



**FECHTER
& COMPANY**
Certified Public Accountants

**GRANADA COMMUNITY
SERVICES DISTRICT**

**Annual Financial Report
with
Independent Auditor's Report Thereon
For the Year Ended
June 30, 2025**

GRANADA COMMUNITY SERVICES DISTRICT

Annual Financial Report

Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Granada Community Services District
El Granada, California

Opinion

We have audited the accompanying financial statements of the business-type activities of Granada Community Services District as of and for the year ended June 30, 2025, and the related notes to the financial Statement, which collectively comprise the Granada Community Services District's basic financial Statement as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Granada Community Services District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Granada Community Services District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

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

In preparing the financial Statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Granada Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial Statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Granada Community Services District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Granada Community Services District’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4–8, the schedule of the district’s proportionate share of the net pension liability on page 39, and the schedule of pension plan contributions on pages 40-42 be presented to supplement the basic financial Statement. Such information is the responsibility of management and, although not a part of the basic financial Statement, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial Statement 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

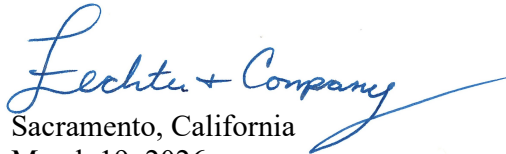
Board of Directors
Granada Community Services District
El Granada, California

consistency with management's responses to our inquiries, the basic financial Statement, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2026, on our consideration of the Granada Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Granada Community Services District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Granada Community Services District's internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants


Sacramento, California
March 19, 2026

GRANADA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2025

This section of the Granada Community Services District's (District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2025. This information is presented in conjunction with the basic financial Statement, which follow this section.

Financial Highlights

- The District's net position increased 8.43% or \$1,701,330, to \$21,891,437.
- Total revenues increased 12.60% or \$557,827, to \$4,985,692.
- Total expenses decreased 6.92% or \$244,040, to \$3,284,362.

Overview of the Financial Statement

This discussion and analysis is intended to serve as an introduction to the District's basic financial Statement. The District's basic financial Statement are comprised of three components: government-wide financial Statement, fund financial Statement, and notes to the financial Statement. This report also includes additional required supplementary information in addition to the basic financial Statement.

Required Financial Statement

This annual report consists of a series of financial Statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This Statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This Statement can also be used to evaluate profitability and credit worthiness. The final required financial Statement are the Statement of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to questions such as: where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These Statement include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most

GRANADA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2025

private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These Statements report the District's net position and changes in it. One can think of the District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial Statement. The notes to the basic financial Statement can be found on pages 13 through 28.

Statement of Net Position

A summary of the Statement of net position is as follows:

Condensed Statements of Net Position

	2025	Change	2024
Assets:			
Current assets	\$ 8,209,985	\$ 1,711,196	\$ 6,498,789
Non-current assets	14,086,622	(19,070)	14,105,692
Total Assets	22,296,607	1,692,126	20,604,481
Deferred Outflows of Resources:	112,280	(19,138)	131,418
Liabilities:			
Current liabilities	240,322	53,578	186,744
Non-current liabilities	214,580	(89,946)	304,526
Total Liabilities	454,902	(36,368)	491,270
Deferred Inflows of Resources:	62,547	8,026	54,521
Net Position:			
Net investment in capital assets	7,391,540	(176,843)	7,568,383
Net investment in other governments	6,610,092	214,866	6,395,225
Restricted	1,699,103	71,801	1,627,302
Unrestricted	6,190,703	1,591,506	4,599,197
Total Net Position	\$ 21,891,437	\$ 1,701,329	\$ 20,190,108

GRANADA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2025

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,891,438 as of June 30, 2025.

As of June 30, 2025, net position of the District increased by 8.43% or \$1,703,330. The District's total net position is made up of three components: (1) net investment in capital assets, (2) restricted net position (restricted for Assessment District), (3) and unrestricted net position.

By far the largest portion of the District's net position (33.15% as of June 30, 2025) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2025, the District showed a positive balance in its unrestricted net position of \$6,190,703, which may be utilized in future years (See Note 7 for further discussion).

