



Graton Community Services District BOARD OF DIRECTORS *STAFF REPORT*

DATE: March 23, 2026

TO: Members of the Board of Directors

FROM: Chad Davisson, Management Consultant

SUBJECT: ACCEPT THE FYE JUNE 30, 2025 ANNUAL FINANCIAL AUDIT

STATEMENT OF ISSUE:

The District provides wastewater collection and treatment as well as parks and recreational services. These services are funded primarily through collection of service fees as well as some grants and fundraising. The District must comply with General Accepted Accounting Principles (GAAP) to ensure that financial information is being presented accurately and completely. The District conducts an independent, third-party financial audit annually. The findings of each annual audit are then presented to the Board for acceptance.

STAFF'S RECOMMENDATION TO THE BOARD:

Staff is recommending the Board accept the FYE June 30, 2025 annual financial audit.

COST OR FINANCIAL IMPACTS: There are no costs associated with accepting the annual financial audit. The District paid the auditing firm, Maze and Associates, \$16,673 to conduct the audit.

SCHEDULE FOR COMPLETION: Staff recommends the Board take action at this Meeting.

GRATON COMMUNITY SERVICES DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2025

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GRATON COMMUNITY SERVICES DISTRICT

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2025

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MEMORANDUM ON INTERNAL CONTROL

Board of Directors
Graton Community Services District
Graton, California

In planning and performing our audit of the basic financial statements of the Graton Community Services District (District), as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, 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 opinions 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis.

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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze + Associates'.

Pleasant Hill, California
February 6, 2026

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REQUIRED COMMUNICATIONS

Board of Directors
Graton Community Services District
Graton, California

We have audited the basic financial statements of the Graton Community Services District (District) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies – Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except the following Governmental Accounting Standards Board (GASB) pronouncement became effective:

GASB 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.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

The pronouncement became effective, and as disclosed in Note 9 to the financial statements required a prior period restatement for the cumulative effect on the financial statements.

The following pronouncement became effective, but did not have a material effect on the financial statements:

GASB 102 – Certain Risk Disclosures

Unusual Transactions, Controversial or Emerging Areas – We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Unusual Transactions, Controversial or Emerging Areas – We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Disclosures – The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the District's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated February 6, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and 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 required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
February 6, 2026

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GRATON COMMUNITY SERVICES DISTRICT

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2025**

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**GRATON COMMUNITY SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

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.

Change in Accounting Principal

Management adopted the provisions for Governmental Accounting Standards Board Statement No. 101, Compensated Absences, which became effective during the year ended June 30, 2025 and required the restatement of net position as discussed in Note 9 to the financial statements.

The change in accounting principle 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
February 6, 2026

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GRATON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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's Graton Services fund for the fiscal year ended June 30, 2025. There are two separate funds, the operations fund and the Town Square fund. The Town Square fund was approved by the board in fiscal year ended June 30, 2024, for a board approved Town Square project. The Town Square fund is separate from normal District operations and thus this narrative overview and analysis of the financial activities, excludes the new Town Square fund and focuses on the District operations instead.

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.

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 \$9,934,589, a decrease of \$280,441 from the prior fiscal year. Unrestricted net position at the end of the fiscal year amounted to \$761,090.

Revenues

The District recognized total revenues and capital contributions of \$1,285,841 during the fiscal year ended June 30, 2025. This amount includes \$1,080,863 in operating revenues, \$187,815 in nonoperating revenues, and \$16,563 in capital contributions. Nonoperating revenues consisted of \$52,586 in investment earnings and \$135,229 in intergovernmental revenues.

Expenses

The District incurred operating expenses totaling \$1,480,093 during the fiscal year ended June 30, 2025. 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 \$399,230 for the fiscal year ended June 30, 2025, while recognizing an overall decrease in net position of \$280,441.

GRATON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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 \$9,934,589 at the close of the fiscal year ended June 30, 2025.

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.

