced Fire and Emergency Medical Coverage within the District, a direct charge to property owners amounting to additional revenues of \$194,200, will be collected for fiscal year 2024. Expenses are budgeted to increase by approximately 8.3% due to a rise in employee compensation and other inflationary impacts.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

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 Mike Saeidi, Chief Financial Officer, at (831) 620-6706.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 4,155,060
Accounts Receivable:	
Property Related Fees	262,937
Other Receivable, Net	65,129
Prepaid Expenses	146,391
Inventory	17,773
Total Current Assets	4,647,290
Capital Assets, Net	33,151,831
Total Assets	37,799,121

LIABILITIES

Current Liabilities:

Accounts Payable	128,637
Affiliate Payable	1,001,842
Accrued Liabilities	237,320
Accrued Compensated Absences	169,630
Lease Liability, Current Portion	29,635
Total Current Liabilities	1,567,064

Noncurrent Liabilities:

Accrued Compensated Absences	72,698
Deferred Revenue	110,209
Lease Liability	62,555
Long-Term Debt	718,450
Total Noncurrent Liabilities	963,912
Total Liabilities	2,530,976

NET POSITION

Net Investment in Capital Assets	32,341,191
Unrestricted	2,926,954
Total Net Position	\$ 35,268,145

See accompanying Notes to Financial Statements.

SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	Enterprise Activities								
	Water Service	Wastewater Collection and Treatment	Road and Storm Drain Maintenance	Security Operations	Gatehouse Operations	Brush Management and Fire Safety	Trash Service	General and Administrative	Total
OPERATING REVENUES									
Property Related Fees	\$ 2,274,852	\$ 417,981	\$ 1,764,734	\$ 1,136,126	\$ 971,084	\$ 445,872	\$ -	\$ -	\$ 7,010,649
Water Usage:									
Preserve Golf Club	229,812	-	-	-	-	-	-	-	229,812
Residential	171,216	-	-	-	-	-	-	-	171,216
Ranch Club	37,832	-	-	-	-	-	-	-	37,832
Charges for Services	-	-	-	-	-	-	269,946	-	269,946
Other Community Revenue	-	-	183,610	-	-	55,350	-	-	238,960
Miscellaneous Income	5,396	544	7,986	20,934	1,953	17,845	872	-	55,530
Meter Connection Charges	12,000	-	-	-	-	-	-	-	12,000
Total Operating Revenues	<u>2,731,108</u>	<u>418,525</u>	<u>1,956,330</u>	<u>1,157,060</u>	<u>973,037</u>	<u>519,067</u>	<u>270,818</u>	<u>-</u>	<u>8,025,945</u>
OPERATING EXPENSES									
Salaries and Wages	896,523	64,217	732,621	465,735	386,111	213,825	103,420	400,292	3,262,744
Employee Benefits	128,060	10,300	109,570	67,869	62,963	27,465	19,879	90,646	516,752
Management Fee	-	-	-	-	-	-	-	961,506	961,506
Auto Lease and Expense	11,206	-	19,154	2,562	-	630	3,059	-	36,611
Chemicals	1,654	26,089	-	-	-	-	-	-	27,743
Contract Labor	20,683	22,217	53,584	3,429	43,502	124,327	62,068	-	329,810
Education and Seminars	1,497	-	1,387	-	150	1,593	-	162	4,789
Equipment Expense	33,909	-	60,589	8,600	-	153	648	373	104,272
Fees and Collection Charges	-	-	-	-	-	-	-	28,058	28,058
Fuel, Oil, and Propane	87,035	9,549	53,522	36,573	-	3,893	7,488	4,492	202,552
Gate Operating Expense	-	-	-	18,659	13,531	-	-	-	32,190
Gatehouse Overhead	-	-	-	-	44,089	-	-	-	44,089
Insurance	-	-	-	-	-	-	-	162,043	162,043
Legal and Professional Fees	-	-	-	-	-	-	-	76,500	76,500
Miscellaneous	28,136	-	1,646	1,901	26	9,422	5,668	77,019	123,818
Office Expenses	8,064	-	1,065	4,563	1,322	1,171	-	3,159	19,344
Payroll Taxes	60,271	5,013	52,054	34,522	30,176	16,297	8,276	18,698	225,307
Pension - 401(k) Match	29,628	-	16,445	3,184	3,091	661	529	16,693	70,231
Permits and Fees	6,090	8,630	6,636	-	-	-	-	-	21,356
Radios and Pagers	-	-	2,660	3,718	-	-	-	-	6,378
Refuse Removal	8,622	6,924	34,791	-	-	-	-	-	50,337
Repairs and Maintenance	95,909	23,790	356,193	17,562	7,657	-	-	779	501,890
Residential Lot Projects	-	-	339	-	-	-	-	-	339
Road Maintenance	-	-	35,689	-	-	-	-	-	35,689
SCADA Improvements	207	-	-	-	-	-	-	-	207

See accompanying Notes to Financial Statements.

SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Enterprise Activities								Total
	Water Service	Wastewater Collection and Treatment	Road and Storm Drain Maintenance	Security Operations	Gatehouse Operations	Brush Management and Fire Safety	Trash Service	General and Administrative	
OPERATING EXPENSES (CONTINUED)									
Septic Maintenance	\$ -	\$ 26,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,003
Small Tools and Equipment	11,908	-	3,458	-	-	15,128	1,328	-	31,822
Supplies	62,257	17,319	3,293	7,248	5,330	2,411	12,029	3,967	113,854
Telephone	14,067	1,408	3,535	73,265	42,239	402	73	27,967	162,956
Testing	12,808	18,097	-	-	-	-	-	-	30,905
Uniforms	7,334	729	9,233	1,383	6,707	1,137	264	4,364	31,151
Utilities	216,310	15,985	1,288	19,211	11,252	(250)	6,000	1,147	270,943
Vehicle I.D. Expense	-	-	-	-	8,189	-	-	-	8,189
Water Meter Expenses	27,962	-	-	-	-	-	-	-	27,962
General and Administrative Allocation	645,457	65,044	395,456	273,225	233,534	160,906	104,243	(1,877,865)	-
Total Operating Expenses	2,415,597	321,314	1,954,208	1,043,209	899,869	579,171	334,972	-	7,548,340
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	315,511	97,211	2,122	113,851	73,168	(60,104)	(64,154)	-	477,605
DEPRECIATION AND AMORTIZATION	705,332	112,046	778,820	63,320	55,346	23,424	26,614	-	1,764,902
OPERATING INCOME (LOSS)	(389,821)	(14,835)	(776,698)	50,531	17,822	(83,528)	(90,768)	-	(1,287,297)
NONOPERATING REVENUES (EXPENSES)									
Interest Revenue	15,864	1,599	9,719	6,715	5,740	3,955	2,562	-	46,154
Gain (Loss) on Sale of Investments	(4,568)	(460)	(2,799)	(1,934)	(1,653)	(1,139)	(736)	-	(13,289)
Gain (Loss) on Sale of Assets	-	-	6,500	11,488	-	-	-	-	17,988
Interest Expense	(10,632)	(1,070)	(6,513)	(4,500)	(3,846)	(7,059)	(1,717)	-	(35,337)
Total Nonoperating Revenues (Expenses)	664	69	6,907	11,769	241	(4,243)	109	-	15,516
CHANGE IN NET POSITION	(389,157)	(14,766)	(769,791)	62,300	18,063	(87,771)	(90,659)	-	(1,271,781)
Net Position - Beginning of Year	15,153,154	1,814,125	15,042,581	3,411,474	966,825	156,282	(4,515)	-	36,539,926
NET POSITION - END OF YEAR	\$ 14,763,997	\$ 1,799,359	\$ 14,272,790	\$ 3,473,774	\$ 984,888	\$ 68,511	\$ (95,174)	\$ -	\$ 35,268,145

See accompanying Notes to Financial Statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Receipts from Residents and Customers	\$ 7,900,588
Cash Payments to Employees	(4,075,312)
Cash Payments to Suppliers for Goods and Services	<u>(5,738,404)</u>
Net Cash Used by Operating Activities	<u>(1,913,128)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Issuance of New Debt	-
Payments on Leased Equipment	(28,591)
Payments on Long-Term Debt	(128,873)
Additions to Capital Assets	(1,174,980)
Proceeds from Disposition of Capital Assets	39,130
Interest Paid	<u>(35,337)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,328,651)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Realized Loss on Investments	(13,289)
Interest Income Received	<u>46,154</u>
Net Cash Provided by Investing Activities	<u>32,865</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(3,208,914)

Cash and Cash Equivalents - Beginning of Year

7,363,974

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 4,155,060

See accompanying Notes to Financial Statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (1,287,297)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization	1,764,902
(Increase) Decrease In Operating Assets:	
Property Related Fees Receivable	(109,037)
Other Receivable	(16,320)
Prepaid Expenses	58,360
Inventory	1,375
Increase (Decrease) In Operating Liabilities:	
Accounts Payable	(317,583)
Affiliate Payable	(2,022,621)
Accrued Liabilities	15,371
Accrued Compensated Absences	(278)
Deferred Revenue	-
Net Cash Used by Operating Activities	<u><u>\$ (1,913,128)</u></u>

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Right-to-Use Leased Equipment	<u><u>\$ -</u></u>
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See accompanying Notes to Financial Statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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. It maintains, repairs and replaces the roadways, culverts and drainage systems. 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.