Statement of Revenues, Expenses, and Changes in Net Position

A summary of the Statement of revenues, expenses, and changes in net position is as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>Change</u>	<u>2024</u>
Revenues:			
Operating revenues	\$ 2,795,483	\$ 324,617	\$ 2,470,866
Non-operating revenues	2,190,209	233,210	1,957,000
Total Revenues	<u>4,985,692</u>	<u>557,827</u>	<u>4,427,865</u>
Expenses:			
Operating expenses	2,999,764	(230,886)	3,230,651
Depreciation expense	284,598	(13,154)	297,752
Total Expense	<u>3,284,362</u>	<u>(244,040)</u>	<u>3,528,403</u>
Change in Net Position	1,701,330	801,867	899,463
Net Position, Beginning of Year	<u>20,190,108</u>	<u>899,463</u>	<u>19,290,645</u>
Net Position, End of Year	<u>\$ 21,891,437</u>	<u>\$ 1,701,329</u>	<u>\$ 20,190,108</u>

The statement of revenues, expenses, and changes in net position show how the District's net position changed during the fiscal year.

A closer examination of the sources of changes in net position reveals that:

The District's net position increased 8.43% or \$1,703,330, to \$21,891,437, from continuing operations.

GRANADA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2025

The District's total revenues increased 12.60% or \$557,827, to \$4,985,692.

The District's operating revenues increased 13.14% or \$324,617, to \$2,795,483, due to increase of \$306,992 in sewer service charges and an increase of \$17,625 in connection fees. The District's non-operating revenues increased 11.92% or \$233,210, to \$2,190,209, due to increases of \$13,308 in Assessment District revenues, \$159,452 in investment in Sewer Authority Mid-Coastside, \$60,791 in property taxes, and \$17,100 in investment income from the Assessment District, offset by decreases of \$17,441 in other non-operating revenues.

The District's total expenses decreased 6.92% or \$244,040, to \$3,284,362.

The District's operating expenses decreased 7.15% or \$230,886, to \$2,999,764, primarily due to decreases of \$23,700 in Assessment District administrative and general expenses, \$264,908 in parks and recreation, \$4,571 in infrastructure repair costs, and \$7,985 in sewage administration, offset by increases of \$46,155 in administrative and general expenses, and \$24,121 in sewage treatment expenses.

The District's depreciation expenses decreased 4.42% or \$13,154, to \$284,598.

Capital Assets

At the end of fiscal year 2025, the District's investment in capital assets (net of accumulated depreciation), amounted to \$7,391,540. This investment in capital assets includes land, water transmission and distribution systems, buildings and structures, equipment, and vehicles. (See note 4 for further discussion).

The change in capital assets for 2025, was as follows:

	Balance 2024	Additions	Deletions	Balance 2025
Non-depreciable assets	\$ 2,862,979	\$ 72,308	\$ -	\$ 2,935,287
Depreciable assets	12,875,106	35,447	-	12,910,553
Accumulated Depreciation	(8,169,702)	(284,598)	-	(8,454,300)
Total capital assets, net	<u>\$ 7,568,383</u>	<u>\$ (176,843)</u>	<u>\$ -</u>	<u>\$ 7,391,540</u>

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

GRANADA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 504 Avenue Alhambra, 3rd Floor, P.O. Box 335, El Granada, California 94018.

BASIC FINANCIAL STATEMENTS

GRANADA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

Assets

Current Assets:

Cash and cash equivalents	\$ 6,126,649
Cash and cash equivalents - restricted	237,678
Investments - restricted	1,461,425
Accounts receivable	9,883
Lease receivable	64,937
Excess ERAF receivable	298,742
Interest receivable	99
Prepaid expenses	10,572
Total current assets	8,209,985

Non-current Assets:

Investment in Sewer Authority Mid-Coastside	6,610,092
Lease right-of-use asset	84,990
Capital assets not being depreciated	2,935,287
Capital assets being depreciated	4,456,253
Total non-current assets	14,086,622

Total Assets

22,296,607

Deferred outflows of resources

Deferred outflows - pensions	112,280
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Liabilities

Current liabilities:

Accounts payable	167,263
Accrued payroll and payroll liabilities	-
Customer deposits	3,498
Current portion of lease liabilities	58,811
Current portion of compensated absences liability	10,750
Total current liabilities	240,322

Non-current liabilities:

Compensated absences liability	4,303
Lease liabilities - long term	29,588
Net pension liability	180,689
Total liabilities	454,902