GRATON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Financial Analysis (continued)

Condensed Statements of Net Position

Year ended June 30,	2024	2025	Percentage Change
Assets			
Current assets	\$ 779,268	\$ 201,434	-74.2%
Noncurrent assets	671,921	719,664	7.1%
Capital assets	11,132,592	10,809,286	-2.9%
Total Assets	12,583,781	11,730,384	-6.8%
Total Deferred Outflows of Resources	26,310	31,034	18.0%
Liabilities			
Current liabilities	719,133	348,418	-51.6%
Noncurrent liabilities	1,666,176	1,472,043	-11.7%
Total Liabilities	2,385,309	1,820,461	-23.7%
Total Deferred Inflows of Resources	3,198	6,368	99.1%
Net Position			
Net investment in capital assets	9,297,327	9,173,499	-1.3%
Unrestricted	924,257	761,090	-17.7%
Total Net Position	\$ 10,221,584	\$ 9,934,589	-2.8%

There was a decrease in current assets in fiscal year ending June 30, 2025, because of a California State Water Resources Control Board (SWRCB) grant that reimbursed collection system assessment costs. There was a decrease in current liabilities because of corresponding assessment study expenses. This grant and corresponding expenses caused a large fluctuation year-over-year.

GRATON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

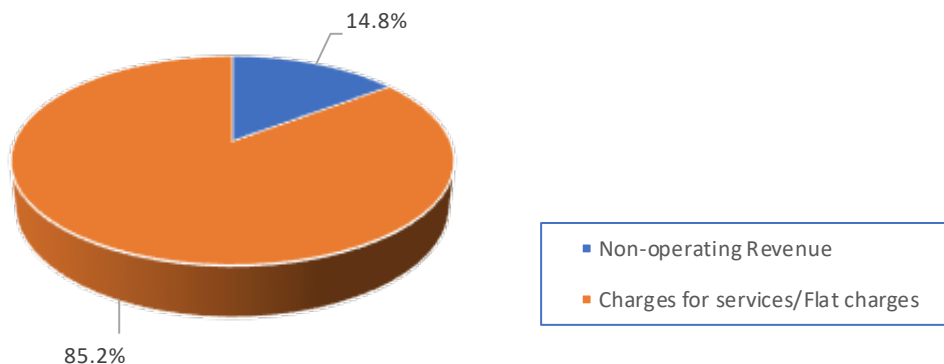
Financial Analysis (continued)

Condensed Statement of Changes in Net Position

Year ended June 30,	2024	2025	Percentage Change
Revenues			
Operating	\$ 1,041,598	\$ 1,080,863	3.8%
Nonoperating	403,525	187,815	-53.5%
Total revenues	1,445,123	1,268,678	-12.2%
Expenses			
Operating	1,719,115	1,480,093	-13.9%
Nonoperating	93,847	85,589	-8.8%
Total expenses	1,812,962	1,565,682	-13.6%
Loss before contributions	(367,839)	(297,004)	-19.3%
Contributions			
Connection fees - Capital	416,563	16,563	-96.0%
Change in net position	48,724	(280,441)	-675.6%
Net position -beginning of year	10,172,860	10,221,584	0.5%
Prior period adjustment (see note 9)	-	(6,554)	
Net position at beginning of year, as restated	10,172,860	10,215,030	0.4%
Net Position - End of Year	\$ 10,221,584	\$ 9,934,589	-2.8%

Total revenues of the District for the fiscal year ended June 30, 2025, totaled \$1,268,678 representing a decrease of \$176,445 from the preceding fiscal year revenues of \$1,445,123. The rate based operating charges, representing 85.2% of the District's total revenue, increased by \$39,265. Non-operating revenues comprised of investment earnings and intergovernmental revenue represents 14.8% of the District's total revenue, decreased by \$215,710. The combined effect overall was a decrease in revenues of 12.2% for the fiscal year ended June 30, 2025. The decrease is due to a one-time grant received in 2024 for collection system assessment study.

Revenues by type:



