# GRANADA COMMUNITY SERVICES DISTRICT

# MANAGEMENT REPORT

# FOR THE YEAR ENDED JUNE 30, 2021

**GRANADA COMMUNITY SERVICES DISTRICT**

Management Report
For the Year Ended June 30, 2021

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FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

Board of Directors of the
Granada Community Services District
Granada, California

In planning and performing our audit of the financial statements of the Granada Community Services District for the year ended June 30, 2021, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing any changes you may make. We thank the District's staff for its cooperation on this audit.

Fechter & Company,
Certified Public Accountants

Fechter & Company, CPAs

March 17, 2022
Sacramento, California

Required Communication
For the Year Ended June 30, 2021

**The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 25, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Internal Control Related Matters**

In any smaller entity, whether private enterprise or a governmental agency, the lack of segregation of duties can present potential issues in regard to the perpetuation and concealment of fraud. Even with a perfect segregation of duties, frauds can be perpetuated and concealed. The District can perform some specific control procedures to help reduce the risk of fraud, however. Some of the controls would include:

- Having someone independent of the bank reconciliation function review the bank statements on a monthly basis. At this District, it would mean someone independent of the accounting function reviewing the county reports and multitude of bank accounts and bank reconciliations.
- Examining a budget to actual report on a frequent basis.
- Comparing the financial statements on a detailed level to the prior year on a frequent basis.

- Requiring someone independent of the payroll process review payroll on a bi-weekly basis, checking for accuracy of pay rates, paid time off recorded, etc.
- Verifying that a second person is approving all disbursement activity and that an individual independent of the accounting function is signing checks and asking questions about invoices presented for payment.
- Frequently displaying "professional skepticism" when considering staff responses on District finances.

California Government Code Section 12422.5 requires the State Controller's office to develop internal control guidelines applicable to each local agency by January 1, 2015. The intent of the legislation is to assist local agencies in establishing a system of internal control to safeguard assets and prevent and detect financial errors and fraud. To this end, the State Controller's Office has produced a draft of control guidelines for local Agencies. As the District contemplates changes to its system of internal control, we advise in utilizing these guidelines when developing internal procedures to assist with your internal control processes.

The State Controller's office has defined internal controls into five components that work together in an integrated framework. Their guidelines were adopted from the definitions and descriptions contained in *Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The components are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

The objective of *control environment* is the set of standards, processes, and structures that provided the basis for carrying out internal control across the entity. The governing board and management establish the "tone at the top" regarding the importance of internal control, including expected standards of conduct which then cascade down through the various levels of the organization and have a strong effect on the overall system of internal control.

A District's *Risk Assessment* process includes how management identifies risks (including fraud risk) relevant to the preparation and fair presentation of the financial statements in accordance with the District's applicable financial reporting framework. In addition, this would also involve areas of business and operational risk which could potentially affect the District's finances on a go-forward basis.

The District's risk assessment process is an extremely important activity the board and management should undertake. Every organization, public or private, faces business risks on a day to day basis. Identifying those risks and then acting on them in a timely manner may prevent future problems from becoming completely unmanageable.

Management should consistently attempt to identify risks that exist and then present those risks to the board for action. It is impossible for us to identify every potential risk that exists but either way, management and the board should proactively attempt to identify risks that could adversely affect the District's operations.

*Control Activities* are in reference to establishing policies and procedures that achieve management directives and respond to identified risks in the internal control system. These are specific procedures designed to perform a secondary review of internal processes that will allow for segregation of duties and a management level review of processed transactions.

*Information and Communication* are the District's methods of identifying what information is relevant to present to management and the board to assist the District in making the correct decisions. It also is in reference to the District's internal processes of gathering and summarizing that information.

*Monitoring* involves evaluating the effectiveness of controls on an on-going basis and taking remedial actions when necessary when identified by the other control procedures in place. On-going monitoring activities often are built into the normal recurring activities of a local government and include regular management and supervisory activities.

There is no catch-all for finding all instances of fraud within any entity, whether public or private. One of the key factors in helping prevent fraud is to encourage ethical behavior at all levels of the organization, i.e., "tone at the top". Another key would be to note instances of abnormal behavior of finance or accounting staff when questioned about District financial matters.

The District should remember that they have outside resources available in the case of fraud – they are able to contact District auditor, their attorney, or county auditor-controller should anyone feel there is a chance of fraud or abuse.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Capital asset lives and depreciation expense
- Actuarial study to determine the District's annual required pension contribution
- Actuarial study to determine the District's net pension liability

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of financial statements. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process. The following audit adjustments, made by us on an annual basis, indicates matters that could have a significant effect on the District's financial reporting process:

- Recorded current year depreciation expense.
- Recorded current year changes to GASB 68 pension accounts.
- Recorded current year changes in Investment in Sewer Authority Mid-Coastside (SAM) balances.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Auditors**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

# GRANADA COMMUNITY SERVICES DISTRICT

**Annual Financial Report**
**and Supplementary Information**
**With Independent Auditor's Report Thereon**

**Years Ended**
**June 30, 2021 and 2020**

**GRANADA COMMUNITY SERVICES DISTRICT**

**Annual Financial Report and Supplementary Information**

Years Ended June 30, 2021 and 2020

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FECHTER
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Certified Public Accountants

Craig R. Fechter, CPA, MST

# INDEPENDENT AUDITOR'S REPORT

Governing Board
Granada Community Services District
El Granada, California

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of the Granada Community Services District (the District) as of June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.