Deferred inflows of resources

Deferred inflows - leases	61,937
Deferred inflows - pensions	610
Total deferred inflows of resources	62,547

Net position

Net investment in capital assets	7,391,540
Net investment in other governments	6,610,092
Restricted	1,699,103
Unrestricted	6,190,703
Total Net Position	\$ 21,891,437

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

GRANADA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED
JUNE 30, 2025

Operating revenues:	
Sewer service charges	\$ 2,750,833
Connection fees	44,650
	<hr/>
Total operating revenues	2,795,483
	<hr/>
Operating expenses:	
Sewer Authority Mid-Coastside expenses:	
Sewage administration	353,567
Sewage treatment	796,989
Sewage environmental compliance	47,961
Sewage collection	174,761
Administration and general	963,837
Administration and general - assessment district	52,418
Parks and recreation	28,991
Infrastructure repair costs	581,240
	<hr/>
Total operating expenses	2,999,764
	<hr/>
Operating loss before depreciation	(204,281)
Depreciation expense	(284,598)
	<hr/>
Total operating loss	(488,879)
	<hr/>
Non-operating revenues:	
Property tax revenue - ERAF	562,340
Property tax revenue - parks	909,546
Assessment revenue - assessment district	93,483
Investment revenue - assessment district	25,844
Investment returns (unrealized loss)	226,352
Investment in Sewer Authority Mid-Coastside	214,866
Other revenues	157,778
	<hr/>
Total non-operating revenues	2,190,209
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Change in net position	1,701,330
Beginning net position	18,887,641
	<hr/>
Prior period adjustment	1,302,467
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Beginning net position, restated	20,190,108
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Ending net position	\$ 21,891,437
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The accompanying notes are an integral part of these financial statements.

GRANADA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2025

Cash flows from operating activities:

Receipts from customers	\$ 2,837,535
Payments to suppliers	(2,676,921)
Payments to employees	(285,532)
Net cash used by operating activities	<u>(124,918)</u>

Cash flows from non-capital financing activities:

Proceeds from property taxes	1,438,302
Proceeds from assessments	119,327
Proceeds from other non-operating revenue, net	157,778
Net cash provided by non-capital financing activities	<u>1,715,407</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	<u>(107,755)</u>
Net cash used by capital and related financing activities	<u>(107,755)</u>

Cash flows from investing activities:

Proceeds from sale of investments	<u>210,228</u>
Net cash provided by investing activities	<u>210,228</u>

Net increase in cash and cash equivalents 1,692,962

Cash and cash equivalents, beginning of year 4,671,365

Cash and cash equivalents, end of year \$ 6,364,327

Reconciliation of cash and cash equivalents to statements of net position:

Cash and cash equivalents	\$ 6,126,649
Cash and cash equivalents - restricted	237,678
Total cash and cash equivalents	<u><u>\$ 6,364,327</u></u>

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

**GRANADA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS, CONTINUED
FOR THE YEAR ENDED
JUNE 30, 2025**

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (488,879)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	284,598
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	47,547
Prepaid expenses	(397)
Lease receivables	(15,676)
Lease right-of-use asset	57,093
Deferred pension outflows	19,138
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	47,073
Accrued payroll and payroll liabilities	(4,516)
Customer deposits and unearned revenue	(3,022)
Compensated absences	3,752
Lease liabilities	(55,517)
Deferred lease inflows	13,203
Net pension liability	(24,137)
Deferred pension inflows	(5,177)
	363,961
Total adjustments	363,961
Net cash used by operating activities	\$ (124,918)

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

NOTES TO FINANCIAL STATEMENTS

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The 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. The District is governed by a five-member Board of Directors who serves overlapping four-year terms.

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. Although the Assessment District is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing sewer service to its service area on a continuing basis be financed or recovered primarily through user charges (sewer service charge), connection fees, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as sewage administration, treatment, environmental compliance, and collection, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 – Reporting Entity and Summary of Significant Accounting Policies – continued

Financial Reporting

The District's basic financial Statement have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

Use of Estimates

The preparation of the basic financial Statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements, and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1:** Valuation level is based on quoted prices in active markets for identical assets. The District currently holds money market mutual fund investments valued at this level.
- **Level 2:** Valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals. The District does not currently hold any investments valued at this level.