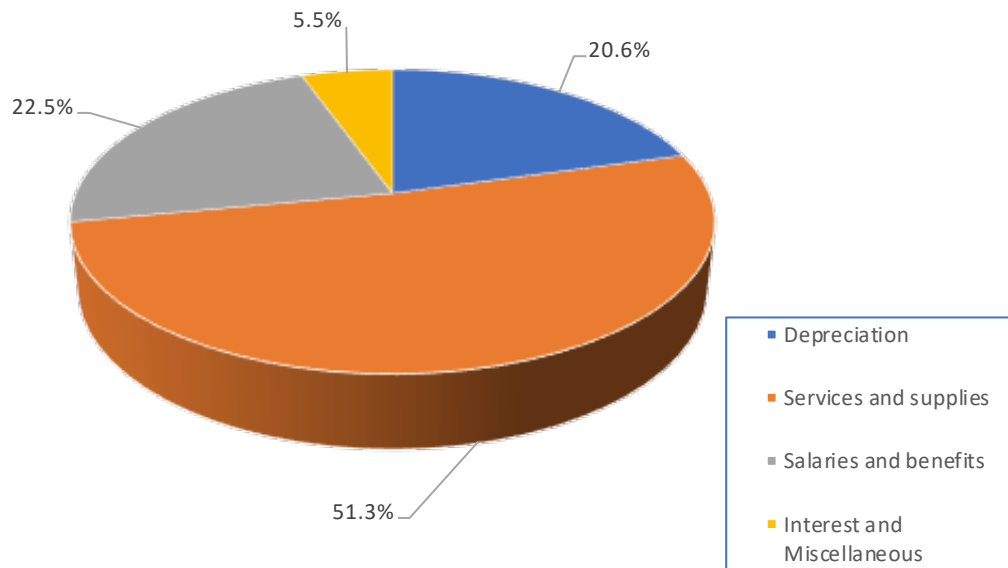
GRATON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Financial Analysis (continued)

Operating revenues, consisting of flat charges and sanitation service charges, increased overall by \$39,265 from the prior fiscal year. Flat charges consisting of direct charges and property taxes increased this year for the District by \$2,519. Sanitation service charges increased this year for the District by \$36,746.

Expenses for the District for the fiscal year ended June 30, 2025, totaled \$1,565,682. The District saw a decrease in expenses of \$247,280 from the previous fiscal year. The decrease was due to a decrease in collection system assessment costs related to a collection study covered by a grant. Costs associated with the administration of the sanitation system totaled \$803,880 and represent 51.3% of the District's total expenses during the fiscal year. Salaries and benefits represent 22.5% or \$352,907 of expenses. Interest and miscellaneous expense makes up 5.5% or \$85,589. The remaining 20.6% of operating expenses consists of \$323,306 in depreciation.

Expenses by type:



GRATON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Financial Analysis (continued)

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2025, amounts to \$10,809,286 (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.

	June 30, 2024	June 30, 2025	Percentage Change
Land	\$ 417,205	\$ 417,205	-
Machinery and equipment	139,069	139,069	-
Infrastructure	17,343,696	17,343,696	-
Intangible: non-amortizable	19,055	19,055	-
Construction in progress	1,321	1,321	-
Accumulated depreciation	<u>(6,787,754)</u>	<u>(7,111,060)</u>	4.8%
Total	<u>\$ 11,132,592</u>	<u>\$ 10,809,286</u>	<u>-2.9%</u>

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

Long-term Debt

At the end of the current fiscal year, the District had a total of \$1,635,787 in outstanding current and non-current long-term debt. The District's long-term debt consists of a construction loan restructured in 2013 and issued debt for the financed purchase of solar equipment. Long-term debt obligations are summarized below.

	Beginning Balance		Ending Balance		Due Within One Year
	June 30, 2024	Additions	Retirements	June 30, 2025	
Construction Loan - Direct Borrowing	\$ 1,494,507	\$ -	\$ 136,047	\$ 1,358,460	\$ 142,725
Financed Purchase	340,758	-	63,431	277,327	65,708
Total	<u>\$ 1,835,265</u>	<u>\$ -</u>	<u>\$ 199,478</u>	<u>\$ 1,635,787</u>	<u>\$ 208,433</u>

The District's total debt decreased \$199,478 during the fiscal year ended June 30, 2025. Additional information on the District's long-term debt can be found in the notes to the basic financial statements.

GRATON COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Financial Analysis (continued)

Next Year's Budget and Rates

Budgeted gross expenses, including capital projects expenditures, for the District for fiscal year ending June 30, 2026, decreased by \$410,520 or 19.2% for a total of \$1,733,056. The decrease in budgeted expenses is from both the operations and construction project’s budget.

Following is a comparison of the final budget for the fiscal year ended June 30, 2025, and the proposed budgeted expenses for the District for the fiscal year ending June 30, 2026.

	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2026	Increase / (Decrease)	Percentage Change
Operations	\$ 1,918,211	\$ 1,631,945	\$ (286,266)	-14.9%
Construction	225,365	101,111	(124,254)	-55.1%
Total	\$ 2,143,576	\$ 1,733,056	\$ (410,520)	-19.2%

Sewer Service Fees

The following table illustrates the sanitation service rates and estimated equivalent single-family dwellings for the District.

