

**GRANADA COMMUNITY  
SERVICES DISTRICT  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

**GRANADA COMMUNITY SERVICES DISTRICT**

Management Report  
For the Year Ended June 30, 2018

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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, 2018, 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



October 1, 2019  
Sacramento, California

## GRANADA COMMUNITY SERVICES DISTRICT

Required Communication  
For the Year Ended June 30, 2018

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

As stated in our engagement letter dated December 17, 2018, 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.

## GRANADA COMMUNITY SERVICES DISTRICT

### Required Communication For the Year Ended June 30, 2018

- 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,

## GRANADA COMMUNITY SERVICES DISTRICT

### Required Communication For the Year Ended June 30, 2018

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.

## GRANADA COMMUNITY SERVICES DISTRICT

Required Communication  
For the Year Ended June 30, 2018

### 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:

- Posting current year depreciation expense and capitalizing fixed asset purchases.
- Recording adjustments to year-end accounts payable.
- Recording adjustments to agree the financial statements to prior year balances.
- Recording current year changes to GASB 68 pension accounts.
- Reclassification of miscellaneous income to a credit to advances receivable.

### 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.

## **GRANADA COMMUNITY SERVICES DISTRICT**

Required Communication  
For the Year Ended June 30, 2018

### **Other Audit Findings or Issues**

During our audit, we examined 4 months of credit card payments and their attached receipts. The test resulted in 6 missing receipts. In contrast with prior years, it appears that the District is doing a better job of maintaining supporting receipts for their District purchases. The number of missing receipts dropped from 19 in fiscal year 15/16 to only 6 in fiscal year 16/17 and 6 in fiscal year 17/18. Although the total of these 6 transactions was immaterial, we recommend that the District does a better job of tracking receipts.

### **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 Supplemental Information  
With Independent Auditor's Report Thereon**

**Years Ended  
June 30, 2018 and 2017**

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Basic Financial Statements and Supplemental Information**

Years Ended June 30, 2018 and 2017

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**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, 2018 and 2017, 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.

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, 2018 and 2017, and the changes in financial position and cash flows thereof for the year 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 3-5, and the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions on page 22, 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

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in black ink and is positioned to the right of the printed name.

Sacramento, California  
October 1, 2019

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
Years Ended June 30, 2018 and 2017

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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 year ended June 30, 2018. 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 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 an Enterprise 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 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. All 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, 2018 was \$460, which was an increase from \$402 in the prior year. Sewer service charges are used to fund the ongoing operations of the District, including administration, operations, treatment, collections, and depreciation set aside 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.

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
Years Ended June 30, 2018 and 2017

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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 issued backed by assessments on 1,355 parcels.

**STATEMENT OF NET POSITION**

The total assets of the District decreased \$758,279 from June 30, 2017. Current assets decreased from \$4,663,100 to \$4,311,110. The District uses its cash reserve as a set aside for short and long term replacement of capital assets. The item titled "Due from County of San Mateo" represents 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.

**OPERATING REVENUES AND EXPENSES**

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.

<u>OPERATING REVENUES</u>	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Sewer service charges	\$1,273,413	\$1,271,091	\$2,322

- The increase is relatively consistent with the prior year figures.

**OPERATING EXPENSES**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<b>SAM Expenses:</b>			
Sewage administration	\$ 270,099	\$ 284,951	\$ (14,852)
Sewage treatment	743,509	645,762	97,747
Sewage environmental compliance	42,461	37,766	4,695
Sewage collection	239,952	242,350	(2,398)
Total SAM expenses	<u>\$ 1,296,021</u>	<u>\$ 1,210,829</u>	<u>\$ 85,192</u>

- SAM costs are amounts paid to the Sewer Authority Mid-Coastside Joint Powers Authority (SAM) to manage and operate the 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 increased slightly from 2017.

GCSD Administrative and general expenses	\$795,237	\$629,614	\$165,623
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- GCSD's administration costs increased by 26% over the prior year due primarily to increases in legal and professional fees.

Infrastructure repair costs	\$712,812	\$311,621	\$401,191
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- General infrastructure repair costs increased by 129% due primarily to the SAM IPS pipeline project.



**GRANADA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
Years Ended June 30, 2018 and 2017

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<u>NON OPERATING REVENUES</u>			<u>Increase</u>
Property taxes	\$912,788	\$824,921	\$87,867
• Slight increase from prior year due to increased assessments and a larger ERAF refund.			
Interest income	\$58,866	\$31,993	\$26,873
• Interest income increased due to an increase in interest rates for the LAIF fund.			

**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 \$1,195,093 of the District's \$1,792,093 annual operational expenditures, or 66.7% 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 (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.