GRANADA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2025

Note 1 – Reporting Entity and Summary of Significant Accounting Policies – continued

Fair Value Measurements – continued

- **Level 3:** Valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market. The District does not currently hold any investments valued at this level.

The District’s investment in LAIF is valued at amortized cost therefore the District has determined it does not meet fair value measurement criteria.

Accounts Receivable

The District extends credit to sewer service customers in the normal course of operations. Sewer service charges are billed on the County of San Mateo tax roll.

Property Taxes and Assessments

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. In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the “Teeter Plan”). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end.

Under this plan, the Counties assume an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and by such financing, Granada Community Services District receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of San Mateo, which have not been credited to the District’s cash balance as of June 30. 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.

The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 – Reporting Entity and Summary of Significant Accounting Policies – continued

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial Statement.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$25,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Sewer Collection System – 33 to 50 years
- Equipment – 5 years

Compensated Absences

The District’s policy is to permit employees to accumulate earned vacation and sick. Vacation accruals are capped at 50 days. Upon termination of employment, employees are paid all unused accrued vacation. Employees will accrue 4 hours of paid sick leave per pay period. Sick accruals are capped at 20 days. No compensation will be paid for accrued sick leave upon termination of employment.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

- Valuation date: June 30, 2023
- Measurement date: June 30, 2024
- Measurement period: July 1, 2023 to June 30, 2024

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 – Reporting Entity and Summary of Significant Accounting Policies – continued

Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – Includes the capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, are included in this component of net position.
- *Restricted* – Includes the assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – Includes the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of *the net investment in capital assets* or *restricted* components of net position.

Adoption of New Accounting Statement

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 – Reporting Entity and Summary of Significant Accounting Policies – continued

Adoption of New Accounting Statement – continued

A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The Districted adopted this statement as of July 1, 2024.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – Certain Risk Disclosures. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial Statement are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

The Districted adopted this statement as of July 1, 2024.

Future Accounting Statement

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 – Reporting Entity and Summary of Significant Accounting Policies – continued

Future Accounting Statement – continued

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – Financial Reporting Model Improvements. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial Statement be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the Statement; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of government financial Statement with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statement and Management’s Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial Statement of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 2 – Cash and Investments

Cash and cash equivalents as of June 30, 2025, are reported in the accompanying financial Statement as follows:

	2025
Cash and cash equivalents	\$ 6,126,649
Cash and cash equivalents - restricted	237,678
Investments - restricted	1,461,425
	\$ 7,825,752

Cash and cash equivalents as of June 30, 2025, consist of the following:

	2025
Cash on hand	\$ 226
Deposits with financial institutions	434,374
Investments	7,391,152
	\$ 7,825,752

Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Project, rather than the general provisions of the California Government Code or the District’s investment policy.

GRANADA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2025

Note 2 – Cash and Investments – continued

Investments Authorized by the California Government Code and the District’s Investment Policy – continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	100%	None
U.S. Treasury Obligations	5 years**	100%	None
U.S. Government Agency Securities	5 years**	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase agreements	1 year	100%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	100%	None
Beneficial Interest of a Joint Power Authority	N/A	100%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial Statement at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 2 – Cash and Investments – continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code 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 public agencies. As of June 30, 2025, \$250,000 of the District's bank balance is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 2 – Cash and Investments – continued

Interest Rate Risk – continued

Maturities of investments at June 30, 2025 consisted of the following:

Investment Type	Total	Remaining Maturity 12 months or less
Local Agency Investment Fund (LAIF)	\$ 9,071	\$ 9,071
Money Market Mutual Funds	1,461,425	1,461,425
CalTRUST Liquidity Fund	5,920,656	5,920,656
Total	\$ 7,391,152	\$ 7,391,152

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. Per the District’s investment policy, credit risk is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the District’s cash flow. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2025 were as follows:

Investment Type	Total	Minimum Legal Rating	Rating as of Year-End		
			Moody's Rating Aa3	S&P Rating AAAM	Not Rated
Local Agency Investment Fund (LAIF)	\$ 9,071	N/A	\$ -	\$ -	\$ 9,071
Money Market Mutual Funds	1,461,425	N/A	1,461,425	-	-
CalTRUST Liquidity Fund	5,920,656	N/A	-	5,920,656	-
Total	\$ 7,391,152	N/A	\$ 1,461,425	\$ 5,920,656	\$ 9,071

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 2 – Cash and Investments – continued

Concentration of Credit Risk

The District’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District’s deposit portfolio with governmental agencies, LAIF, is 0.12% as of June 30, 2025, of the District’s total depository and investment portfolio.

