GRATON COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022

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GRATON COMMUNITY SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Table of Contents

Page

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Graton Community Services District
Graton, California

Opinions

We have audited the accompanying financial statements of the business-type activities of the Graton Community Services District (District), California, 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 of the 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. 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 opinions.

Responsibilities of Management's 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.

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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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, individually or in the aggregate, they could reasonably be expected to 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.

Emphasis of a Matter

As discussed in Note 9, the District has restated beginning Net Position to reflect capital assets that have been put in service since 2014.

The emphasis of this matter does not constitute a modification to our opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents 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.

Maze + Associates

Pleasant Hill, California
April 17, 2023

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As management of the Graton Community Services District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements and the accompanying notes to the basic financial statements as listed in the Table of Contents.

Reporting Entity

The District was formed in 2004 by a resolution of the Local Agency Formation Commission of the County of Sonoma, California approving a reorganization consisting of the dissolution of the Graton Sanitation Zone of the Sonoma County Water Agency, forming the District, designating the District as the successor in interest to the Graton Sanitation Zone, and establishing a sphere of influence for the District.

Financial Highlights

Net Position

The assets and deferred inflows of resources of the District exceeded its liabilities and deferred outflows of resources at the close of the most recent fiscal year by $10,596,952, a decrease of $2,538,718 from the prior fiscal year. Unrestricted net position at the end of the fiscal year amounted to $968,233. The district reported a prior period adjustment of $2,454,015 on the statement of retained earnings due to reclassification of construction in progress and related accumulated depreciation.

Condensed Statements of Net Position

	June 30, 2021	June 30, 2022	Percentage Change
Assets			
Current assets	$ 861,251	$ 754,851	-12.4%
Noncurrent assets	49,909	422,168	745.9%
Capital assets	14,214,554	11,376,520	-20.0%
Total Assets	15,125,714	12,553,539	-17.0%
Deferred outflows of resources	47,929	70,339	46.8%
Liabilities			
Current liabilities	284,829	402,738	41.4%
Noncurrent liabilities	1,753,106	1,624,188	-7.4%
Total Liabilities	2,037,935	2,026,926	-0.5%
Total Deferred Inflows of Resources	38	-	-100.0%
Net Position			
Net investment in capital assets	12,348,924	9,628,719	-22.0%
Unrestricted	786,746	968,233	23.1%
Total Net Position	$ 13,135,670	$ 10,596,952	-19.3%

Financial Highlights (continued)

Revenues

The District recognized total operating revenues of $1,039,192 during the fiscal year ended June 30, 2022, which consisted of flat charges of $1,007,927 and charges for services of $31,265.

Expenses

The District incurred operating expenses totaling $1,482,460 during the fiscal year ended June 30, 2022. This amount represents expenses related to the general administration and operation of the sanitation system.

Changes in Net Position

The District recorded operating loss of $84,703 for the fiscal year ended June 30, 2022, while recognizing an overall decrease in net position of $2,538,718.

Condensed Statement of Changes in Net Position

Year ended June 30,	2021	2022	Percentage Change
Revenues			
Operating	$ 1,024,420	$ 1,039,192	1.4%
Nonoperating	53,546	336,656	528.7%
Total revenues	1,077,966	1,375,848	27.6%
Expenses			
Operating	962,147	1,482,460	54.1%
Nonoperating	97,163	112,299	15.6%
Total expenses	1,059,310	1,594,759	50.5%
Net Income before contributions	18,656	(218,911)	-1273.4%
Contributions			
Connection fees - Capital	86,957	134,208	54.3%
Change in net position	105,613	(84,703)	-180.2%
Net Position - Beginning of Year	13,030,057	13,135,670	0.8%
Prior Period Adjustment	-	(2,454,015)	N/A
Net Position - End of Year	$ 13,135,670	$ 10,596,952	-19.3%

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial report is comprised of three components: 1) management's discussion and analysis, 2) basic financial statements, and 3) notes to the basic financial statements.

Management's Discussion and Analysis

Management's Discussion and Analysis is intended to provide a narrative overview that users need to interpret the basic financial statements. Management's Discussion and Analysis also provides analysis of key data presented in the basic financial statements.