3445 American River Drive Suite A | Sacramento, CA 95864 | ph 916-333-5360 | fax 916-333-5370
www.fechtercpa.com
Member of the American Institute of Certified Public Accountants Tax Section
and California Society of CPAs

Governing Board
Granada Community Services District
El Granada, California

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Granada Community Services District as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, and the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions on page 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fechter & Company
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
March 17, 2022

This section of the Granada Community Services District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with the District's financial statements which follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management discussion and analysis report, the independent auditor's report, and the basic financial statements of the District. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

## BASIC FINANCIAL STATEMENTS

The District's basic financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and the statements of fiduciary net position. These statements are prepared in a manner similar to commercial enterprises. The purpose of the statement of net position is to report all assets and liabilities of the District as of the date of the statement. The difference between the assets and liabilities is net position, which represents the portion of total assets not encumbered by debt. Assets and liabilities are reported at historical cost, except for investments, which are reported at fair market value in accordance with accounting pronouncements. Long-term infrastructure assets such as pump stations and sewer lines are reduced by depreciation based upon the expected remaining life of the underlying asset. The District records assets on its books when it takes ownership and liabilities when it incurs the obligation to pay, whether or not it has actually been billed.

### Proprietary Funds

The District uses a proprietary fund to account for its sewer service. The proprietary fund financial statements include statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows. These statements are accounted for on an economic resources measurement focus using the accrual basis of accounting similar to commercial enterprises.

Sewer service is provided through the sewer service area of the District, except for the area designated as rural. The basic unit of charge used to calculate sewer service and connection fees is called an Equivalent Residential Unit (ERU), which equates to an estimated 221 gallons per day of wastewater flow. Single family homes are charged 1 ERU as their sewer service charge. Commercial properties are charged a sewer service fee based upon a formula which takes into account their water usage for the year, as well as a strength of wastewater component. The charge per ERU for fiscal year ending June 30, 2021 was $580, which was an increase from $520 in the prior year. Sewer service charges are used to fund the ongoing operations of the District, including administration, operations, treatment, collections, and capital replacement costs.

### Fiduciary Funds

The District uses an Agency Fund to account for resources held for the benefit of parties outside the government. Statements of fiduciary net position are included in the District's basic financial statements and are accounted for on an economic resources measurement focus using the accrual basis of accounting.

The Assessment District was formed and funded in 1996 for the purpose of providing the District's share of funds for the expansion of the Sewer Authority Mid-Coastside (SAM) Wastewater Treatment Plant. It was created under the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915 in combination with the Integrated Financing District Act. A total of $8.1 million in bonds were originally issued, backed by an assessment on 1,618 parcels. The bonds were refinanced in 2003 at a lower interest rate. Due to the pay-down of principal and pre-payments from some assessed parcels, $6.1 million in bonds were re-issued in the 2003 refunding/refinancing process backed by assessments on 1,355 parcels. All activity related to the bonds is reported in the Statements of Fiduciary Net Position.

## STATEMENTS OF NET POSITION

The following are condensed Statements of Net Position:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Assets: | | | |
| Current assets | $ 5,083,487 | $ 4,710,359 | $ 4,520,972 |
| Capital assets - net of depreciation | 5,203,079 | 5,305,553 | 5,569,709 |
| Non-current assets excluding capital assets | 5,264,408 | 5,453,524 | 5,391,897 |
| Total Assets | 15,550,974 | 15,469,436 | 15,482,578 |
| Deferred Outflows of Resources: | 151,661 | 102,010 | 109,305 |
| Liabilities: | | | |
| Current liabilities | 200,325 | 137,587 | 109,914 |
| Non-current liabilities | 180,448 | 177,495 | 174,065 |
| Total Liabilities | 380,773 | 315,082 | 283,979 |
| Deferred Inflows of Resources: | 12,651 | 21,144 | 24,830 |
| Net Position: | | | |
| Net investment in capital assets | 5,203,079 | 5,305,553 | 5,569,709 |
| Unrestricted | 10,106,132 | 9,929,667 | 9,713,365 |
| Total Net Position | $ 15,309,211 | $ 15,235,220 | $ 15,283,074 |

The total assets of the District increased $81,538 from June 30, 2020. Current assets increased from $4,710,359 to $5,083,487. The District uses its cash reserve as a set aside for short and long-term replacement of capital assets. Current assets include amounts of $74,959 and $132,263, as of June 30, 2021 and 2020, respectively, which represent receivables due from the County for the annual sewer service charge. The District utilizes the County's property tax roll to collect its annual sewer service charges. The County collects these charges on the property tax bills sent to tax payers, and then sends monthly payments to the District based upon payments received.