Fair Value Measurements

As of June 30, 2025, the District held investments in LAIF, money market mutual funds, and CalTrust liquidity funds. All these investment types are not subject to fair value hierarchy.

Note 3 – 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, 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.

The following is a summary of financial information of the Authority from its June 30, 2025 audited financial Statement:

Condensed Statement of Net Position

Assets:	
Current assets	\$ 3,473,435
Non-current assets	24,002,554
Total Assets	27,475,989
Deferred Outflows of Resources	1,317,360
Liabilities:	
Current liabilities	1,033,536
Non-current liabilities	4,951,801
Total Liabilities	5,985,337
Deferred Inflows of Resources	400,922
Net Position:	
Net investment in capital assets	23,884,068
Unrestricted (Deficit)	(1,476,978)
Total Net Position	\$ 22,407,090

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 3 - Investment in Sewer Authority Mid-Coastside – continued

Condensed Statement of Changes in Net Position for the year ended June 30, 2025

Revenues:	
Operating revenues	\$ 7,260,463
Non-operating revenues	81,566
Total Revenues	7,342,029
Expenses:	
Operating expenses	8,075,070
Depreciation expense	1,926,047
Total Expense	10,001,117
Net loss before capital contributions	(2,659,088)
Capital contributions	3,387,448
Change in Net Position	728,360
Net Position, Beginning of Year	21,678,730
Net Position, End of Year	\$ 22,407,090

Each member's ownership at June 30, 2025 was as follows:

	Ownership Percentage	Fair Value of Investment
City of Half Moon Bay	50.5%	\$ 11,315,580
Granada Community Services District	29.5%	6,610,092
Montara Sanitary District	20.0%	4,481,418
	100.0%	\$ 22,407,090

For the fiscal year ended June 30, 2025, the District's investment in the Authority increased by \$214,866. This increase is included in the Statement of Revenues, Expenses, and Changes in Net Position.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 3 - Investment in Sewer Authority Mid-Coastside – continued

Total payments made to the Authority for operations, treatment, environmental compliance, collections, and infrastructure repair costs for the fiscal year ended June 30, 2025 are as follows:

Sewage administration	\$ 353,567
Sewage treatment	796,989
Sewage environmental compliance	47,961
Sewage collection	174,761
Infrastructure repair costs	<u>581,240</u>
Total	<u>\$ 1,954,518</u>

Audited financial Statement of the Authority for the year ended June 30, 2025 are available at its office in Half Moon Bay, California. The calculation of the change in investment in the District’s percentage share of the Sewer Authority Mid-Coastside as of June 30, 2025, were as follows:

Sewer Authority Mid-Coastside change in net position	\$ 728,360
District's ownership percentage	29.50%
Increase in investment in Sewer Authority Mid-Coastside	<u>214,866</u>
Investment in Sewer Authority Mid-Coastside, beginning	<u>6,395,226</u>
Investment in Sewer Authority Mid-Coastside, ending	<u>\$ 6,610,092</u>

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 4 – Capital Assets

Changes in capital assets for 2025 were as follows:

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2025</u>
Non-depreciable assets:				
Land	\$ 2,862,979	\$ -	\$ -	\$ 2,862,979
Construction in progress	-	72,308	-	72,308
Total non-depreciable assets	<u>2,862,979</u>	<u>72,308</u>	<u>-</u>	<u>2,935,287</u>
Depreciable assets:				
Sewer Collection System	12,833,176	35,447	-	12,868,623
Equipment	41,930	-	-	41,930
Total depreciable assets	<u>12,875,106</u>	<u>35,447</u>	<u>-</u>	<u>12,910,553</u>
Accumulated depreciation	<u>(8,169,702)</u>	<u>(284,598)</u>	<u>-</u>	<u>(8,454,300)</u>
Total depreciable assets, net	<u>4,705,404</u>	<u>(249,151)</u>	<u>-</u>	<u>4,456,253</u>
Total capital assets, net	<u>\$ 7,568,383</u>	<u>\$ (176,843)</u>	<u>\$ -</u>	<u>\$ 7,391,540</u>

Major capital assets additions during the fiscal year ended 2025 consists of additions to the sewer collection system. Depreciation expenses were charged to the District's sewer and parks fund.