Basic Financial Statements

The District is engaged only in the business-type activities of the collection, treatment, or disposal of sewage, waste and storm water within its service area. The District accounts for its financial activity utilizing fund accounting, specifically, enterprise fund accounting, to ensure and demonstrate compliance with finance- related legal requirements. An enterprise fund is a proprietary fund type used to report activities for which a fee is charged to external customers for goods or services provided. The focus of an enterprise fund is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. The basic financial statements presented are the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

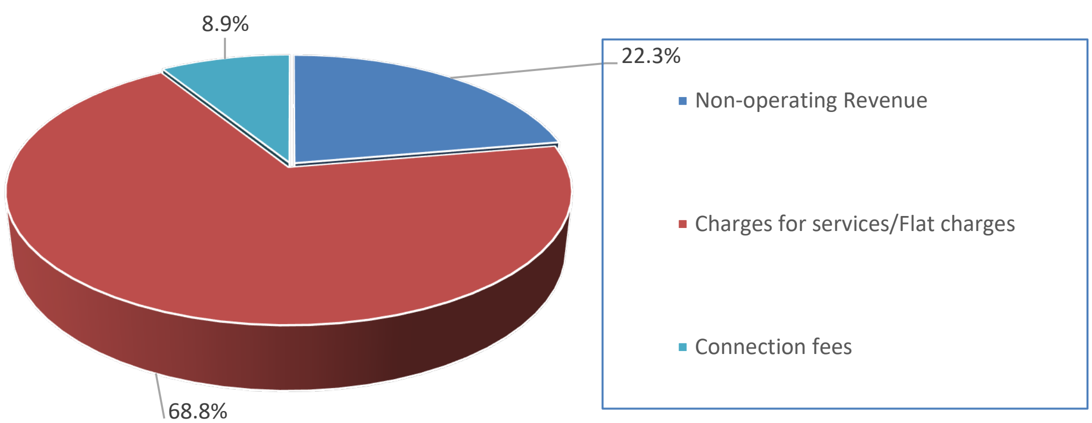
Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $10,596,952 at the close of the fiscal year ended June 30, 2022.

The largest portion of the District's net position reflects its net investment in capital assets (e.g., land, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide sanitation services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The decrease in the current assets balance is due to a decrease in accounts receivable and prepaid expenses as a result of operations. The decrease in capital assets is due to annual depreciation of assets in service outpacing increases in construction projects as well as reclassification of construction in progress. The decrease in net position is due to a decrease in current and noncurrent assets.

Total revenues of the District, including capital contributions from connection fees, for the fiscal year ended June 30, 2022 totaled $1,510,056, representing an increase of $345,133 from the preceding fiscal year revenues of $1,164,923. The rate based operating charges, representing 68.8% of the District's total revenue, increased by $14,772. Non-operating revenues; comprised of lawsuit settlement revenue and miscellaneous revenue represents 22.3% of the District's total revenue, increased by $283,110. Capital contributions from connection fees of $134,208 comprised 8.9% of the District's revenue. The combined effect overall was an increase in revenues, including capital contributions from connection fees, of 22.9% for the fiscal year ended June 30, 2022.

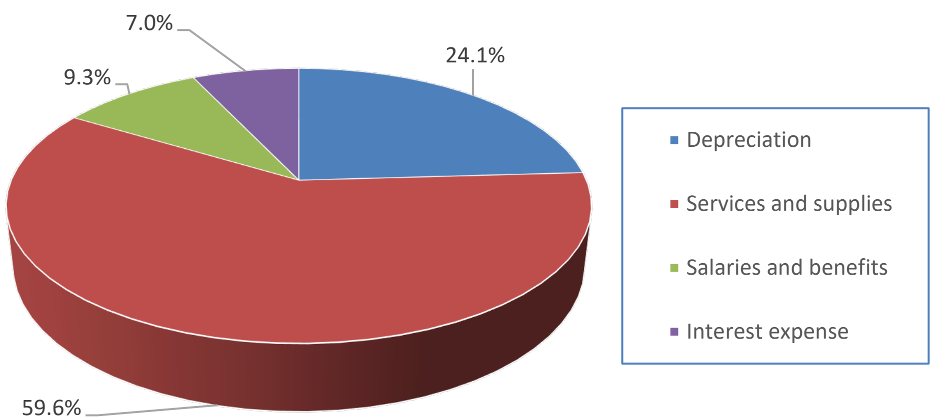
Revenues by type:



Financial Analysis (continued)

Operating revenues, consisting of flat charges and sanitation service charges, increased overall by $14,772 from the prior fiscal year. Flat charges consisting of direct charges and property taxes had increased from the previous fiscal year. Sanitation service charges increased this year for the District. Connection fees increased by $47,251 due to a higher number of new customers connecting to the District's system during the fiscal year.