**LONG-TERM DEBT**

The District's only long-term debt was issued as a Certificate of Participation (COP) for \$1,145,000 in 1996, and was refinanced as a bank loan in 2002 at a lower interest rate. The COP was used to pay for the shortfall in funding associated with the SAM Wastewater Treatment Plant Expansion that year. The final principal payment on this note was paid in fiscal year 2016-17.

**ECONOMIC FACTORS AFFECTING CURRENT FINANCIAL POSITION**

The economic conditions continue to improve from the economic downturn from 2008 and the assessed value of properties has been slowly increasing. The improving conditions could have some impact on the District's finances, due to increased 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, 2018 and 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and investments (Note 2)	\$ 4,229,859	\$ 4,577,664
Due from County of San Mateo	51,013	67,454
Interest receivable	19,791	10,365
Other receivable	2,580	-
Prepaid expenses and other assets	<u>7,867</u>	<u>7,617</u>
Total current assets	<u>4,311,110</u>	<u>4,663,100</u>
Capital assets, net of accumulated depreciation (Note 4)	<u>5,850,212</u>	<u>6,068,620</u>
Non-current assets:		
Investment in Sewer Authority Mid-Coastside (Note 5)	3,767,869	3,767,869
Advance to assessment district to fund bond reserve account	494,890	494,890
Advance to assessment district for supplemental funding	282,834	353,542
Advance to assessment district to fund noncontingent assessment acquisition	<u>468,693</u>	<u>585,866</u>
Total non-current assets	<u>5,014,286</u>	<u>5,202,167</u>
<b>TOTAL ASSETS</b>	<u>15,175,608</u>	<u>15,933,887</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>155,963</u>	<u>101,671</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	96,217	118,040
Due to assessment district	58,371	-
Compensated absences liability	5,571	5,571
Deposits held for others	<u>30,013</u>	<u>39,207</u>
Total current liabilities	<u>190,172</u>	<u>162,818</u>
Non-current liabilities:		
Net pension liability	<u>185,779</u>	<u>170,410</u>
<b>TOTAL LIABILITIES</b>	<u>375,951</u>	<u>333,228</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>9,544</u>	<u>20,515</u>
<b>NET POSITION</b>		
Invested in capital assets, net	5,850,212	6,068,620
Unrestricted	<u>9,095,864</u>	<u>9,613,195</u>
<b>TOTAL NET POSITION</b>	<u>\$ 14,946,076</u>	<u>\$ 15,681,815</u>

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating revenues:</b>		
Sewer service charges	\$ 1,273,413	\$ 1,271,091
Total operating revenues	<u>1,273,413</u>	<u>1,271,091</u>
<b>Operating expenses:</b>		
SAM Expenses:		
Sewage administration	270,099	284,951
Sewage treatment	743,509	645,762
Sewage environmental compliance	42,461	37,766
Sewage collection	239,952	242,350
Depreciation	284,576	270,994
Administration and general	795,237	629,614
Infrastructure repair costs	712,812	311,621
Total operating expenses	<u>3,088,646</u>	<u>2,423,058</u>
Operating loss	<u>(1,815,233)</u>	<u>(1,151,967)</u>
<b>Non-operating revenues and (expenses):</b>		
Property tax revenue - sewer	478,260	824,921
Property tax revenue - parks	434,528	-
Interest income	58,866	31,993
Equity (loss)	-	(1,290)
Interest expense	-	(805)
Other revenues	70,240	91,310
Capital contributions (connection fees)	37,600	97,243
Total non-operating revenues and (expenses)	<u>1,079,494</u>	<u>1,043,372</u>
Change in net position	(735,739)	(108,595)
Beginning net position	<u>15,681,815</u>	<u>15,790,410</u>
Ending net position	<u>\$ 14,946,076</u>	<u>\$ 15,681,815</u>

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, 2018 and 2017**

	2018	2017
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 1,278,080	\$ 1,283,892
Payments to suppliers	(2,715,457)	(2,028,653)
Payments to employees	(160,580)	(142,673)
Net cash used by operating activities	(1,597,957)	(887,434)
<b>Cash flows from non-capital financing activities:</b>		
Receipts from property taxes and other operating income	912,788	824,921
Net cash provided by non-capital financing activities	912,788	824,921
<b>Cash flows from capital and related financing activities:</b>		
Connection fees collected	37,600	97,243
Payments on long-term debt	-	(95,000)
Interest paid	-	(2,351)
Other revenues	70,240	91,310
Acquisition and construction of capital assets	(66,168)	(198,599)
Assessment district repayments on advances	187,881	74,000
Loan from assessment district	58,371	(8,371)
Net cash provided by (used in) capital and related financing activities	287,924	(41,768)
<b>Cash flows from investing activities:</b>		
Interest income	49,440	27,741
Net cash provided by investing activities	49,440	27,741
Net decrease in cash and cash equivalents	(347,805)	(76,540)
Cash and cash equivalents, beginning of year	4,577,664	4,654,204
Cash and cash equivalents, end of year	\$ 4,229,859	\$ 4,577,664
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (1,815,233)	\$ (1,151,967)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	284,576	270,994
Decrease (increase) in accounts receivable	13,861	(8,287)
(Decrease) increase in accounts payable and accrued liabilities	(31,017)	46,656
Increase in compensated absences liabilities	-	5,571
(Decrease) in prepaid expenses	(250)	(517)
(Decrease) in net pension liability	(49,894)	(49,884)
Net cash used by operating activities	\$ (1,597,957)	\$ (887,434)