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 there are no agencies or entities which should be presented with the District as component units. However, 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.

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.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 THE FINANCIAL REPORTING ENTITY (CONTINUED)

Component Units (Continued)

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.

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.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 THE FINANCIAL REPORTING ENTITY (CONTINUED)

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.

The District accounts for its operations in a single enterprise fund. However, in accordance with government accounting standards, the District reports the statement of revenues, expenses and changes in net assets by different identifiable activities. The different identifiable activities of the District are water service, wastewater collection and treatment, road and storm drain maintenance, security operations, gatehouse operations, brush management and fire safety and trash service.

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.

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.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, 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, 2023, the allowance was estimated to be \$43,940.

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 payable represents amounts payable to the Preserve Company from 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.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Right-to-Use Leased 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.

Accrued Compensated Absences

Since all employees are employed by the Preserve Company, the District records an estimated liability for accrued compensated absences. There is no estimated liability for unpaid accumulated sick leave since there is not a policy to pay amounts when employees separate from service with the Preserve Company. All vacation pay is accrued when earned. All full-time employees accrue personal leave, or 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 hours reach this maximum, additional benefits will not accrue until unused benefits are used or otherwise reduced as allowed by the vacation policy. Upon termination of employment, all unused and un-forfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported as lease liabilities on the statement of net position.

Property Related Fees

The County is responsible for the assessment and collection of property related fees for all taxing jurisdictions, including the District. The District is responsible for determining the amount of property related fees and the County is responsible for the collection and apportionment. Property related 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 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.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effects of New Pronouncements

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The District adopted the requirement of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this statement had no impact on the accompanying financial statements.

Subsequent Events

Subsequent events have been evaluated through February 22, 2024, which is the date the financial statements were available to be issued.

SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2023, consisted of the following:

CalTrust Investment Pool	\$ 1,185,732
Deposits with Financial Institutions	2,856,306
Local Agency Investment Fund	<u>113,022</u>
Total	<u>\$ 4,155,060</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, 2023, 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, 2023, was \$2,546,572.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023**

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 market value. Increases or decreases in fair market value are recognized in the period in which they occur.

NOTE 4 CAPITAL ASSETS

Capital assets consist of the following at June 30:

	2022	Additions	Transfers/ Deletions	2023
Capital Assets being Depreciated/Amortized:				
Roads and Bridges	\$ 31,128,600	\$ -	\$ -	\$ 31,128,600
Water System	23,616,342	-	15,214	23,631,556
Wastewater System	4,343,339	-	-	4,343,339
Buildings	3,825,046	-	-	3,825,046
Machinery and Equipment	1,529,328	74,696	29,277	1,633,301
Furniture and Fixtures	369,960	-	-	369,960
Vehicles	1,190,909	52,525	(44,169)	1,199,265
Communication Lines	205,500	-	-	205,500
Right-to-Use Leased Equipment	148,366	-	-	148,366
Total Cost	<u>66,357,390</u>	<u>127,221</u>	<u>322</u>	<u>66,484,933</u>
Accumulated Depreciation/Amortization:				
Roads and Bridges	17,557,923	705,742	-	18,263,665
Water System	11,632,377	608,476	-	12,240,853
Wastewater System	1,831,206	109,453	-	1,940,659
Buildings	940,633	95,626	-	1,036,259
Machinery and Equipment	712,961	113,290	-	826,251
Furniture and Fixtures	351,443	5,051	-	356,494
Vehicles	746,578	112,235	(21,143)	837,670
Communication Lines	80,664	5,138	-	85,802
Right-to-Use Leased Equipment	9,891	9,891	-	19,782
Total Accumulated Depreciation and Amortization	<u>33,863,676</u>	<u>1,764,902</u>	<u>(21,143)</u>	<u>35,607,435</u>
Total Capital Assets, being Depreciated, Net of Depreciation/Amortization	<u>32,493,714</u>	<u>(1,637,681)</u>	<u>21,465</u>	<u>30,877,498</u>
Capital Assets Not being Depreciated:				
Construction In Progress	990,143	1,047,759	(42,607)	1,995,295
Land	279,038	-	-	279,038
Total Capital Assets Not being Depreciated	<u>1,269,181</u>	<u>1,047,759</u>	<u>(42,607)</u>	<u>2,274,333</u>
Capital Assets, Net	<u>\$ 33,762,895</u>	<u>\$ (589,922)</u>	<u>\$ (21,142)</u>	<u>\$ 33,151,831</u>