Expenses for the District for the fiscal year ended June 30, 2022 totaled $1,594,759. The District saw an increase in expenses of $535,449 from the previous fiscal year. The increase was due to a increase in services and supplies expense and depreciation. Costs associated with the administration of the sanitation system totaled $949,751 and represent 59.6% of the District's total operating costs during the fiscal year. Salaries and benefits represent 9.3% or $148,690 of expenses. Interest expense makes up 7.0% or $112,299. The remaining 24.1% of operating expenses consists of $384,019 in depreciation.



Financial Analysis (continued)

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2022, amounts to $11,376,520 (net of accumulated depreciation). The components of capital assets are summarized below. In addition to reporting the District's investment in capital assets including land, infrastructure and systems, improvements, Intangible assets for the District consist of permanent easements. For the fiscal year 2022, there was a prior period adjustment for construction in progress expenses. It was determined that Project 504: Plant improvements was completed in fiscal year ending June 30, 2015 and that the costs totaling $9,281,403 needed to be placed in service as infrastructure along with $1,392,210 in accumulated depreciation. The remainder of the balance in construction in progress was determined to be related to maintenance and was expensed.

	June 30, 2021	June 30, 2022	Percentage Change
Land	$ 417,205	$ 417,205	-
Machinery and equipment	139,069	139,069	-
Infrastructure	7,601,193	16,882,596	122.1%
Intangible: non-amortizable	19,055	19,055	-
Construction in progress	10,343,208	-	-100.0%
Accumulated depreciation	(4,305,176)	(6,081,405)	41.3%
Total	$ 14,214,554	$ 11,376,520	-20.0%

Additional information on the District's capital assets can be found in the notes to the basic financial statements.

Financial Analysis (continued)

Long-term Debt

At the end of the current fiscal year, the District had a total of $1,747,801 in outstanding current and non- current long-term debt. The District's long-term debt consists of a construction loan restructured in 2013. Long-term debt obligations are summarized below.

	Beginning Balance June 30, 2021	Additions	Retirements	Ending Balance June 30, 2022	Due Within One Year
Construction Loan - Direct Borrowing	$ 1,865,630	$ -	$ 117,829	$ 1,747,801	$ 123,613
Pension Liability	5,305		5,305	-	-
Total	$ 1,870,935	$ -	$ 123,134	$ 1,747,801	$ 123,613

The District's total debt decreased $123,134 during the fiscal year ended June 30, 2022 due to principal payments on the construction loan and a reduction in pension liability. Additional information on the District's long-term debt can be found in the notes to the basic financial statements.

Next Year's Budget and Rates

Budgeted gross expenses, including capital projects expenditures, for the District for fiscal year ending June 30, 2023 have increased by $600,428 or 32.3% for a total of $2,457,029. The increase in budgeted expenses is mainly from the construction project's budget.

Following is a comparison of the final budget for the fiscal year ended June 30, 2022 and the proposed budgeted expenses for the District for the fiscal year ending June 30, 2023.

	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2023	Increase / (Decrease)	Percentage Change
Operations	$ 1,512,530	$ 1,707,294	$ 194,764	12.9%
Construction	344,071	749,735	405,664	117.9%
Total	$ 1,856,601	$ 2,457,029	$ 600,428	32.3%

Budgeted expenses for fiscal year ended June 30, 2022 differ in several instances from the budgeted expenses presented in the management's discussion and analysis for the period ended June 30, 2021. These variances are due to Board approved budgetary adjustments made subsequent to the publication of the audited basic financial statements for the fiscal year ended June 30, 2021.

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Financial Analysis (continued)

Sewer Service Fees

The Districts sewer service fees did not increase for the 2022/23 budget year.

	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Percentage Change
Rate per Equivalent Single-Family Dwelling	$ 1,574	$ 1,574	0.0%
Number of Equivalent Single-Family Dwellings	634	634	0.0%

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Graton Community Services District, P.O. Box 534, Graton, CA 95444.