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

A summary of the District's statements of revenues, expenses, and changes in net position is presented below, along with any changes management considers significant from the previous year.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Revenues: | | | |
| Operating revenues | $ 1,877,181 | $ 1,668,408 | $ 1,486,812 |
| Non-operating revenues | 1,250,719 | 1,510,950 | 1,959,055 |
| Total Revenues | 3,127,900 | 3,179,358 | 3,445,867 |
| Expenses: | | | |
| Operating expenses | 3,053,909 | 3,227,212 | 3,108,869 |
| Change in Net Position | 73,991 | (47,854) | 336,998 |
| Net Position, Beginning of Year, restated | 15,235,220 | 15,283,074 | 14,946,076 |
| Net Position, End of Year | $ 15,309,211 | $ 15,235,220 | $ 15,283,074 |

| OPERATING REVENUES | 2021 | 2020 | Increase (Decrease) |
|---|---|---|---|
| Sewer service charge | $ 1,877,181 | $ 1,668,408 | $ 208,773 |

- The increase is due primarily to an increase in sewer service rates.

| NON-OPERATING REVENUES | | | |
|---|---|---|---|
| Property taxes | $ 1,116,926 | $ 1,066,241 | $ 50,685 |

- Slight increase from prior year due to increased property values and a larger ERAF refund.

| | | | |
|---|---|---|---|
| Interest income | $ 24,313 | $ 82,847 | $ (58,534) |

- Interest income decreased slightly due to a decrease in interest rates for the LAIF fund.

OPERATING EXPENSES

| | 2021 | 2020 | Increase (Decrease) |
|---|---|---|---|
| SAM Expenses: | | | |
| Sewage administration | $ 290,458 | $ 295,475 | $ (5,017) |
| Sewage treatment | 831,237 | 818,679 | 12,558 |
| Sewage environmental compliance | 34,172 | 51,578 | (17,406) |
| Sewage collection | 186,574 | 296,201 | (109,627) |
| Total SAM expenses | $ 1,342,441 | $ 1,461,933 | $ (119,492) |

- SAM costs are amounts paid to the Sewer Authority Mid-Coastside Joint Powers Authority (SAM) to manage and operate the SAM treatment plant and Intertie Pipeline System (IPS), as well as provide sewer cleaning, inspection, and maintenance services on a contract basis for the GCSD sewer system. These costs decreased slightly from 2020.

| | 2021 | 2020 | Increase/ (Decrease) |
|---|---|---|---|
| GCSD Administrative and general expenses | $876,809 | $771,155 | $105,654 |

- GCSD's administration costs increased by 14% over the prior year due primarily to an increase in legal expenses.

| | 2021 | 2020 | Increase/ (Decrease) |
|---|---|---|---|
| Infrastructure repair costs | $514,541 | $651,159 | $(136,618) |

- General infrastructure repair costs decreased by 21% due to less SAM Capital project costs incurred in fiscal year 2021 compared with fiscal year 2020.

## BUDGETARY PROCESS

The District budget is presented to the Board of Directors for their comments each year at the regular May District Board Meeting, and is approved at the June meeting. The budget is basically comprised of two functions: administration, which comprises the general office work, permitting, management, legal, and financial aspects of the business; and sewer operations, which represents the District's share of the costs for the SAM wastewater treatment plant operations and maintenance, as well as the costs for maintaining the District's pipeline and pump station system. The SAM treatment, collection and administrative budget accounts for approximately $1,342,441 of the District's $2,111,141 annual operational expenditures for fiscal year 20-21, or 64% of the total budget. Capital projects are budgeted along with the operations budget.

## CAPITAL ASSETS

The District's capital assets are comprised of its sewer lines, pump stations, force mains, and its share of the SAM Wastewater Treatment Plant and Intertie Pipeline System (29.5%). The District currently operates and maintains 1 pump station and 34 miles of sewer pipeline. The annual depreciation calculation is based upon the estimated useful life of the assets. Actual repairs, upgrades, or replacements to capital assets are based upon review of the assets' physical conditions as well as the expected useful life of the asset.

## ECONOMIC FACTORS AFFECTING CURRENT FINANCIAL POSITION

The current economic factors which could affect the District are somewhat unknown given the current Covid-19 pandemic and its effect on property values and real estate sales. The unknown impact of these effects could have some impact on the District's finances, due to changes in property tax revenues. There are no other known or expected economic factors which should affect the District's financial position in the near future.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Granada Community Services District at (650) 726-7093.