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LEASES

The District leases a John Deere Bulldozer, Peterbilt and dozer trailer equipment under long term, noncancelable lease agreement. The lease expires August 1, 2026. The annual principal and interest payments are \$33,000 with interest at 3.65% per annum.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 29,635	\$ 3,365	\$ 33,000
2025	30,717	2,283	33,000
2026	31,838	1,162	33,000
Total	<u>\$ 92,190</u>	<u>\$ 6,810</u>	<u>\$ 99,000</u>

Right-to-use assets acquired through outstanding leases are shown below:

Equipment	\$ 148,366
Less: Accumulated Amortization	<u>19,782</u>
Total	<u>\$ 128,584</u>

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2023:

	<u>Amount</u>
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.	\$ 718,450
Less: Current Portion	<u>-</u>
Long-Term Debt	<u>\$ 718,450</u>

Long-term debt repayments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 133,576	\$ 26,224	\$ 159,800
2026	138,452	21,348	159,800
2027	143,506	16,294	159,800
2028	148,743	11,057	159,800
2029	154,173	5,627	159,800
Total	<u>\$ 718,450</u>	<u>\$ 80,550</u>	<u>\$ 799,000</u>

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM DEBT (CONTINUED)

A summary of the changes in long-term debt for the year ended June 30, 2023, is as follows:

	Beginning Balance - June 30, 2022	Additions	Payments	Ending Balance - June 30, 2023	Due Within One Year
Leases Payable	\$ 120,781	\$ -	\$ (28,591)	\$ 92,190	\$ 29,635
Notes Payable	847,323	-	(128,873)	718,450	-
Total	<u>\$ 968,104</u>	<u>\$ -</u>	<u>\$ (157,464)</u>	<u>\$ 810,640</u>	<u>\$ 29,635</u>

NOTE 7 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, 2023, the entire unrestricted net position of \$2,926,954 is designated for reserves.

NOTE 8 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 2023 is as follows:

Water Service	\$ 2,274,852
Wastewater Collection and Treatment	417,981
Road and Storm Drain Maintenance	1,764,734
Security Operations	1,136,126
Gatehouse Operations	971,084
Brush Management and Fire Safety	445,872
Total Property-Related Fees	<u>\$ 7,010,649</u>

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PROPERTY-RELATED FEES (CONTINUED)

The total number of parcels that were assessed in 2023 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 \$729 annually and sewer service in the amount of \$3,066 annually. In 2023, \$71,488 in assessments was made by the District for septic and \$346,493 was made for sewer. These assessments are included in the property related fees above.

NOTE 9 TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

The affiliate payable balance of \$1,001,842 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, 2023, was \$229,812.

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, 2023, was \$37,832.

The District contracts with the Preserve Company for personnel services. Salaries and related payroll expenses for the year ended June 30, 2023, directly charged to the District by the Preserve Company were \$4,075,034.

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, 2023, was \$10,090,000.

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, 2023, were \$961,506.

The District contracts with Santa Lucia Preserve Housing, LLC to manage the employee and inclusionary housing units. The District receives a management fee of \$7,200 per year for such services.

The District uses and operates equipment which are leased by the Preserve Company. The District's obligation is to pay the lessor directly for leases pertaining to equipment utilized by the District. The District expenses all lease payments. Lease expense for the year ended June 30, 2023, was \$2,242. The current leased equipment terms are on a month-to-month basis.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 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.

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, 2023, 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.

NOTE 11 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.

**SANTA LUCIA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 JOINT POWERS AGREEMENTS (CONTINUED)

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.

NOTE 12 COMMITMENTS

The District's signed commitments for the year ended June 30, 2023, are as follows:

<u>Vendor/Contractor</u>	<u>Project</u>	<u>Contract Limit</u>	<u>Outstanding at June 30, 2023</u>
BlackWater Consulting Engineers	Water Treatment Plant	\$ 133,857	\$ 10,778
Justin Pauly Architects	Fire Building	28,500	3,232
R3	ADU Updates	46,985	39,490
Giancalone	Trench Design	8,000	7,000
Climate Equity Solutions	Conservation	150,000	94,485

NOTE 13 AUTHORITATIVE PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. At this time, the District is not certain of the effect the adoption of Statement No. 101 will have on the accompanying financial statements.



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