GRATON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

ASSETS	
CURRENT ASSETS	
Cash and investments	$749,550
Accounts receivable	5,301
Prepaid expenses and other deposits	-
Total current assets	754,851
NON-CURRENT ASSETS	
Cash and investments restricted for capital assets	370,302
Accounts receivable	10,358
Net pension asset	41,508
Capital assets not being depreciated:	
Land	417,205
Intangible assets - easements	19,055
Construction in progress	-
Capital assets, net of accumulated depreciation:	
Infrastructure	10,938,637
Machinery and equipment	1,623
Total capital assets, net of accumulated depreciation	11,376,520
Total non-current assets	11,798,688
TOTAL ASSETS	12,553,539
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	58,747
Deferred charge on refunding	11,592
TOTAL DEFERRED OUTFLOWS OF RESOURCES	70,339
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,623,878
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$234,861
Compensated absences	24,249
Construction loan, current portion	123,613
Accrued interest payable	20,015
Total current liabilities	402,738
NON-CURRENT LIABILITIES	
Construction loan, non current portion	1,624,188
Total non-current liabilities	1,624,188
TOTAL LIABILITIES	2,026,926
NET POSITION	
Net investment in capital assets	9,628,719
Unrestricted	968,233
TOTAL NET POSITION	10,596,952
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	12,623,878

See accompanying notes to financial statements

GRATON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Flat charges	$1,007,927
Charges for services	31,265
Total operating revenues	1,039,192
OPERATING EXPENSES	
Salaries and benefits	148,690
Services and supplies	949,751
Depreciation and amortization	384,019
Total operating expenses	1,482,460
OPERATING INCOME	(443,268)
NONOPERATING REVENUES (EXPENSES)	
Interest income	(20,713)
Interest expense	(91,586)
Lawsuit settlement	301,633
Miscellaneous income	35,023
Total nonoperating revenues	224,357
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(218,911)
CONTRIBUTIONS	
Connection and other fees	134,208
CHANGES IN NET POSITION	(84,703)
NET POSITION, BEGINNING OF YEAR	13,135,670
Prior period adjustment (see Note 9)	(2,454,015)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	10,681,655
NET POSITION, END OF YEAR	$10,596,952

See accompanying notes to financial statements

GRATON COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$1,106,668
Cash paid to suppliers for goods and services	(819,286)
Cash paid to employees for services	(214,954)
Cash Flows from Operating Activities	72,428
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Revenue	301,633
Taxes	35,023
Cash Flows from Operating Activities	336,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments - construction loan	(117,829)
Connection fees	134,208
Interest payments on long-term debt	(92,935)
Cash Flows (used for) Capital and Related Financing Activities	(76,556)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	(20,713)
Cash Flows from Investing Activities	(20,713)
NET CASH FLOWS	311,815
Cash, beginning of year	808,037
Cash, end of year	$1,119,852

Reconciliation of cash and cash equivalents to statement of net position:	
Cash and cash equivalents	$749,550
Restricted - cash and cash equivalents	370,302
Total cash and cash equivalents	$1,119,852

See accompanying notes to financial statements (Continued)

GRATON COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

RECONCILIATION OF NET INCOME FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net income from operations	($443,268)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	384,019
Change in assets and liabilities:	
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	63,612
Long term receivables	3,864
Prepaid expenses and other assets	23,852
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	106,613
Compensated absences	6,861
Net pension liability and related deferred inflows and outflows	(73,125)
Net cash provided by operating activities	$72,428

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Defining The Financial Reporting Entity

Graton Community Services District (the District) provides sanitation services for the Graton community (an unincorporated area) in Sonoma County, California. Established on July 1, 2004, the District is publicly owned. Operations are governed by the Board of Directors who are elected by registered voters of the Graton community. The District is responsible for operating and maintaining the local sanitation collection systems, pump stations, and treatment plant. The District is governed by an ordinance defining policies, including user fees.

B. New Accounting Pronouncements

The following Governmental Standards Board (GASB) Statements have been implemented in the current financial statement:

GASB 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.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

This implementation did not have a material effect on the financial statements.

