Granada Community Services District

Management Report

June 30, 2022

C.J. Brown & Company CPAs
An Accountancy Corporation

Granada Community Services District

Management Report

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C.J. Brown & Company CPAs
An Accountancy Corporation

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Board of Directors
Granada Community Services District
El Granada, California

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Granada Community Services District (District) as of and for the year ended June 30, 2022, 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, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

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

Other Comment

Our comment, all of which have been discussed with the appropriate members of management, is summarized as follows:

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process, we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

* * * * * * * * * *

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
July 20, 2023

APPENDIX

Granada Community Services District

Audit/Finance Committee Letter

June 30, 2022

C.J. Brown & Company CPAs
An Accountancy Corporation

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Board of Directors
Granada Community Services District
El Granada, California

We have audited the financial statements of the Granada Community Services District (District) as of and for the year ended June 30, 2022, and have issued our report thereon dated July 20, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 24, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated July 20, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

In preparing the financial statements based on information provided by the District, an auditor that was not part of the engagement team performed an independent review of the financial statements to reduce the threat of self-review to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards

As auditors of the District, we are required per AU-C Section 240, "Consideration of Fraud in a Financial Statement Audit", to "ordinarily" presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are*:*

- Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the District's capital assets, net of accumulated depreciation is based on the estimated useful life of the capital assets. We evaluated the key factors and assumptions used to develop the estimated useful life of the capital assets in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the opinion unit.

- Management's estimate of the District's net pension liability is based on actuarial valuations. We evaluated the key factors and actuarial assumptions used to develop the estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the opinion unit.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- The disclosure of fair value of investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

- The disclosure of the District's capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

- The disclosure of the District's defined benefit pension plan in Note 6 to the financial statements, that was based on an actuarial valuation.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions identified as a result of our audit procedures were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on pages 5 and 6 presents the material journal entries that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report; however, there were no circumstances that affect the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated July 20, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension Liability, and Schedules of Pension Plan Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Conclusion

We appreciate the cooperation extended us by Chuck Duffy, General Manager, Delia Comito, Assistant General Manager, and Hope Atmore, Assistant General Manager Manager in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
July 20, 2023

Granada Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2022

Account	Description		Debit	Credit
Audit Adjusting Journal Entries JE # 1				
To adjust FMV of LAIF as of June 30, 2022				
CJB4125	Unrealized loss (gain) on FMV LAIF	$	35,551.96	
1030	Cash - LAIF			35,551.96
Audit Adjusting Journal Entries JE # 2				
To adjust Investment in SAM as of June 30, 2022.				
1750	Investment in SAM		60,225.00	
8100	Net Change in Equity of SAM			60,225.00
Audit Adjusting Journal Entries JE # 3				
To adjust payroll liabilities into its proper balance as of				
2100	Payroll Liabilities		2,373.19	
6064	CALPERS Contribution			2,373.19
Audit Adjusting Journal Entries JE # 4				
To adjust accrued vacation as of June 30, 2022.				
2001	Accrued Vacation		280.12	
6061	Employee Salaries			280.12
Audit Adjusting Journal Entries JE # 5				
To adjust net pension liability and related components as of				
2401	Net Pension Liability		93,841.00	
1760	Deferred Outflows of Resources			9,228.00
2402	Deferred Inflows of Resources			73,743.00
6064	CALPERS Contribution			10,870.00
Audit Adjusting Journal Entries JE # 6				
To adjust beginning balance of net position as of June 30,				
1500	Due from AD		27,688.00	
AD2250	Deposits Held For Others			27,688.00
Audit Adjusting Journal Entries JE # 7				
To accrue expenses incurred as of June 30, 2022.				
6071	Engineering- General		1,588.60	
6074	Engineering- Big Wave		393.90	
6075	Engineering-Naples Beach/Mirada		6,778.25	
6151	General Manager		7,541.25	
7013	6-yr CIP Phase 2		11,493.30	
2000	Accounts Payable	$		27,795.30

Granada Community Services District
Schedule of Audit Adjusting Journal Entries, continued
June 30, 2022

Account	Description		Debit	Credit
Audit Adjusting Journal Entries JE # 8				
To reclassify capital assets to the proper account as of				
1610	Construction in Progress	$	376,929.05	
1620	Collections System		431,346.21	
1617-1	Medio Creek Xing/Mirada Sewer			431,346.21
7010	Sewer Main Replacement (CIP)			320,267.85
7013	6-yr CIP Phase 2			56,661.20
Audit Adjusting Journal Entries JE # 9				
To reclassify expense to its proper account as of June 30,				
6071	Engineering- General		3,753.00	
6220	Miscellaneous		782.80	
1112-1	Naples Bch PS & FM Realignment			782.80
1415-4	22/23 SSMP Costs	$		3,753.00