	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2026	Percentage Change
Rate per Equivalent Single-Family Dwelling	\$ 1,574	\$ 1,861	18.2%
Number of Equivalent Single-Family Dwellings	654	692	5.9%

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.

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GRATON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2025

ASSETS	Graton Services Fund	Town Square Fund	Total
CURRENT ASSETS			
Cash and investments	\$ 175,949	\$ -	\$ 175,949
Accounts receivable	10,470	-	10,470
Due from other funds	11,523	-	11,523
Prepaid expenses	3,492	-	3,492
Total current assets	<u>201,434</u>	<u>-</u>	<u>201,434</u>
NON-CURRENT ASSETS			
Cash and investments restricted for capital assets	699,834	-	699,834
Accounts receivable	19,830	-	19,830
Capital assets not being depreciated:			
Land	417,205	1,449,825	1,867,030
Intangible assets - easements	19,055	-	19,055
Construction in progress	1,321	-	1,321
Capital assets, net of accumulated depreciation:			
Infrastructure	10,371,705	-	10,371,705
Total capital assets, net of accumulated depreciation	<u>10,809,286</u>	<u>1,449,825</u>	<u>12,259,111</u>
Total non-current assets	<u>11,528,950</u>	<u>1,449,825</u>	<u>12,978,775</u>
TOTAL ASSETS	<u>11,730,384</u>	<u>1,449,825</u>	<u>13,180,209</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	31,034	-	31,034
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>31,034</u>	<u>-</u>	<u>31,034</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,761,418</u>	<u>\$ 1,449,825</u>	<u>\$ 13,211,243</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 88,578	\$ 7,548	\$ 96,126
Due to other funds	-	11,523	11,523
Compensated absences	35,021	-	35,021
Current portion of long-term debt	208,433	-	208,433
Unearned revenue	-	7,200	7,200
Accrued interest payable	16,386	-	16,386
Total current liabilities	<u>348,418</u>	<u>26,271</u>	<u>374,689</u>
NON-CURRENT LIABILITIES			
Net pension liability	27,327	-	27,327
Compensated absences	17,362	-	17,362
Long-term debt, net of current portion	1,427,354	645,000	2,072,354
Total non-current liabilities	<u>1,472,043</u>	<u>645,000</u>	<u>2,117,043</u>
TOTAL LIABILITIES	<u>1,820,461</u>	<u>671,271</u>	<u>2,491,732</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	6,368	-	6,368
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,368</u>	<u>-</u>	<u>6,368</u>
NET POSITION			
Net investment in capital assets	9,173,499	804,825	9,978,324
Unrestricted	761,090	(26,271)	734,819
TOTAL NET POSITION	<u>9,934,589</u>	<u>778,554</u>	<u>10,713,143</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 11,761,418</u>	<u>\$ 1,449,825</u>	<u>\$ 13,211,243</u>

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, 2025

	Graton Services Fund	Town Square Fund	Total
OPERATING REVENUES			
Flat charges	\$ 1,029,040	\$ -	\$ 1,029,040
Charges for services	51,823	-	51,823
Total operating revenues	<u>1,080,863</u>	<u>-</u>	<u>1,080,863</u>
OPERATING EXPENSES			
Salaries and benefits	352,907	-	352,907
Services and supplies	803,880	83,858	887,738
Depreciation and amortization	323,306	-	323,306
Total operating expenses	<u>1,480,093</u>	<u>83,858</u>	<u>1,563,951</u>
OPERATING INCOME	<u>(399,230)</u>	<u>(83,858)</u>	<u>(483,088)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	52,586	304	52,890
Interest expense	(85,203)	(45,150)	(130,353)
Intergovernmental	135,229	-	135,229
Donations	-	61,611	61,611
Miscellaneous income	(386)	4,865	4,479
Total nonoperating revenues	<u>102,226</u>	<u>21,630</u>	<u>123,856</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(297,004)</u>	<u>(62,228)</u>	<u>(359,232)</u>
CAPITAL CONTRIBUTIONS			
Connection fees	16,563	-	16,563
Donations	-	584,811	584,811
Intergovernmental	-	25,000	25,000
Total capital contributions	<u>16,563</u>	<u>609,811</u>	<u>626,374</u>
CHANGES IN NET POSITION	<u>(280,441)</u>	<u>547,583</u>	<u>267,142</u>
NET POSITION, BEGINNING OF YEAR	10,221,584	230,971	10,452,555
PRIOR PERIOD ADJUSTMENT (See note 9)	(6,554)	-	(6,554)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>10,215,030</u>	<u>230,971</u>	<u>10,446,001</u>
NET POSITION, END OF YEAR	<u>\$ 9,934,589</u>	<u>\$ 778,554</u>	<u>\$ 10,713,143</u>