Note 5 – Compensated Absences

Changes in compensated absences were as follows:

<u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
<u>\$ 11,301</u>	<u>\$ 3,752</u>	<u>\$ -</u>	<u>\$ 15,053</u>	<u>\$ 10,750</u>

GRANADA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2025

Note 6 – Defined Benefit Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District’s resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. On September 12, 2012, the California Governor signed the California Public Employees’ Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA. The District participates in the Plan’s miscellaneous risk pool. The provisions and benefits for the Plan’s miscellaneous pool in effect as of June 30, 2025, are summarized as follows:

	2025	
	New Classic	PEPRA
Hire Date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	6.92%	7.75%
Required employer contribution rates	11.84%	7.68%

GRANADA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2025

Note 6 – Defined Benefit Pension Plans – continued

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in rate. Funding contribution for the Plan is determined annually on an actuarial basis as of June 30, 2025, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2025, the District’s employer contributions reduced its net pension liability as follows:

	<u>2025</u>
Employer contributions	<u>\$ 59,086</u>

Net Pension Liability

As of the fiscal year ended June 30, 2025, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>2025</u>
Proportionate share of net pension liability	<u>\$ 180,689</u>

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2025, the net pension liability of the Plan is measured as of June 30, 2024 (the measurement date). The total pension liability for the Plan’s miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 (the valuation date), rolled forward to June 30, 2024, using standard update procedures.

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 participating employers, actuarially determined.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 6 – Defined Benefit Pension Plans – continued

Net Pension Liability – continued

The District’s changes in proportionate share of the net pension liability for the Plan’s miscellaneous risk pool as of the fiscal year ended June 30, 2025 with measurement date June 30, 2024 are as follows:

	2025
Proportion - beginning of year	0.004100%
Change in proportionate share	-0.000360%
Proportion - end of year	0.003740%

Deferred Pension Outflows (Inflows) of Resources

For the year ended June 30, 2025, the District recognized pension expense of \$52,484. As of the fiscal year ended June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Description	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 59,036	\$ -
Differences between actual and expected experience	15,622	(610)
Changes in assumptions	4,644	-
Difference between projected and actual earnings on plan investments	10,402	-
Differences between employer's contributions and proportionate share of contributions	22,576	-
Total	\$ 112,280	\$ (610)

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 6 – Defined Benefit Pension Plans – continued

Deferred Pension Outflows (Inflows) of Resources – continued

As of June 30, 2025, the District reported \$59,036, as deferred outflows related to pension contributions subsequent to the measurement date June 30, 2024, will be/were recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2026.

For the years ended June 30, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows (Inflows) of Resources
2026	\$ 20,323
2027	31,263
2028	4,613
2029	(3,565)
	\$ 52,634

Actuarial Assumptions

The total pension liabilities in the June 30, 2025, actuarial valuations were determined using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

Valuation dates	June 30, 2023
Measurement dates	June 30, 2024
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
 Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Investment rate of return	6.90% net of pension plan investment and administration expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS membership data for all funds
Period upon which actuarial experience survey assumptions were based	1997-2015
Post retirement benefit	COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 6 – Defined Benefit Pension Plans – continued

Actuarial Assumptions – continued

* The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2025, for the PERF C was 6.90% for both years. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plan's investments were applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 6 – Defined Benefit Pension Plans – continued

Discount Rate – continued

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Asset Allocation	Real Return Years 1-10
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	27.00%
Mortgage-backed Securities	5.00%	50.00%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<u>100.00%</u>	

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

The following table presents the District’s proportionate share of the net position liability for the Plan calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of June 30, 2025, the discount rate comparison is as follows:

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	5.90%	6.90%	7.90%
District's net pension liability	<u>\$ 336,970</u>	<u>\$ 180,698</u>	<u>\$ 52,047</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See the Required Supplementary Information.