# BASIC FINANCIAL STATEMENTS

**GRANADA COMMUNITY SERVICES DISTRICT**
**STATEMENTS OF NET POSITION**
**JUNE 30, 2021 and 2020**

| **ASSETS** | 2021 | 2020 |
|---|---|---|
| Current Assets: | | |
| Cash and investments | $ 4,980,581 | $ 4,546,859 |
| Due from County of San Mateo | 74,959 | 132,263 |
| Due from assessment district | 19,317 | 15,068 |
| Interest receivable | 4,130 | 16,169 |
| Other receivable | - | - |
| Prepaid expenses and other assets | 4,500 | - |
| Total current assets | 5,083,487 | 4,710,359 |
| Capital assets, net of accumulated depreciation | 5,203,079 | 5,305,553 |
| Non-current assets: | | |
| Investment in Sewer Authority Mid-Coastside | 4,648,209 | 4,709,323 |
| Advance to assessment district to fund bond reserve account | 364,890 | 364,890 |
| Advance to assessment district for supplemental funding | 84,834 | 142,834 |
| Advance to assessment district to fund noncontingent assessment acquisition | 166,475 | 236,477 |
| Total non-current assets | 5,264,408 | 5,453,524 |
| **TOTAL ASSETS** | 15,550,974 | 15,469,436 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 151,661 | 102,010 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 110,458 | 67,045 |
| Due to assessment district | 24,750 | 15,309 |
| Compensated absences liability | 1,748 | 6,248 |
| Deposits held for others | 63,369 | 48,985 |
| Total current liabilities | 200,325 | 137,587 |
| Non-current liabilities: | | |
| Net pension liability | 180,448 | 177,495 |
| **TOTAL LIABILITIES** | 380,773 | 315,082 |
| **DEFERRED INFLOWS OF RESOURCES** | 12,651 | 21,144 |
| **NET POSITION** | | |
| Net investment in capital assets | 5,203,079 | 5,305,553 |
| Unrestricted | 10,106,132 | 9,929,667 |
| **TOTAL NET POSITION** | $ 15,309,211 | $ 15,235,220 |

The accompanying notes are an integral part of these financial statements.

**GRANADA COMMUNITY SERVICES DISTRICT**
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**FOR THE YEARS ENDED**
**June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Operating revenues:** | | |
| Sewer service charges | $ 1,877,181 | $ 1,668,408 |
| Total operating revenues | 1,877,181 | 1,668,408 |
| **Operating expenses:** | | |
| SAM expenses: | | |
| Sewage administration | 290,458 | 295,475 |
| Sewage treatment | 831,237 | 818,679 |
| Sewage environmental compliance | 34,172 | 51,578 |
| Sewage collection | 186,574 | 296,201 |
| Depreciation | 271,951 | 274,241 |
| Administration and general | 872,309 | 771,155 |
| Parks and recreation | 52,667 | 68,724 |
| Infrastructure repair costs | 514,541 | 651,159 |
| Total operating expenses | 3,053,909 | 3,227,212 |
| Operating loss | (1,176,728) | (1,558,804) |
| **Non-operating revenues:** | | |
| Property tax revenue - sewer | 451,927 | 579,534 |
| Property tax revenue - parks | 664,999 | 486,707 |
| Interest income | 24,313 | 82,847 |
| Equity gain | (61,114) | 253,843 |
| Other revenues | 62,284 | 68,219 |
| Capital contributions (connection fees) | 108,310 | 39,800 |
| Total non-operating revenues | 1,250,719 | 1,510,950 |
| Change in net position | 73,991 | (47,854) |
| Beginning net position | 15,235,220 | 15,283,074 |
| Ending net position | $ 15,309,211 | $ 15,235,220 |

The accompanying notes are an integral part of these financial statements.

**GRANADA COMMUNITY SERVICES DISTRICT**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED**
**JUNE 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Receipts from customers | $ 1,948,869 | $ 1,602,124 |
| Payments to suppliers | (2,630,854) | (2,734,696) |
| Payments to employees | (171,882) | (167,101) |
| Net cash used by operating activities | (853,867) | (1,299,673) |
| **Cash flows from non-capital financing activities:** | | |
| Receipts from property taxes and other operating income | 1,116,926 | 1,066,241 |
| Net cash provided by non-capital financing activities | 1,116,926 | 1,066,241 |
| **Cash flows from capital and related financing activities:** | | |
| Connection fees collected | 108,310 | 39,800 |
| Other revenues | 62,284 | 68,219 |
| Acquisition and construction of capital assets | (169,477) | (10,085) |
| Assessment district repayments on advances | 128,002 | 192,216 |
| Loan from assessment district | 5,192 | (371) |
| Net cash provided by capital and related financing activities | 134,311 | 289,779 |
| **Cash flows from investing activities:** | | |
| Interest income | 36,352 | 93,055 |
| Net cash provided by investing activities | 36,352 | 93,055 |
| Net increase in cash and cash equivalents | 433,722 | 149,402 |
| Cash and cash equivalents, beginning of year | 4,546,859 | 4,397,457 |
| Cash and cash equivalents, end of year | $ 4,980,581 0 | $ 4,546,859 |
| **Reconciliation of operating loss to net cash used by operating activities:** | | |
| Operating loss | $ (1,176,728) | $ (1,558,804) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation | 271,951 | 274,241 |
| Decrease (increase) in accounts receivable | 57,304 | (53,193) |
| (Decrease) increase in accounts payable and accrued liabilities | 57,797 | 27,367 |
| Increase in compensated absences liabilities | (4,500) | 677 |
| (Decrease) in prepaid expenses | (4,500) | 3,000 |
| (Decrease) in net pension liability | (55,191) | 7,039 |
| **Net cash used by operating activities** | $ (853,867) | $ (1,299,673) |

The accompanying notes are an integral part of these financial statements.