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

**GRANADA COMMUNITY SERVICES DISTRICT  
STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

<b>ASSETS</b>	2018	2017
Cash and cash equivalents	\$ 306,419	\$ 121,419
Due from County of San Mateo	-	19,387
Due from District	58,371	-
Investments	2,442,494	2,605,277
 Total Assets	 2,807,284	 2,746,083
 <b>LIABILITIES</b>		
Deposits held for others	1,560,867	1,311,785
Advance from District to fund bond reserve account	494,890	494,890
Advance from District to fund supplemental funding	282,834	353,542
Advance from District to fund noncontingent assessment acquisition	468,693	585,866
 Total Liabilities	 2,807,284	 2,746,083
 <b>NET POSITION</b>		
Net position	\$ -	\$ -

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

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**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.

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**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.



**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**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, 2018, LAIF had approximately \$88.8 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, 2018 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.

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**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, 2018:

	<u>Carrying Amount</u>	<u>Depository Balance</u>
Amounts insured by federal deposit insurance, or collateralized with securities held by the District in its name.	\$ 175,952	\$ 179,564
Petty cash	490	-
Amounts held on deposit with the State of California Local Agency Investment Fund, collateralized by investments registered in the State's name.	<u>4,053,417</u>	<u>4,053,417</u>
	<u>\$ 4,229,859</u>	<u>\$ 4,232,981</u>

The District's cash and cash equivalents are presented as \$4,229,859 in the statements of net position and \$2,748,913 in the statements of fiduciary net position. The difference between the carrying amount and the depository balance represents outstanding checks and deposits in transit.



**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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

The District's cash and cash equivalents consist of the following at June 30, 2017:

	Carrying Amount	Depository Balance
Amounts insured by federal deposit insurance, or collateralized with securities held by the District in its name.	\$ 76,497	\$ 77,707
Petty cash	190	-
Amounts held on deposit with the State of California Local Agency Investment Fund, collateralized by investments registered in the State's name.	4,500,977	4,500,977
	\$ 4,577,664	\$ 4,578,684

The District's cash and cash equivalents are presented as \$4,577,474 in the statements of net position and \$2,726,696 in the statements of fiduciary net position. The difference between the carrying amount and the depository 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, 2018:

	July 1, 2017	Additions	Deletions	June 30, 2018
Equipment	\$ 22,153	\$ -	\$ -	\$ 22,153
Collection and conveyance facilities	11,151,703	66,168	-	11,217,871
Less accumulated depreciation	(6,168,876)	(284,576)	-	(6,453,452)
	5,004,980	(218,408)	-	4,786,572
Land	1,063,640	-	-	1,063,640
	\$ 6,068,620	\$ (218,408)	\$ -	\$ 5,850,212

Depreciation expense for the year-end June 30, 2018 was \$284,576.

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**Note 4 – Capital Assets, continued**

Changes in capital assets consist of the following for the year ended June 30, 2017:

	July 1, 2016	Additions	Deletions	June 30, 2017
Equipment	\$ 22,153	\$ -	\$ -	\$ 22,153
Collection and conveyance facilities	11,140,210	11,493	-	11,151,703
Less accumulated depreciation	<u>(5,897,882)</u>	<u>(270,994)</u>	-	<u>(6,168,876)</u>
Total depreciable	5,264,481	(259,501)	-	5,004,980
Land	<u>876,534</u>	<u>187,106</u>	-	<u>1,063,640</u>
	<u>\$ 6,141,015</u>	<u>\$ (72,395)</u>	<u>\$ -</u>	<u>\$ 6,068,620</u>

Depreciation expense for the year-end June 30, 2017 was \$270,994.

**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, 2017 are available at its office in Half Moon Bay, California. As of the date of this report, audited financial statements for the year ended June 30, 2018, were not yet available so the District has included the June 30, 2017 amount and recognized no increase or decrease in value.