See accompanying notes to financial statements

GRATON COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Graton Services Fund	Town Square Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,078,345	\$ -	\$ 1,078,345
Cash paid to employees for services	(351,529)	-	(351,529)
Cash paid to suppliers for goods and services	(1,195,867)	(73,303)	(1,269,170)
Cash Flows from Operating Activities	(469,051)	(73,303)	(542,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous Revenue	(386)	4,865	4,479
Intergovernmental revenue	431,907	7,200	439,107
Donations	-	61,611	61,611
Cash Flows from Noncapital Financing Activities	431,521	73,676	505,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments - construction loan	(136,047)	-	(136,047)
Principal payments - financed purchase	(63,431)	-	(63,431)
Connection fees	16,563	-	16,563
Intergovernmental revenue	-	25,000	25,000
Interest paid on capital debt	(83,087)	(45,150)	(128,237)
Cash Flows (used for) Capital and Related Financing Activities	(266,002)	(20,150)	(286,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	52,586	304	52,890
Cash Flows from Investing Activities	52,586	304	52,890
NET CASH FLOWS	(250,946)	(19,473)	(270,419)
Cash, beginning of year	1,126,729	19,473	1,146,202
Cash, end of year	\$ 875,783	\$ -	\$ 875,783
Reconciliation of cash and cash equivalents to statement of net position:			
Cash and cash equivalents	\$ 175,949	\$ -	\$ 175,949
Restricted - cash and cash equivalents	699,834	-	699,834
Total cash and cash equivalents	\$ 875,783	\$ -	\$ 875,783

(Continued)

See accompanying notes to financial statements

GRATON COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Graton Services Fund</u>	<u>Town Square Fund</u>	<u>Total</u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income from operations	\$ (399,230)	\$ (83,858)	\$ (483,088)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	323,306	-	323,306
Change in assets and liabilities:			
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable	(2,518)	-	(2,518)
Prepaid expenses	(3,492)	7,525	4,033
Due from other funds	(11,523)	-	(11,523)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable and accrued expenses	(376,973)	(8,493)	(385,466)
Compensated absences	9,859	-	9,859
Due from other funds	-	11,523	11,523
Net pension liability and related deferred inflows and outflows	(8,480)	-	(8,480)
Net cash provided by operating activities	<u>\$ (469,051)</u>	<u>\$ (73,303)</u>	<u>\$ (542,354)</u>

See accompanying notes to financial statements

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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 Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. The following pronouncements were implemented for the year ended June 30, 2025.

Implemented New Accounting Pronouncements

GASB Statement No. 101 – In June 2022, 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 is effective for reporting periods beginning after December 15, 2023, or the fiscal year 2024-25. This statement required a restatement as noted in Note 9.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement is effective for reporting periods beginning after June 15, 2024, or the fiscal year 2024-25. This Statement did not have a material effect on the financial statements.

Upcoming New Accounting Pronouncements

Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for reporting periods beginning after June 15, 2025, or the fiscal year 2025-26. The District does not anticipate that the Statement will have a material effect on the financial statements.

Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34 and also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026. The District does not anticipate that the Statement will have a material effect on the financial statements.

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

The District reports the following major Proprietary fund:

The *Graton Services Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following non-major Proprietary fund:

The *Town Square Fund* accounts for financial activities associated with procurement and development of the Town Square property.

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2025. 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, 2025.

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.

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.

Intangible assets are stated at cost or estimated historical cost. Intangible assets for the District consist of permanent easements. Permanent easements, including dedicated easements, are stated at cost, estimated historical cost, or fair value at the time of receipt and are not amortized.

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. The liability is calculated in accordance with generally accepted accounting principles and based on whether or not it is more likely than not that leave will be used before the employee leaves the District.

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.

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.

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Pensions

In general, the District recognizes a net pension liability, which represents the District's 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 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.

The changes in net pension liability 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 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.

M. 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 District's 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).

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 – CASH AND INVESTMENTS, Continued

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.