**GRANADA COMMUNITY SERVICES DISTRICT**
**STATEMENTS OF FIDUCIARY NET POSITION**
**JUNE 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 202,198 | $ 311,547 |
| Due from District | 5,433 | 241 |
| Investments | 2,060,550 | 2,348,256 |
| Total Assets | 2,268,181 | 2,660,044 |
| **LIABILITIES** | | |
| Deposits held for others | 1,651,981 | 1,915,843 |
| Advance from District to fund bond reserve account | 364,890 | 364,890 |
| Advance from District to fund supplemental funding | 84,834 | 142,834 |
| Advance from District to fund noncontingent assessment acquisition | 166,476 | 236,477 |
| Total Liabilities | 2,268,181 | 2,660,044 |
| **NET POSITION** | | |
| Net position | $ - | $ - |

The accompanying notes are an integral part of these financial statements.

## Note 1 – Organization and Summary of Significant Accounting Policies

Organization
Granada Sanitary District was created in 1958 under the provisions of Section 6400 of the State of California Health and Safety Code. In October of 2014, the District was reorganized as the Granada Community Services District (District) under California Government Code 61000 et seq. The District is responsible for parks, recreation, garbage, and recycling services in the unincorporated areas of El Granada, Princeton, Princeton-by-the-Sea, Clipper Ridge, and Miramar. The District is also responsible for the sewage collection system and disposal in these same unincorporated areas as well as the northern portion of the City of Half Moon Bay.

Reporting Entity
The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's funds consist of the following:

Proprietary Fund Type – Enterprise Fund
The Enterprise Fund is 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 the costs (expenses, including depreciation) 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. All assets and liabilities associated with the Enterprise Fund's activities are included in the statement of net position.

Fiduciary Fund Type – Agency Fund
The Agency Fund (Assessment District) is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other funds, and/or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. All assets and liabilities associated with the Assessment District's activities are included in the statement of fiduciary net position.

Basis of Accounting
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Both the Enterprise Fund and the Agency Fund are accounted for on an economic resources measurement focus using the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis of accounting, revenues are recognized when earned, except property taxes which are recognized in the year they are levied, and expenses are recognized when the related liability is incurred.

**Note 1 – Organization and Summary of Significant Accounting Policies, continued**

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements and the State Controller's Minimum Audit Requirements for California Special Districts. The District has elected not to apply GASB statements and interpretations issued subsequent to November 30, 1989.

Risk Management
The District is a member of the California Sanitation Risk Management Authority (CSRMA) which provides general liability coverage. Participation in the CSRMA risk sharing pool provides the District general liability coverage up to $750,000 and excess coverage up to $10 million.

Capital Assets
Capital assets for the Enterprise Fund are recorded at cost to the District for purchases or at an estimated cost when assets are contributed. Depreciation is charged to expense for all capital assets and is computed using the straight-line method over the estimated useful lives of five to 50 years.

Property Tax Revenues and Sewer Service Charges
Property taxes and sewer service charges are billed and collected by the County of San Mateo through the property tax billings. Real property taxes are levied against owners of record. The taxes are due in two installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Property taxes are based on assessed values of real property. A revaluation of all real property must be made upon sale or completion of construction. Amounts due from the County of San Mateo include both property taxes and sewer service charges.

Connection Fees
Connection fees consist of charges to homes and businesses for connecting to the District's sewer system.

Operating Revenues and Expenses
The District's operating revenues are those revenues generated from the primary operation of the District's sewer service. Operating expenses are those expenses that are essential to the primary operation of its sewer system. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments
Investments in mutual funds and debt instruments are carried at fair value as determined in an active market. Investments in the State of California Local Agency Investment Fund are carried at cost which approximates fair value and are included in cash and cash equivalents in the statements of net position.

Cash and Cash Equivalents
For purposes of the statements of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

## Note 2 – Cash and Cash Equivalents

The District's cash and cash equivalents are held in federally insured deposit accounts with financial institutions and an external investment pool.

External Investment Pool
The District invests in the California State Treasurer's Local Agency Investment Fund (LAIF). LAIF was established in 1977, is regulated by California Government Code Section 16429, and under the day-to-day administration of the State Treasurer. As of June 30, 2021, LAIF had approximately $193 billion in investments.

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost of best estimate for those securities where market value is not readily available. The District's investments with LAIF at June 30, 2020 included a portion of the pooled funds invested in structured notes and asset-backed securities. These investments are described as follows.

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and / or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, and concentration of credit risk. The following describes those risks.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal policy regarding interest rate risk.

Custodial Credit Risk
Custodial credit risk is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy regarding custodial credit risk. 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 provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% 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. With respect to investments, custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or investment pools such as LAIF.

**Note 2 – Cash and Cash Equivalents, continued**

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a formal policy regarding credit risk. LAIF does not receive a rating from a nationally recognized statistical rating organization.

Concentration of Credit Risk
The District has limitations on the amount that can be invested in any one issue beyond that stipulated by the California Government Code.

The FDIC insured the bank balances up to $250,000 for each bank, except for non-interest-bearing transaction accounts at institutions participating in the FDIC's Temporary Liquidity Guarantee Program, which are provided with unlimited deposit guarantee.