Granada Community Services District
Schedule of Client Adjusting Journal Entries
June 30, 2022

Account	Description		Debit	Credit
Client Adjusting Journal Entries JE # 1				
CJE - To reclass prepaid expenses for FY 22 out of A/P				
1550	Prepaid Expenses	$	4,647.29	
2000	Accounts Payable			4,647.29

Annual Financial Report
For the Fiscal Year Ended
June 30, 2022

Board of Directors as of June 30, 2022

Name	Title	Elected/ Appointed	Current Term
Barbara Dye	President	Elected	2018-2022
Matthew Clark	Vice-President	Elected	2020-2024
Nancy Marsh	Director	Elected	2020-2024
David Seaton	Director	Elected	2018-2022
Eric Suchomel	Director	Elected	2018-2022

Chuck Duffy, General Manager
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Granada Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2022

Granada Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2022

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Financial Section

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Independent Auditor's Report

Board of Directors
Granada Community Services District
El Granada, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Granada Community Services District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Granada Community Services District, as of June 30, 2022, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 through 7, and the required supplementary information on pages 33 through 35, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 the District's internal control over financial reporting and compliance. That report can be found on pages 36 and 37.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
July 20, 2023

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Granada Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 1.54% or $261,988, from $16,980,511 to $17,242,499.
- The revenues increased 15.81% or $547,627, from $3,463,519 to $4,011,146.
- Total expenses increased 2.74% or $100,019, from $3,649,139 to $3,749,158.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements 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 Statements 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 Statements of Revenues, Expenses, and Changes in Net Position. These statements measure 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. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows report 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 Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most 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.

Financial Analysis of the District, continued

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 Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 13 through 32.

Statement of Net Position

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

Condensed Statements of Net Position

	2022	Restated 2021	Change
Assets:			
Current assets	$ 5,255,535	7,400,236	(2,144,701)
Non-current assets	12,247,853	9,851,288	2,396,565
Total assets	17,503,388	17,251,524	251,864
Deferred outflows of resources	88,433	97,661	(9,228)
Liabilities:			
Current liabilities	176,321	175,575	746
Non-current liabilities	86,607	180,448	(93,841)
Total liabilities	262,928	356,023	(93,095)
Deferred inflows of resources	86,394	12,651	73,743
Net position:			
Net investment in capital assets	7,539,419	5,203,079	2,336,340
Restricted	2,376,601	2,282,066	94,535
Unrestricted	7,326,479	9,495,366	(2,168,887)
Total net position	$ 17,242,499	16,980,511	261,988

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 $17,242,499 as of June 30, 2022.

Compared to prior year, net position of the District increased by 1.54% or $261,988. 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

Statement of Net Position, continued

By far the largest portion of the District's net position (43.73% as of June 30, 2022) 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. (See Note 7 for further discussion)

At the end of fiscal years 2022, the District showed a positive balance in its unrestricted net position of $7,326,479, which may be utilized in future years.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

	2022	Restated 2021	Change
Revenue:			
Operating revenues	$ 1,864,460	1,987,677	(123,217)
Non-operating revenues	2,146,686	1,475,842	670,844
Total revenue	4,011,146	3,463,519	547,627
Expense:			
Operating expense	3,478,853	3,377,188	101,665
Depreciation expense	270,305	271,951	(1,646)
Total expense	3,749,158	3,649,139	100,019
Changes in net position	261,988	(185,620)	447,608
Net position, beginning of year as restated (note 8)	16,980,511	17,166,131	(185,620)
Net position, end of year	$ 17,242,499	16,980,511	261,988

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

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

In fiscal year 2022, the District's net position increased 1.54% or $261,988, from $16,980,511 to $17,242,499, from continuing operations.

In fiscal year 2022, the District's total revenues increased 15.81% or $547,627, from $3,463,519 to $4,011,146. Operating revenues decreased 6.20% or $123,217, due primarily to decreases of $74,835 in sewer service charge, and $48,382 in connection fees. Non-operating revenues increased 45.46% or $670,844, due primarily to increases of $112,540 in property taxes, $368,824 in assessment revenue, $121,339 from investment in Sewer Authority Mid-Coastside.