The following is a summary of financial information of the Authority from its June 30, 2017 audited financial statements:

	2017
Total assets	<u>\$ 14,984,857</u>
Total deferred outflows of resources	808,862
Total liabilities	3,840,628
Total deferred inflows of resources	<u>178,377</u>
Net position	<u>\$ 11,774,714</u>
Operating revenues	\$ 4,357,799
Operating expenses	<u>5,670,607</u>
Operating loss	(1,312,808)
Total non-operating revenues, net	<u>581,866</u>
Net loss	<u>\$ (730,942)</u>

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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

Each member's ownership at June 30, 2017 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, 2017 of \$1,290, 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, 2018 and 2017 were \$1,993,109 and \$1,425,167, 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. During the years ended June 30, 2018 and 2017, no payments were received from the Assessment District. This advance is entitled to interest earnings on the fund balance. The balance due from the Assessment District at June 30, 2018 was \$494,890.
- 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 \$412,542 at June 30, 2016. The amounts due to the District listed above are documented in District ordinance 153 and bond resolutions 2003-008 and 2003-012. Repayments were \$59,000 during the year ended June 30, 2017, and \$70,708 during the year ended June 30, 2018, resulting in an ending balance of \$282,834 at June 30, 2018.
- 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 \$600,866 at June 30, 2016. Repayments were \$15,000 during the year ended June 30, 2017, and \$117,713 during the year ended June 30, 2018, resulting in an ending balance of \$468,693 at June 30, 2018.

**Note 7 – Advance to Montara Sanitary District**

Due to 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.

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**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 \$1,470,785 and \$1,312,839 at June 30, 2018 and 2017, 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, 2018 and 2017, \$2,280,000 and \$2,665,000 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 \$4,450 and \$412, respectively, plus additional maintenance costs. Rental expense for the year ended June 30, 2018 and 2017 were \$57,411 and \$56,742, respectively.

Future minimum lease payments at June 30, 2018 consist of the following:

Year Ended June 30,	Minimum Payments
2019	\$ 58,339
2020	58,339
2021	22,662
Total	\$ 139,340

**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.

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**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 PEPR. 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, 2018 and 2017 were 8.418% and 8.377%, 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.

At June 30, 2018, the District reported a liability of \$185,779 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, 2017, 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.

For the fiscal year ended June 30, 2018, the District recognized a negative pension expense of \$12,495 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.



**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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

Actuarial Assumptions

The total pension liability in the June 30, 2017 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 – 2.75%
- 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

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	47.0%	5.38%
Global Fixed Income	19.0%	2.27%
Inflation Sensitive	6.0%	1.39%
Private Equity	12.0%	6.63%
Real Estate	11.0%	5.21%
Infrastructure and Forestland	3.0%	5.36%
Liquidity	2.0%	(0.90)%

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.

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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	\$ 254,514	\$ 185,779	\$ 128,852

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.

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the financial statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Statement of Net Position as Deferred Outflows of Resources which is related to pensions. The total is \$155,963.

The District also recognized deferral inflows of resources in the financial statements. This is an acquisition of net position by the District that is applicable to a future reporting period. The District has one item related to pensions that is captured as a deferred inflow of resources. The total at year-end was \$9,544.

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The \$155,963 was reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-end June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 71,238
2020	24,959
2021	15,623
2022	(2,800)
Total	\$ 109,020

**GRANADA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**Note 12 – Reclassifications**

The financial statements may not be comparable with previous years as the District may have classified certain expense line items differently from the previous years.

**Note 13 – Subsequent Events**

The District has evaluated subsequent events through October 1, 2019, which is the date the basic financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**GRANADA COMMUNITY SERVICES DISTRICT**

Required Supplementary Information - Pensions  
Years Ended June 30, 2018 and 2017

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

Last 10 Fiscal years\*

Measurement Date	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District’s proportion of the net pension liability				
District’s proportionate share of the net pension liability	\$185,779	\$170,410	\$152,020	\$166,360
District’s covered employee payroll	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	135.52%	152.70%	137.95%	155.05%
Plan Fiduciary net position as a percentage of the total pension liability	62.82%	54.65%	54.52%	48.16%

CALPERS - Schedule of District contributions:

Last 10 Fiscal Years\*

Measurement Date	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution	\$ 37,399	\$ 34,626	\$ 36,192	\$ 26,207
Total actual contributions	<u>(37,399)</u>	<u>(34,626)</u>	<u>(36,192)</u>	<u>(26,207)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District’s covered-employee payroll	\$ 137,082	\$ 111,600	\$ 110,200	\$ 107,294
Contributions as a percentage of covered employee payroll	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**



**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2019.

**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.

Governing Board  
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

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in dark ink and is positioned above the printed name and address of the firm.

Sacramento, California  
October 1, 2019