C. Financial Statement Presentation

The District's basic financial statements display information for the District as a whole. The District does not have any activities that are considered government-type or fiduciary activities. The statement of net position presents the financial position of all District activities at year end.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary (enterprise) fund to account for its activities. An enterprise fund may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for any activity whose principal external revenue sources meet any of the following criteria: (1) issued debt is backed solely by fees and charges, (2) the cost of providing services for any activity (including capital costs such as depreciation or debt service) must be legally recovered through fees or charges, or (3) if the government's policy is to establish activity fees or charges designed to recover the cost of providing services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, and liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Revenues from charges for sanitary services are recognized once the services have been delivered.

Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are flat charges and charges for services. Operating expenses for the District include expenses relating to the collection, treatment, disposal, and reclamation of effluent as well as administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Investments

The District's cash and investments are pooled with the Sonoma County Treasurer (Treasurer). The Treasurer also acts as a disbursing agent for the District. The fair value of the investments in the pool is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the District based on its respective average daily balance for that quarter in the County Treasury Investment Pool (the Treasury Pool), an external investment pool.

For purposes of the statement of cash flows, the District considers all pooled cash and investments as cash and cash equivalents because the Treasury Pool is used as a demand deposit account. Restricted cash and investments with a maturity of three months or less when purchased are also treated as cash and cash equivalents.

F. Accounts Receivable

Accounts receivable consist of uncollected fees for sanitation services and grant receivables as of June 30, 2022. Management periodically evaluates the need to recognize an allowance for uncollectable accounts receivable. The District has not recorded an allowance for uncollectible receivables as of June 30, 2022.

G. Capital Assets

Capital assets are stated at cost or estimated historical cost. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Depreciation has been provided, excluding land and non-amortizable intangibles, using the straight-line method over estimated lives ranging from 3 to 100 years. Useful lives of machinery and equipment are generally estimated to be 3 to 15 years. Infrastructure assets are generally estimated to have useful lives ranging from 30 to 100 years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for infrastructure assets are capitalized as projects are constructed. Infrastructure under construction and not yet placed in service is recorded as construction in progress. Interest incurred during the construction phase of such projects is included as part of the capitalized value of the assets constructed.

Intangible assets are stated at cost or estimated historical cost. Intangible assets for the District consist of temporary and permanent easements. Temporary easements are defined by the District as any temporary easement acquired during the course of a project that, by agreement, will expire upon the completion of a project, and has an estimated useful life in excess of 1 year. Temporary easements are amortized using the straight-line method over the duration of the easement. Permanent easements, including dedicated easements, are stated at cost, estimated historical cost, or fair value at the time of receipt and are not amortized.

H. Compensated Absences

Vacation and sick leave accumulation policies for the District apply to regular employees in all classifications. Upon termination, the District shall compensate the employee for accumulated vacation time at the employee's straight time rate of pay at the time of termination. Upon termination for non-cause reasons sick leave in excess of 30 days shall be bought back by the District at a rate of one-quarter day for each whole day accrued. Termination for cause shall result in loss of all accrued sick leave.

I. Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources , represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District recognizes a deferred charge on pensions and refunding as a deferred outflow of resources reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes deferred inflows of resources related to pensions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Net Position

Net position represents the difference between all other elements in a statement of financial position and is displayed in three components—net investment in capital assets; restricted and unrestricted . Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulation of other governments. The flow assumption used by the District is that, when both restricted and unrestricted resources are available for the same purpose, restricted resources are expended before unrestricted resources.

K. Budget and Budgetary Accounting

The Board of Directors of the District adopts a budget annually to be effective July 1st for the ensuing fiscal year. Transactions not included in the original budget require approval from the Board of Directors.

L. Property Tax Revenue

Property taxes, including tax rates, are regulated by the State and are administered locally by the County of Sonoma (the County). The County is responsible for assessing, collecting, and distributing property in accordance with state law. The County is responsible for the allocation of property taxes to the District.

The County has adopted the Teeter Alternative Method of Property Tax Allocation known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the District each fiscal year. Any subsequent delinquent payments and related penalties and interest revert to the County.

Property taxes are recognized as revenue when they are levied for. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. Property tax collection and valuation information is disclosed in the County's comprehensive annual financial report.