In fiscal year 2022, the District's total expenses increased 2.74% or $100,019, from $3,649,139 to $3,749,158. Operating expenses increased 3.01% or $101,665, due primarily to an increase of $112,015 in parks and recreation. Depreciation expenses decreased 0.61% or $1,646.

Capital Asset Administration

At the end of fiscal years 2022, the District's investment in capital assets (net of accumulated depreciation), amounted to $7,539,419. 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 2022, was as follows:

		Balance 2021	Transfers/ Additions	Transfers/ Deletions	Balance 2022
Non-depreciable assets	$	1,233,117	2,176,268	(969)	3,408,416
Depreciable assets		11,250,109	431,346	-	11,681,455
Accumulated depreciation		(7,280,147)	(270,305)	-	(7,550,452)
Total capital assets, net	$	5,203,079	2,337,309	(969)	7,539,419

Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the Cooperative cannot be estimated at this time.

Management is unaware of any other 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.

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, Third Floor, El Granada, California 94018

Basic Financial Statements

Granada Community Services District
Statement of Net Position
June 30, 2022

		2022
Current assets:		
Cash and cash equivalents (note 2)	$	2,816,792
Cash and cash equivalents – restricted (note 2)		334,878
Investments - restricted (note 2)		2,014,035
Accounts receivable, net		52,381
Assessment receivable – restricted		27,688
Interest receivable		5,114
Prepaid expenses		4,647
Total current assets		5,255,535
Non-current assets:		
Investment in Sewer Authority Mid-Coastside (note 3)		4,708,434
Capital assets – not being depreciated (note 4)		3,408,416
Capital assets – being depreciated (note 4)		4,131,003
Total non-current assets		12,247,853
Total assets		17,503,388
Deferred outflows of resources:		
Deferred outflows – pensions (note 6)		88,433
Total deferred outflows of resources	$	88,433

Continued on next page

See accompanying notes to the basic financial statements

Granada Community Services District
Statement of Net Position, continued
June 30, 2022

		2022
Current liabilities:		
Accounts payable	$	138,609
Accrued payroll and payroll liabilities		1,498
Customer deposits and unearned revenue		34,746
Compensated absences (note 5)		1,468
Total current liabilities		176,321
Non-current liabilities:		
Net pension liability (note 6)		86,607
Total non-current liabilities		86,607
Total liabilities		262,928
Deferred inflows of resources:		
Deferred inflows – pensions (note 6)		86,394
Total deferred inflows of resources		86,394
Net position (note 7):		
Net investment in capital assets		7,539,419
Restricted		2,376,601
Unrestricted		7,326,479
Total net position	$	17,242,499

See accompanying notes to the basic financial statements

Granada Community Services District
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

		2022
Operating revenues:		
Sewer service charge	$	1,804,532
Connection fees		59,928
Total operating revenues		1,864,460
Operating expenses:		
Sewer Authority Mid-Coastside Expenses (note 3)		
Sewage administration		329,826
Sewage treatment		685,122
Sewage environmental compliance		37,570
Sewage collection		244,612
Administration and general		886,674
Administration and general - assessment district		591,342
Parks and recreation		161,633
Infrastructure repair costs (note 3)		542,074
Total operating expenses		3,478,853
Operating loss before depreciation		(1,614,393)
Depreciation expense		(270,305)
Operating loss		(1,884,698)
Non-operating revenues(expenses):		
Property taxes- sewer		501,008
Property taxes- parks		777,539
Assessment revenue - assessment district		703,760
Investment income - assessment district		2,230
Investment return		(25,457)
Investment in Sewer Authority Mid-Coastside (note 3)		60,225
Other non operating revenues, net		127,381
Total non-operating revenues, net		2,146,686
Changes in net position		261,988
Net position, beginning of year, as restated (note 8)		16,980,511
Net position, end of year	$	17,242,499

See accompanying notes to the basic financial statements

Granada Community Services District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

		2022
Cash flows from operating activities:		
Cash receipts from customers for sales and service	$	1,858,415
Cash paid to vendors and suppliers		(3,185,448)
Cash paid to employees		(221,053)
Net cash used in operating activities		(1,548,086)
Cash flows from non-capital financing activities:		
Proceeds from property taxes		1,278,547
Proceeds from assessments		697,619
Proceeds from other non-operating revenue, net		127,381
Net cash provided by non-capital financing activities		2,103,547
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(2,606,645)
Net cash used in capital and related financing activities		(2,606,645)
Cash flows from investing activities:		
Investment return		20,075
Net cash provided by investing activities		20,075
Net decrease in cash and cash equivalents		(2,031,109)
Cash and cash equivalents, beginning of year		5,182,779
Cash and cash equivalents, end of year	$	3,151,670
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	$	2,816,792
Cash and cash equivalents - restricted		334,878
Total cash and cash equivalents	$	3,151,670