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 7 – Net Position

Calculation of net position as of June 30, 2025, was as follows:

	2025
Net investments in capital assets:	
Capital assets - not being depreciated	\$ 2,935,287
Capital assets - being depreciated	4,456,253
Total net investments in capital assets	7,391,540
Net investments in other governments:	
Investment in Sewer Authority Mid-Coastside	6,610,092
Total net investments in other governments	6,610,092
Restricted - assessment district:	
Cash and cash equivalents - restricted	237,678
Investments - restricted	1,461,425
Total restricted net position	1,699,103
Unrestricted net position:	
Non-spendable net position:	
Prepaid expenses	10,572
Total non-spendable net position	10,572
Spendable net position:	
Unrestricted	6,190,703
Total spendable net position	6,190,703
Total net position	\$ 21,902,010

GRANADA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2025

Note 8 – Leasing Activities

District as Lessor

The District acts as a lessor for a noncancellable lease of property. In January 2025, the District and the lessee mutually agreed to terminate the existing lease, which had a remaining term of 3 months. The lessee and the District simultaneously entered into a new lease agreement for the same space with revised terms.

At the date of termination, the carrying value of the lease receivable was \$14,919, and the related deferred inflow of resources was \$14,620. Upon termination, both the lease receivable and deferred inflow of resources were eliminated. The difference of \$299 was recognized as a loss in the Statement of Revenues, Expenditures, and Changes in Net Position

The new lease agreement was executed effective February 1, 2025 with a lease term of 16 months with a set monthly payment of \$6,000. There are no renewal or purchase options, residual value guarantees or termination penalties included in this lease.

At lease commencement, the District recognized a new lease receivable and deferred inflow of resources, measured at the present value of the new lease payments, discounted at the District's approximated incremental borrowing rate of 3.26%. The total recognized as lease receivable and deferred inflow of resources was \$90,090.

During the year ended June 30, 2025, the District recognized the following inflows of resources from leases:

Lease revenue	\$ 59,495
Interest revenue	<u>1,505</u>
Total lease payments	<u><u>\$ 61,000</u></u>

The following table presents the future payments to be received under lease agreements as of June 30, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 64,937</u>	<u>\$ 1,063</u>	<u>\$ 66,000</u>

GRANADA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2025

Note 8 – Leasing Activities – continued

District as Lessee

Lease agreements in which the District acts as lessee are summarized as follows:

Description	Date	Payment Term	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2025
Office lease	12/1/2023	36	Variable	2.82%	\$ 163,701	\$ 80,526
Copy machine	8/17/2023	60	\$ 198	2.77%	11,114	7,018
Postage machine	4/18/2023	60	\$ 81	2.77%	1,515	855
					<u>\$ 176,330</u>	<u>\$ 88,399</u>

The office space was leased for the District’s main office, beginning on December 1, 2023 for a term of three years at a fixed interest rate of 2.82%. This lease is renewable for two additional three-year terms. These additional terms have not been included in the value of the lease liability due to the uncertainty of the exercising of those options.

The copy machine was leased for use in the District’s main office, beginning on August 17, 2023 for a term of five years at a fixed interest rate of 2.77%. This lease is not renewable and has no residual value

The postage machine was leased for use in the District’s main office, beginning on April 18, 2023 for a term of five years at a fixed interest rate of 2.77%. This lease is not renewable and has no residual value.

The lease assets related to these leases as of June 30, 2025 were as follows:

Right-of-use assets	\$ 176,330
less accumulated amortization	<u>(91,340)</u>
Net Right-of-use assets	<u>\$ 84,990</u>

The future principal and interest payments as of June 30, 2025 were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 58,811	\$ 1,741	\$ 60,552
2027	26,814	286	27,100
2028	2,576	44	2,620
2029	198	-	198
Total	<u>\$ 88,399</u>	<u>\$ 2,071</u>	<u>\$ 90,470</u>

GRANADA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2025

Note 9 – Prior Period Adjustments

In fiscal year 2025, the District determined it did not properly record lease transactions for the fiscal year ended 2024. Additionally, the District found that it had improperly calculated the investment in Sewer Authority Mid-Coastside in prior years. As a result, the District restated its net position in the amount of \$1,302,467 as of June 30, 2024.

The adjustments to net position were as follows:

Net position at June 30, 2024, as previously stated:	\$ 18,887,641
Effect of adjustment to record lease transactions	(1,305)
Effect of adjustment to Sewer Authority Mid-Coastside	<u>1,303,772</u>
Net position at June 30, 2024, as restated:	<u><u>\$ 20,190,108</u></u>

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2025:

General and auto liability, employment practices liability, and public officials and employees' errors and omissions: Total risk financing self-insurance and reinsurance/excess limits of \$10,000,000, combined single limit per occurrence.