The District's cash and cash equivalents consist of the following at June 30, 2021:

| | Carrying Amount | Depositary Balance |
|---|---|---|
| Amounts insured by federal deposit insurance, or collateralized with securities held by the District in its name | $ 143,243 | $ 152,192 |
| Petty cash | 43 | - |
| Amounts held on deposit with the State of California Local Agency Investment Fund, collateralized by investments registered in the State's name | 4,837,295 | 4,837,295 |
| | $ 4,980,581 | $ 4,989,487 |

The District's cash and cash equivalents are presented as $4,980,581 in the statements of net position and $202,198 in the statements of fiduciary net position. The difference between the carrying amount and the depositary balance represents outstanding checks and deposits in transit.

### Note 2 – Cash and Cash Equivalents, continued

The District's cash and cash equivalents consist of the following at June 30, 2020:

| | Amount | Balance |
|---|---|---|
| Amounts insured by federal deposit insurance, or collateralized with securities held by the District in its name | $ 165,127 | $ 208,268 |
| Petty cash | 790 | - |
| Amounts held on deposit with the State of California Local Agency Investment Fund, collateralized by investments registered in the State's name | 4,380,942 | 4,380,942 |
| | $ 4,546,859 | $ 4,589,210 |

The District's cash and cash equivalents are presented as $4,546,859 in the statements of net position and $311,547 in the statements of fiduciary net position. The difference between the carrying amount and the depositary balance represents outstanding checks and deposits in transit.

### Note 3 – Agency Fund

In 1996, Granada Community Services District established the Assessment District to finance the expansion of the sewage treatment facility owned and maintained by the Sewer Authority Mid-Coastside. Special Assessment Limited Obligation Improvement Bonds were issued through the Assessment District to generate the funds necessary to meet the District's portion of the expansion costs. The Agency Fund is used to account for the debt service transactions of the Assessment District. The District acts as an agent with respect to the collection of special assessments from property owners and the payment of principal and interest to special assessment debt holders. The only investments reported by the District are held in the Agency Fund which consist of mutual funds and debt instruments held by a trustee.

### Note 4 – Capital Assets

Changes in capital assets consist of the following for the year ended June 30, 2021:

| | July 1, 2020 | Additions | Deletions | June 30, 2021 |
|---|---|---|---|---|
| Equipment | $ 22,153 | $ - | $ - | $ 22,153 |
| Collection and conveyance facilities | 11,227,956 | - | | 11,227,956 |
| Total capital assets, depreciable, cost | 11,250,109 | - | - | 11,250,109 |
| Less accumulated depreciation | (7,008,196) | (271,951) | - | (7,280,147) |
| Total capital assets, depreciable, net | 4,241,913 | (271,951) | - | 3,969,962 |
| Land | 1,063,640 | - | - | 1,063,640 |
| Construction in progress | - | 169,477 | - | 169,477 |
| Total capital assets, net | $ 5,305,553 | $ (102,474) | $ - | $ 5,203,079 |

Depreciation expense for the year-end June 30, 2021 was $271,951.

**Note 4 – Capital Assets, continued**

Changes in capital assets consist of the following for the year ended June 30, 2020:

| | July 1, 2019 | Additions | Deletions | June 30, 2020 |
|---|---|---|---|---|
| Equipment | $ 22,153 | $ - | $ - | $ 22,153 |
| Collection and conveyance facilities | 11,217,871 | 10,085 | - | 11,227,956 |
| Total capital assets, depreciable, cost | 11,240,024 | 10,085 | - | 11,250,109 |
| Less accumulated depreciation | (6,733,955) | (274,241) | - | (7,008,196) |
| Total capital assets, depreciable, net | 4,506,069 | (264,156) | - | 4,241,913 |
| Land | 1,063,640 | - | - | 1,063,640 |
| Total capital assets, net | $5,569,709 | $ (264,156) | $ - | $ 5,305,553 |

Depreciation expense for the year-end June 30, 2020 was $274,241.

**Note 5 – Investment in Sewer Authority Mid-Coastside**

Sewer Authority Mid-Coastside (Authority) was created by a Joint Exercise of Powers Agreement between the City of Half Moon Bay, the Granada Community Services District, and the Montara Sanitary District. The Authority was established to construct, maintain, and operate facilities for the collection, treatment, and disposal of wastewater for the benefit of the lands and inhabitants within the member agencies' respective boundaries. Audited financial statements of the Authority for the year ended June 30, 2021 and 2020 are available at its office in Half Moon Bay, California.

The following is a summary of financial information of the Authority from its June 30, 2021 and June 30, 2020 audited financial statements:

| | 2021 | 2020 |
|---|---|---|
| Total assets | $ 21,076,597 | $ 20,613,507 |
| Total deferred outflows of resources | 740,300 | 760,928 |
| Total liabilities | 4,582,610 | 4,397,770 |
| Total deferred inflows of resources | 172,067 | 230,796 |
| Net position | $ 17,062,220 | $ 16,745,869 |
| Operating revenues | $ 6,130,749 | $ 6,168,850 |
| Operating expenses | 7,817,206 | 7,393,535 |
| Operating loss | (1,686,457) | (1,224,685) |
| Total non-operating revenues and capital contributions, net | 2,002,809 | 2,537,410 |
| Change in net position | 316,352 | 1,312,725 |
| Total net position, beginning | 16,745,868 | 15,522,516 |
| Prior period adjustment | - | (89,372) |
| Total net position, beginning, restated | 16,745,868 | 15,433,144 |
| Total net position, ending | $ 17,062,220 | $ 16,745,869 |

### Note 5 – Investment in Sewer Authority Mid-Coastside, continued

Each member's ownership at June 30, 2021 consists of the City of Half Moon Bay 50.5%, Granada Community Services District 29.5%, and Montara Sanitary District 20%.