Continued on next page

See accompanying notes to the basic financial statements

Granada Community Services District
Statement of Cash Flows, continued
For the Fiscal Year Ended June 30, 2022

		2022
Reconciliation of operating loss to net cash used in operating activites:		
Operating loss	$	(1,884,698)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		270,305
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)decrease in assets and deferred outflows:		
Accounts receivable, net		22,578
Prepaid expenses		53,853
Deferred pension outflows		9,228
Increase(decrease) in liabilities and deferred inflows:		
Accounts payable		31,776
Accrued payroll and payroll liabilities		(2,127)
Customer deposits and unearned revenue		(28,623)
Compensated absences		(280)
Net pension liability		(93,841)
Deferred pension inflows		73,743
Total adjustments		336,612
Net cash used in operating activities	$	(1,548,086)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Granada Community Services District (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 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.

B. 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.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The District's basic financial statements 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.

The District has adopted the following GASB pronouncement in the current year:

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements 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.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

3. 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.

4. 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.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

5. 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.

6. 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

7. 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 statements.

8. 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 $5,000. 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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

9. Deferred Outflows of Resources

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

10. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation and sick.

Vacation accrual 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 accrual is capped at 20 days. No compensation will paid for accrued sick leave upon termination of employment.

11. 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, 2020
- Measurement date: June 30, 2021
- Measurement period: July 1, 2020 to June 30, 2021

12. Deferred Inflows of Resources

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

13. 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* – consists of 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* – consists of 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* – 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.

14. Reclassification

The District has reclassified certain prior year information to conform with current year presentation.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

		2022
Cash and cash equivalents	$	2,816,792
Cash and cash equivalents - restricted		334,878
Investments - restricted		2,014,035
Total	$	5,165,705

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

		2022
Cash on hand	$	420
Deposits with financial institutions		425,397
Investments		4,739,888
Total	$	5,165,705

As of June 30, the District's authorized deposit had the following maturities:

	2022
Local Agency Investment Fund (LAIF)	311 days
California Asset Management Program	60 days

Maturities of investments at June 30, 2022, consisted of the following:

Investment Type		Total	Remaining Maturity 12 months or less
Local Agency Investment Fund (LAIF)	$	2,725,854	2,725,854
California Asset Management Program		1,196,012	1,196,012
U.S. Treasury Obligation		818,022	818,022
Total	$	4,739,888	4,739,888

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 statements 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.

(2) Cash and Cash Equivalents, continued

Investment in California Asset Management Program

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is a California Joint Powers Authority (JPA) established in 1989 to provide California Public agencies with professional investment services. CAMP Pool is a fully liquid, stable net asset value (NAV) investment. This fixed rate, fixed term investment option, offers securities with maturities ranging from 60 days to one year. Term investments are designed to match a specific cash flow requirements. Investment principal and interest are paid at maturity, with an automatic sweep in the CAPM Pool. CAMP Pool is regulated under California Government Code Section 53601(p) with the oversight of the Treasurer of the State of California.

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 can manage 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 for cash flow requirements and liquidity needed for operations.

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, 2022, were as follows:

			Rating as of year-end	
Investment type	**Total**	**Minimum legal rating**	**Standard & Poors AA+ / Moody's Rating Aaa**	**Not rated**
Local Agency Investment Fund (LAIF)	$ 2,725,854	N/A	-	2,725,854
California Asset Management Program	1,196,012	N/A	1,196,012	
U.S. Treasury Obligation	818,022	N/A	818,022	
Total	$ 4,739,888		$ 2,014,034	2,725,854

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 entity 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.

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

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 entity 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, 2022, $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.

Concentration of Credit Risk

The District's deposit portfolio with governmental agencies, LAIF, is 58% as of June 30, 2022. There were no investments in any one issuer (other than for California Asset Management Program and U.S. Treasury Obligations) that represent 5% or more of total District investments as of June 30, 2022.