M. Pensions

In general, the District recognizes a net pension liability (asset) or asset, which represents the Districts proportionate share of the difference of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS). Changes in the net pension liability (asset) or asset are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The changes in net pension liability (asset) or asset that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability (asset) or asset and deferred outflows/inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the District's pension plan with CalPERS, and additions to/deductions from the plan's 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 benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

N. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates significant to the financial statements of the District include the allowance for uncollectible accounts and the estimated useful life of capital assets.

NOTE 2 – CASH AND INVESTMENTS

A. Investment in the Sonoma County Treasurer's Investment Pool

Cash and investments are comprised of cash pooled with the Sonoma County Treasury Pool (the Treasury Pool), an external investment pool. The Sonoma County Treasurer's office also acts as a disbursing agent for the District. The fair value of the District's investment in this pool is based upon the Districts' pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio).

The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasury Pool is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee of the Treasury Pool has regulatory oversight for all monies deposited into the Treasury Pool. The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and maximum rate of return. The policy addresses the soundness of financial institutions in which the Treasurer will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

NOTE 2 – CASH AND INVESTMENTS, Continued

Permitted investments including the following:

- U.S. Treasury and Federal Agency securities
- Bonds and Notes issued by local agencies
- Registered State warrants and municipal notes and bonds
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) deposits
- Repurchase agreements
- Reverse repurchase agreements
- Securities lending agreements
- Mutual funds and money market mutual funds
- Collateralized mortgage obligations
- Collateral time deposits
- Joint power agreements
- Investment Trust of California (CalTRUST)
- Obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Auditor-Controller Treasurer-Tax Collector at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403-2871.

As of June 30, 2022, the fair value of the District's cash and investments was $1,119,852 which includes an unrealized loss in fair value adjustment of $38,426 Funds are held in the Treasury Pool managed by the Treasurer, which is not rated by credit rating agencies, and had a weighted average maturity of 651 days. The credit rating and other information regarding specific investments maintained in the Treasury Pool as of June 30, 2022 are disclosed in the County's Annual Comprehensive Financial Report.

B. 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. Due to the highly liquid nature of the District's investment with the Treasury Pool, the District's exposure to interest rate risk is deemed by management to be insignificant.

C. Custodial Credit Risk

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 the Treasury Pool.)

NOTE 2 – CASH AND INVESTMENTS, Continued

D. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no non-pooled investments in any one issuer that represent 5% or more of total District investments at the end of the fiscal year.

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a credit rating. The District follows the County's policy to purchase investments with the minimum ratings required by the California Government Code. The credit ratings of investments held and other information regarding the Treasury Pool for the fiscal year ended June 30, 2022 are disclosed in the County's Annual Comprehensive Financial Report.

F. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's cash held with fiscal agents (payroll and petty cash accounts) are valued using quoted prices in active markets for identical assets (Level 1). The District has a recurring fair value measurement for its investment in the Sonoma County Treasury Pool which is valued using significant other observable inputs (Level 2).

NOTE 3 – ACCOUNTS PAYABLE

Accounts payable totaling $234,861 consist of payments due to vendors for goods and services.

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance June 30, 2021 as restated	Additions	Transfers	Balance June 30, 2022
Non-depreciable assets:				
Land	$417,205			$417,205
Intangible asset	19,055			19,055
Construction in process	126,733		($126,733)	
Total non-depreciable assets	562,993		(126,733)	436,260
Depreciable assets:				
Infrastructure	16,882,596			16,882,596
Machinery and equipment	139,069			139,069
Total depreciable assets	17,021,665			17,021,665
Accumulated depreciation:				
Infrastructure	(5,561,562)	($382,397)		(5,943,959)
Machinery and equipment	(135,824)	(1,622)		(137,446)
Total accumulated depreciation	(5,697,386)	(384,019)		(6,081,405)
Total depreciable assets, net	11,324,279	(384,019)		10,940,260
Total capital assets, net	$11,887,272	($384,019)	($126,733)	$11,376,520

Depreciation expense amounted to $384,019 for the fiscal year ended June 30, 2022.