The decrease in the District's equity in the Authority for the year ended June 30, 2021 of $61,114, is included in the statement of revenues, expenses, and changes in net position.

Total payments made to the Authority for operations, maintenance, collections, and capital for the years ended June 30, 2021 and 2020 were $1,775,879 and $2,049,596, respectively.

### Note 6 – Advances to Assessment District

1 As part of the bond issuance financed through the Assessment District, the District was required to make two separate advances to the Agency Fund. In August 1996, the District transferred $600,000 into the Bond Reserve Fund of the Assessment District to be used as a reserve for the payment of future bond interest and principal. This advance is entitled to interest earnings on the fund balance. Including interest earnings, the balance of the note receivable was $369,890 at June 30, 2019. During the year ended June 30, 2020, $5,000 in repayments were made, resulting in an ending balance of $364,890 at June 30, 2021.

2 Supplemental Funding – The District advanced $1,100,726 to the Assessment District which were the proceeds of an installment obligation of the District in the amount of $1,145,000 payable with interest over a term of 20 years. The aggregate amount reimbursable totals $1,987,542 including interest paid on the note. The balance of the note receivable was $212,834 at June 30, 2019. The amounts due to the District listed above are documented in District ordinance 153 and bond resolutions 2003-008 and 2003-012. Repayments were $70,000 during the year ended June 30, 2020, and $58,000 during the year ended June 30, 2021, resulting in an ending balance of $84,834 at June 30, 2021.

3 The District was also required to advance $700,000 in August of 1996 into the Noncontingent Assessment Fund of the Assessment District. The advance was used to purchase noncontingent assessments for undevelopable parcels within the District. Including interest earnings, the balance of the note receivable was $353,693 at June 30, 2019. Repayments were $117,216 during the year ended June 30, 2020, and $70,000 during the year ended June 30, 2021, resulting in an ending balance of $166,477 at June 30, 2021.

### Note 7 – Advance to Montara Sanitary District

As a result of financial difficulties experienced by the Montara Sanitary District (MSD) in 1996, they were unable to continue funding their portion of the plant expansion of the Authority. The District advanced $1,085,094 of the plant expansion costs on behalf of MSD. According to the Authority funding agreement, there is no repayment schedule, and reimbursement of the advance will occur only if MSD requires additional capacity in the sewage treatment facility. The future capacity needs of MSD are unknown at this time and thus, due to the lack of a firm repayment schedule and unknown future payment requirements of MSD, the District has recorded an allowance of the full amount of initial debt ($1,085,094) to reflect the uncertainty of future repayment.

### Note 7 – Advance to Montara Sanitary District, continued

The District calculates interest on the advance at a rate of 7.278%. Management has determined that the likelihood of any interest payment is remote; therefore, an allowance has been placed on the full accrued interest balance of approximately $1,707,704 and $1,628,731 at June 30, 2021 and 2020, respectively.

### Note 8 – Special Assessment Debt

During 1996, the District issued Special Assessment Limited Obligation Improvement Bonds in the amount of $8,188,583 to finance the expansion of the sewage treatment plant owned and operated by the Authority. The Agency Fund is used to account for the debt service transactions. The District refinanced the bonds in September 2003 with an interest rate ranging from 2.25% to 6.125% payable semi-annually. The bond principal is paid annually with a final maturity date of September 2022. At June 30, 2021 and 2020, $990,000 and $1,445,000 were outstanding. The District is not obligated to repay this debt, but only acts as an agent for the property owners by collecting assessments, forwarding collections to special assessment debt holders, and initiating foreclosure proceedings, if applicable.

### Note 9 – Operating Lease Commitment

The District leases office space and a copier with monthly rents of $4,500 and $326, respectively, plus additional maintenance costs. The office lease expires on November 30, 2022, and the copier lease expires on August 21, 2023. Rental expense for the year ended June 30, 2021 and 2020 were $47,656 and $58,282, respectively.

Future minimum lease payments at June 30, 2021 consist of the following:

| Year Ended June 30, | Minimum Payments |
|---|---|
| 2022 | $ 57,906 |
| 2023 | 26,406 |
| 2024 | 651 |
| Total | $ 84,963 |

### Note 10 – Contingent Liabilities

Contingent liabilities of an indeterminable amount include normal recurring pending claims and litigation related to the District's operations. According to outside legal counsel, none of the litigation is expected to have a material effect on the financial statements. Therefore, no provision for losses has been included in these financial statements.

## Note 11 – Employees' Retirement Plan

Plan Description

The District's defined benefit pension plan (Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (PERS), a cost sharing multiple-employer plan administered by PERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law.

The District selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through Board Action. PERS issues a separate annual financial report. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members in the Plan are required to contribute 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The District pays the employee and employer's portion for retirement on "classic" employees. The District does not pay employee contributions for employees covered by PEPRA. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration.