Fair Value Measurements

As of June 30, 2022, investments measured at fair value on a non-recurring and non-recurring basis, are as follows:

			Fair Value Measurements Using		
Investment Type		**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
California Asset Management Program	$	1,196,012	-	1,196,012	-
U.S. Treasury Obligation		818,022	-	818,022	-
		2,014,034	-	2,014,034	-
Investments measured at amortized cost:					
Local Agency Investment Fund (LAIF)		2,725,854			
Total	$	4,739,888			

(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, 2022 audited financial statements:

Condensed Statement of Net Position

	2022
Assets:	
Current assets	$ 4,541,197
Non-current assets	17,773,827
Total assets	22,315,024
Deferred outflows of resources	675,057
Liabilities:	
Current liabilities	775,349
Non-current liabilities	2,466,230
Total liabilities	3,241,579
Deferred inflows of resources	1,726,034
Net position:	
Net investment in capital assets	17,517,750
Unrestricted	504,718
Total net position	$ 18,022,468

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

	2022
Revenues:	
Operating revenues	$ 5,916,490
Non-operating revenues	13,701
Total revenues	5,930,191
Expenses:	
Operating expenses	6,283,477
Depreciation expense	1,283,325
Total expenses	7,566,802
Net income before capital contributions	(1,636,611)
Capital contributions:	2,478,320
Change in net position	841,709
Net position, beginning of period	17,180,759
Net position, end of period	$ 18,022,468

(3) Investment in Sewer Authority Mid-Coastside, continued

Each member's ownership at June 30, 2022 consists of the City of Half Moon Bay 50.5%, Granada Community Services District 29.5%, and Montara Sanitary District 20%. For the fiscal year ended June 30, 2022, the increase in the District's investment in the Authority of $60,225, is included in the statement of revenues, expenses, and changes in net position. Total payments made to the Authority for operations, treatment, environmental compliance, collections, and infrastructure repair costs for the fiscal year ended June 30, 2022 amounted to $1,839,204.

Audited financial statements of the Authority for the year ended June 30, 2022 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, was as follows:

		2022
Investment in Sewer Authority Mid-Coastside, beginning	$	4,648,209
Change in net position before capital contribution		(1,636,611)
Prior period adjustment		118,539
Basis		(1,518,072)
District's percentage of capital contributions		29.50%
Loss allocation to District		(447,831)
Share of capital contributions (as agreed)		508,056
Net income allocation to District		60,225
Investment in Sewer Authority Mid-Coastside, ending	$	4,708,434

(4) Capital Assets

Changes in capital assets for 2022, was as follows:

		Balance 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Non-depreciable assets:					
Land	$	1,063,640	1,799,339	-	2,862,979
Construction in progress		169,477	376,929	(969)	545,437
Total non-depreciable assets		1,233,117	2,176,268	(969)	3,408,416
Depreciable assets:					
Sewer Collection System		11,227,956	431,346	-	11,659,302
Equipment		22,153	-	-	22,153
Total depreciable assets		11,250,109	431,346	-	11,681,455
Accumulated depreciation					
Sewer Collection System		(7,257,994)	(270,305)	-	(7,528,299)
Equipment		(22,153)	-	-	(22,153)
Total accumulated depreciation		(7,280,147)	(270,305)	-	(7,550,452)
Total depreciable assets, net		3,969,962	161,041	-	4,131,003
Total capital assets, net	$	5,203,079			7,539,419

Major capital assets additions during the fiscal year ended 2022 consists of additions to the following categories: land, and sewer collection system. Depreciation expenses were charged to the District's sewer and parks fund.

(5) Compensated Absences

Changes in compensated absences balance in 2022, were as follows:

	Balance 2021	Additions	Deletions	Balance 2022
$	1,748	2,036	(2,316)	1,468

(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, are summarized as follows:

	2022	
	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	6.91%	6.75%
Required employer contribution rates	10.34%	7.59%

(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, 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, the District's employer contributions reduced its net pension liability as follows:

	2022
Contribution - employer	$ 52,743

Net Pension Liability

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

	2022
Proportionate share of net pension liability	$ 86,607

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, 2022, the net pension liability of the Plan is measured as of June 30, 2021 (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, 2020 (the valuation date), rolled forward to June 30, 2021, 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. The District's changes in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, 2021, was as follows:

	Proportionate Share
Proportion – June 30, 2020	0.001658 %
Decrease in proportionate share	(0.000057)
Proportion – June 30, 2021	0.001601 %

(6) Defined Benefit Pension Plans, continued

Deferred Pension Outflows (Inflows) of Resources

For the years ended June 30, 2022, the District recognized pension credit of $9,763. As of the fiscal years ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2022	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date	$ 52,743	-
Differences between actual and expected experience	9,712	-
Changes in assumptions	-	-
Difference between projected and actual earnings on plan investments	-	(75,604)
Change in employer's proportion		(10,790)
Differences between employer's contributions and proportionate share of contributions	25,978	-
Total	$ 88,433	(86,394)

For the years ended June 30, 2022, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled $52,743; and 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
2023	$ (4,377)
2024	(9,839)
2025	(15,595)
2026	(20,893)

(6) Defined Benefit Pension Plans, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions:

Valuation dates	June 30, 2020
Measurement dates	June 30, 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumption	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality table*	Derived using CalPERS membership data
Period upon which actuarial experience survey assumptions were based	1997 - 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter.