Public Officials and Management Liability up to \$1,000,000 per loss, including wrongful acts, employment practices, privacy and network security, subject to a \$2,500 deductible per loss. Property losses are paid at the replacement cost for buildings, fixed equipment, and personal property on file, subject to a \$5,000 deductible per loss.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the fiscal year ended June 30, 2025. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). There were no IBNR claims payable as of June 30, 2025.

Note 11 – Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

GRANADA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2025

Note 11 – Commitments and Contingencies – continued

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Note 12 – Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial Statement or disclosure as of March 19, 2026, which is the date the financial Statement were available to be issued. There were no events subsequent to the financial statement date that required additional adjustment or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

GRANADA COMMUNITY SERVICES DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
For The Year Ended June 30, 2025

Last 10 Fiscal Years

Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
District's proportion of the net pension liability	0.003740%	0.001642%	0.001606%	0.001601%	0.001658%
District's proportionate share of the net pension liability	\$ 180,689	\$ 204,826	\$ 185,455	\$ 86,607	\$ 180,448
District's covered employee payroll	230,000	227,028	203,382	169,431	329,968
District's proportionate share of the net pension liability as a percentage of its covered payroll	78.56%	90.22%	91.19%	106.50%	174.90%
District's proportionate share of fiduciary net position as a percentage of total pension liability	84.40%	76.21%	76.68%	88.29%	75.10%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.001732%	0.001806%	0.001873%	0.001969%	0.002215%
District's proportionate share of the net pension liability	\$ 177,495	\$ 174,065	\$ 185,779	\$ 170,410	\$ 152,020
District's covered employee payroll	353,350	284,461	260,629	283,860	107,294
District's proportionate share of the net pension liability as a percentage of its covered payroll	154.13%	197.52%	192.25%	174.50%	155.05%
District's proportionate share of fiduciary net position as a percentage of total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%

GRANADA COMMUNITY SERVICES DISTRICT
Schedule of Pension Plan Contributions
For The Year Ended June 30, 2025

Last 10 Fiscal Years

Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Actuarially determined contribution	\$ 59,036	\$ 50,822	\$ 52,802	\$ 52,743	\$ 41,518
Total actual contributions	(59,036)	(50,822)	(52,802)	(52,743)	(41,518)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 230,000	\$ 227,028	\$ 203,382	\$ 127,025	\$ 169,431
Contributions as a percentage of covered employee payroll	25.67%	22.39%	25.96%	41.52%	24.20%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially determined contribution	\$ 45,198	\$ 41,490	\$ 37,399	\$ 34,626	\$ 36,192
Total actual contributions	(45,198)	(41,490)	(37,399)	(34,626)	(36,192)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 158,369	\$ 141,194	\$ 145,389	\$ 87,196	\$ 108,447
Contributions as a percentage of covered employee payroll	20.00%	22.84%	23.56%	20.66%	7.99%

GRANADA COMMUNITY SERVICES DISTRICT
Schedule of Pension Plan Contributions
For The Year Ended June 30, 2025

Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value
Inflation	2.300%	2.300%	2.300%	2.300%	2.500%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	6.90% (3)	6.90% (3)	7.150% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

GRANADA COMMUNITY SERVICES DISTRICT
Schedule of Pension Plan Contributions
For The Year Ended June 30, 2025

Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value
Inflation	2.500%	2.625%	2.750%	2.750%	2.750%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.000% (3)	7.250% (3)	7.375% (3)	7.500% (3)	7.500% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

OTHER REPORT

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

Board of Directors
Granada Community Services District
El Granada, California

We have audited, in accordance with the auditing standards 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 the business-type activities of Granada Community Services District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Granada Community Services District's basic financial statements, and have issued our report thereon dated March 19, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Granada Community Services District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial Statement, but not for the purpose of expressing an opinion on the effectiveness of Granada Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of Granada Community Services 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial Statement 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 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 consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Directors
Granada Community Services District
El Granada, California

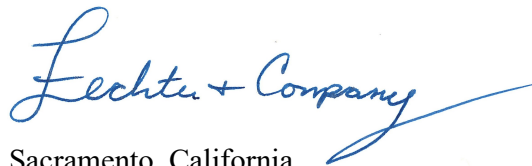
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Granada Community Services 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 financial Statement. 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 results 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



Sacramento, California
March 19, 2026