The required employer contribution rates for fiscal years ended June 30, 2020 and 2019 were 10.484% and 9.680%, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS.

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

At June 30, 2021, the District reported a liability of $180,448 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined. As of June 30, 2021, the District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021, was as follows:

| | Miscellaneous |
|---|---|
| Proportion - June 30, 2020 | 0.00443% |
| Proportion - June 30, 2021 | 0.00462% |
| Change | 0.00019% |

**Note 11 – Employees' Retirement Plan, continued**

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, continued

For the fiscal year ended June 30, 2021, the District recognized a pension expense of $50,444 in its financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflow of Resources |
|---|---|---|
| Changes in assumptions | $ - | $ 1,287 |
| Differences between expected and actual experience | 9,299 | - |
| Difference between projected and actual earnings on pension plan investments | 5,361 | - |
| Differences between employer's contributions and proportionate share of contributions | 31,365 | - |
| Change in employer's proportion | - | 11,363 |
| Pension contributions made subsequent to measurement date | 51,635 | - |
| Total | $ 97,660 | $ 12,650 |

The $51,635 of the deferred outflows of resources represents the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year-end June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30, | Amount |
|---|---|
| 2022 | $ 26,448 |
| 2023 | 3,532 |
| 2024 | 5,060 |
| 2025 | 628 |
| Total | $ 35,668 |

**Note 11 – Employees' Retirement Plan, continued**

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.15%, net of investment expense
- Inflation Rate – 2.50%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2019.

The long-term expected rate of return on pension plan investments (7.15%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 50.0% | 5.98% |
| Fixed Income | 28.0% | 2.62% |
| Inflation Assets | 0.0% | 1.81% |
| Private Equity | 8.0% | 7.23% |
| Real Assets | 13.0% | 4.93% |
| Liquidity | 1.0% | (0.92)% |

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

**Note 11 – Employees' Retirement Plan, continued**

<u>Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>
The following presents what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

| | 1% Decrease 6.15% | Discount Rate 7.15% | 1% Increase 8.15% |
|---|---|---|---|
| District's proportionate share of the net pension plan liability | $ 275,875 | $ 180,448 | $ 101,601 |

Detailed information about the pension fund's fiduciary net position is available in the separately issued CalPERS comprehensive annual financial report, which may be obtained by contacting CalPERS.

**Note 12 – COVID-19 Considerations**

In January 2020, the virus SARS -CoV-2 was transmitted to the United States from overseas sources. During the years ended June 30, 2021 and 2020, the District experienced a slow down of activity including less permits being issued and less connection fees collected. The economic impact to the District, the State of California and the County of San Mateo, as yet has not been determined and therefore any potential impact on the District is not yet known.

**Note 13 – Subsequent Events**

In July 2021, the District purchased a piece of property for $1,800,000 to be renovated for use as a Community Center and to house the district office. There is an existing tenant leasing the building on a month-to-month basis, and the lease if effective for 24 months.

The District has evaluated subsequent events through March 17, 2022, which is the date the basic financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

## GRANADA COMMUNITY SERVICES DISTRICT

Required Supplementary Information - Pensions
Years Ended June 30, 2021 and 2020

**Granada Community Services District – Schedule of the District's proportionate share of the Net Pension Liability:**

Last 10 Fiscal years*

| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|---|---|---|---|---|---|---|
| District's proportionate share of the net pension liability | $180,448 | $177,495 | $174,065 | $185,779 | $170,410 | $152,020 | $166,360 |
| District's covered employee payroll | 166,793 | 164,496 | 153,756 | 137,082 | 111,600 | 110,200 | 107,294 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 108.19% | 107.90% | 113.21% | 135.52% | 152.70% | 137.95% | 155.05% |
| Plan Fiduciary net position as a percentage of the total pension liability | 74.84% | 71.14% | 69.69% | 62.82% | 54.65% | 54.52% | 48.16% |

CALPERS - Schedule of District contributions:

Last 10 Fiscal Years*

| Measurement Date | June 30, | June 30, | June 30, | June 30, | June 30, | June 30, | June 30, |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 51,635 | $ 45,198 | $ 41,490 | $ 37,399 | $ 34,626 | $ 36,192 | $ 26,207 |
| Total actual contributions | (51,635) | (45,198) | (41,490) | (37,399) | (34,626) | (36,192) | (26,207) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 166,793 | $ 164,496 | $ 153,756 | $ 137,082 | $ 111,600 | $ 110,200 | $ 107,294 |
| Contributions as a percentage of covered employee payroll | 30.96% | 27.48% | 26.98% | 27.28% | 31.03% | 32.84% | 24.43% |

* Fiscal year ended June 30, 2015 was the first year of implementation.
Additional years will be presented as they become available.

**OTHER REPORT**

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Granada Community Services District
El Granada, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Granada Community Services District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 17, 2022.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.



3445 American River Drive Suite A | Sacramento, CA 95864 | ph 916-333-5360 | fax 916-333-5370
www.fechtercpa.com
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Granada Community Services District
El Granada, California

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company,
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
March 17, 2022