NOTE 5 – LONG TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2022, is noted below:

	Balance June 30, 2021	Retirements	Balance June 30, 2022	Amount due within one year
Direct Borrowing:				
Construction Loan	$1,865,630	$117,829	$1,747,801	$123,613
Total long-term debt	$1,865,630	$117,829	$1,747,801	$123,613

Construction Loan

On December 30, 2005, the District entered into an agreement with Municipal Finance Corporation for the purpose of refinancing the District's share in the outstanding Sonoma County Water & Wastewater Financing Authority Revenue Bonds of 1995, and the financing of wastewater system improvement projects. This loan was refinanced on April 5, 2013 with a new funding component for construction of additional improvements. The financing agreement bears an annual interest rate of 4.85% and matures on April 5, 2033.

NOTE 5 – LONG TERM DEBT, Continued

Of the $2,630,000 of debt issued in April 2013, $2,100,691 was issued to refinance the previously existing construction loan. The reacquisition price exceeded the net carrying amount of the old debt by $46,367 and is classified as a deferred charge on refunding in the Statement of Net Position. This amount is being amortized over the remaining life of the refunding debt. The current unamortized amount at June 30, 2022 is $11,592.

Annual debt service requirements to maturity for the construction loan are as follows:

For The Year Ending June 30	Principal	Interest
2023	$123,613	$83,288
2024	129,681	77,220
2025	136,047	70,854
2026	142,725	64,176
2027	149,731	57,169
2028-2032	866,393	168,110
2033	199,611	7,290
	$1,747,801	$528,106

NOTE 6 – RISK MANAGEMENT

The District is covered under an insurance policy from the Special District Risk Management Authority for general liability, auto liability, public employee's performance/dishonesty, and property insurance. Settled claims have not exceeded coverage in any of the past three years.

NOTE 7 – CONTINGENCIES

The District is exposed to the possibility of fines in relation to failure to meet certain pollution mitigation requirements. Management believes that the levying of fines is unlikely and is unable to estimate the possible amount of such fines, and therefore no liability has been recorded in connection with these fines as of June 30, 2022.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

The District Board of Directors passed Board Resolution 170619A on June 19, 2017, authorizing the District to enter into a contract with the California Public Employees’ Retirement System (CalPERS), effective July 1, 2017. All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

Benefits Provided

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. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous
Benefit formula	2% at 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52-67
Monthly benefits, as a % of eligible compensation	1.000% - 2.50%
Required employee contribution rates	6.75%
Required employer contribution rates	7.47%

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 the July 1 following notice of a change in the rate. Funding contributions for the Plans are 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 year ended June 30, 2022 the District contributed $9,628 to the Plan.

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

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2022, the District reported a net pension liability (asset) of ($41,508) , for its proportionate shares of the net pension liability (asset) of the Plan.

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

The District's net pension liability (asset) for the Plans is measured as the proportionate share of the net pension liability (asset). The net pension liability (asset) of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability (asset) for each Plan as of June 30, 2020 and 2021 was as follows:

	Miscellaneous
Proportion - June 30, 2020	0.00013%
Proportion - June 30, 2021	-0.00219%
Change - Increase (Decrease)	-0.00232%

For the year ended June 30, 2022, the District recognized pension negative expense of $72,843. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$11,428	
Differences between expected and actual experience	(4,655)	
Changes of assumptions		
Change in Employer's Proportion	15,638	
Change in proportion and differences between employer contributions and proportionate share of contributions	102	
Net difference between projected and actual earnings on pension plan investments	36,234	
Total	$58,747	$0

The $11,428 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2023	$12,360
2024	12,865
2025	12,081
2026	10,013
Thereafter	
Total	$47,319

Actuarial Assumptions – For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions for both benefit tiers.

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.30%
Payroll Growth	3.00%
Projected Salary Increases	Varies by Entry-Age and Service
Investment Rate of Return	7.15%(1)
Mortality Rate Table[1]	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS- specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All the other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2011, including updates to the salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

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 the 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

The table below reflects the long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Det Securities; liquidity is included in Short-term Investments; inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension lability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability (asset) for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$3,203
Current Discount Rate	7.15%
Net Pension Liability (Asset)	($41,508)
1% Increase	8.15%
Net Pension Liability (Asset)	($80,950)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

Reduction of CalPERS Discount Rate

In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall Public Employees Retirement Fund (PERF) is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

NOTE 9 – RESTATEMENT OF NET POSITION

During the fiscal year ending June 30, 2022, the District determined that certain Construction in Progress assets had been previously fully operational since 2014. This resulted in a reduction of Net Position in the amount of $2,454,015 to record the depreciation of these assets.