* 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, 2022, for the PERF C was 7.15%. 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.

(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.

	2022		
Asset Class	**Target Allocation**	**Real Return Years 1-10**	**Real Return Year 11+**
Global Equity	50.00 %	4.80 %	5.93
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	77.00	1.81
Private Equity	8.00	6.30	7.23
Real Asset	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
Total	100.00		

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, 2022, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	$ 186,773	86,607	3,801

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 33 through 35 for the Required Supplementary Information.

(7) Net Position

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

		2022
Net investments in capital assets:		
Capital assets – not being depreciated	$	3,408,416
Capital assets – being depreciated		4,131,003
Total net investments in capital assets		7,539,419
Restricted - assessment district		
Cash and cash equivalents – restricted		334,878
Investments - restricted		2,014,035
Assessment receivable – restricted		27,688
Total restricted net position		2,376,601
Unrestricted net position:		
Non-spendable net position:		
Prepaid expenses		4,647
Total non-spendable net position		4,647
Spendable net position:		
Unrestricted		7,321,832
Total spendable net position		7,321,832
Total unrestricted net position		7,326,479
Total net position	$	17,242,499

(8) Prior period adjustment

In fiscal year 2022, the District determined that the Assessment District Fund account should have been included as part of the District's books as of June 30, 2021. As a result, $1,671,300 was not recorded in the District's net position as of June 30, 2021. Therefore, the District has recorded a prior period adjustment to net position in the amount of $1,671,300 at June 30, 2021.

The adjustment to net position is as follows:

Net position as of June 30, 2021, as previously stated	$	15,309,211
Effect of adjustment to record net position of assessment district		1,671,300
Net position as of June 1, 2021, as restated	$	16,980,511

(9) 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, 2022:

- 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 $500 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 years ended June 30, 2022, 2021, and 2020. 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 was no IBNR claims payable as of June 30, 2022, 2021, and 2020.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

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.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97, continued

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 100, continued

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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. 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 requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(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.

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.

(12) Subsequent Events

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of July 20, 2023, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Granada Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2022
Last Ten Years*

Defined Benefit Plan

		Measurement Dates							
Description		**06/30/21**	**06/30/20**	**06/30/19**	**06/30/18**	**06/30/17**	**06/30/16**	**06/30/15**	**06/30/14**
District's proportion of the net pension liability		0.001601%	0.001658%	0.001732%	0.001806%	0.001873%	0.001969%	0.002215%	0.002741%
District's proportionate share of the net pension liability	$	86,607	180,448	177,495	174,065	185,779	170,410	152,020	166,360
District's covered payroll	$	127,025	169,431	329,968	353,350	284,641	260,629	283,860	107,294
District's proportionate share of the net pension liability as a percentage of its covered payroll		68.18%	106.50%	174.90%	154.13%	197.52%	192.25%	174.50%	155.05%
Plan's proportionate share of fiduciary net position as a percentage of total pension liability		88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	80.43%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change in Assumptions and Methods

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Changes in Assumptions and Methods, continued

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The Cooperative has presented information for those years for which information is available until a full 10- year trend is compiled.

Granada Community Services District
Schedules of the Pension Plan Contributions
As of June 30, 2022
Last Ten Years*

Description		Fiscal Years Ended							
		06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15
Actuarially determined contribution	$	52,743	41,518	45,198	41,490	37,399	34,626	36,192	26,207
Contributions in relation to the actuarially determined contribution		(52,743)	(41,518)	(45,198)	(41,490)	(37,399)	(34,626)	(36,192)	(26,207)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-
District's covered payroll	$	127,025	169,431	329,968	353,350	284,641	260,629	249,960	328,069
Contributions as a percentage of covered payroll		41.52%	24.50%	24.20%	20.00%	22.84%	23.56%	20.66%	7.99%

Notes to the Schedules of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements 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 Granada Community Services District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 20, 2023.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness 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 a 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 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 audits 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
July 20, 2023