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, 2025, the fair value of the District's cash and investments was \$875,783 which includes an unrealized loss in fair value adjustment of \$725. 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 732 days. The credit rating and other information regarding specific investments maintained in the Treasury Pool as of June 30, 2025 are disclosed in the County's Annual Comprehensive Financial Report.

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 – CASH AND INVESTMENTS, Continued

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.)

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, 2025 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 \$96,126 consist of payments due to vendors for goods and services.

**GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2025</u>
Non-depreciable assets:				
Land	\$ 1,282,219	\$ 584,811	\$ -	\$ 1,867,030
Intangible asset	19,055	-	-	19,055
Construction in process	1,321	-	-	1,321
Total non-depreciable assets	<u>1,302,595</u>	<u>584,811</u>	<u>-</u>	<u>1,887,406</u>
Depreciable assets:				
Infrastructure	17,343,696	-	-	17,343,696
Machinery and equipment	139,069	-	-	139,069
Total depreciable assets	<u>17,482,765</u>	<u>-</u>	<u>-</u>	<u>17,482,765</u>
Accumulated depreciation:				
Infrastructure	(6,648,685)	(323,306)	-	(6,971,991)
Machinery and equipment	(139,069)	-	-	(139,069)
Total accumulated depreciation	<u>(6,787,754)</u>	<u>(323,306)</u>	<u>-</u>	<u>(7,111,060)</u>
Total depreciable assets, net	<u>10,695,011</u>	<u>(323,306)</u>	<u>-</u>	<u>10,371,705</u>
Total capital assets, net	<u>\$ 11,997,606</u>	<u>\$ 261,505</u>	<u>\$ -</u>	<u>\$ 12,259,111</u>

Depreciation expense amounted to \$323,606 for the fiscal year ended June 30, 2025.

NOTE 5 – LONG TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2025, is noted below:

	<u>Balance June 30, 2024</u>	<u>Retirements</u>	<u>Balance June 30, 2025</u>	<u>Amount due within one year</u>
Construction Loan - Direct Borrowing	\$ 1,494,507	\$ 136,047	\$ 1,358,460	\$ 142,725
Financed Purchase - Solar	340,758	63,431	277,327	65,708
Town Square Project Loan - Direct Borrowing	645,000	-	645,000	-
Total long-term debt	<u>\$ 2,480,265</u>	<u>\$ 199,478</u>	<u>\$ 2,280,787</u>	<u>\$ 208,433</u>

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.

GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 – LONG TERM DEBT, Continued

The financing agreement bears an annual interest rate of 4.85% and matures on April 5, 2033. 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, 2025 is \$0.

In the event of default, the Corporation may exercise any of the following options: by written notice declare all amount due and payable under the loan and take action at law or in equity necessary or desirable to collect the loan repayments.

Finance Purchase – Solar

On June 1, 2022, the District entered into an agreement with U.S. Bancorp Governmental Leasing and Finance, Inc for the purpose for the purpose of obtaining financing for the construction of a floating solar photovoltaics system. The agreement bears an annual interest rate of 3.59% and matures on June 1, 2029.

In the event of default, the Lessor may exercise any of the following options: by written notice declare all amount due and payable under the loan, take action at law or in equity necessary or desirable to collect the loan repayments, give notice to escrow agent holding proceeds to release those proceeds to the Lessor and retake possession of the property.

Town Square Project Loan

On February 1, 2024, the District entered into an agreement with a private party for the purpose of obtaining financing for the purchase of the Town Square property. The agreement bears an annual interest rate of 7% and matures on February 1, 2029.

In the event of default, the private party may exercise any of the following options: by written notice declare all amount due and payable under the loan and foreclose on the property.

Annual debt service requirements to maturity for each debt is as follows:

For The Year Ending June 30	Construction Loan Payments			Finance Purchase - Solar		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 142,725	\$ 64,176	\$ 206,901	\$ 65,708	\$ 9,956	\$ 75,664
2027	149,731	57,169	206,900	68,067	7,597	75,664
2028	157,081	49,819	206,900	70,510	5,154	75,664
2029	164,792	42,109	206,901	73,042	2,622	75,664
2030	172,881	34,019	206,900	-	-	-
2031-2033	571,250	49,453	620,703	-	-	-
	<u>\$ 1,358,460</u>	<u>\$ 296,745</u>	<u>\$ 1,655,205</u>	<u>\$ 277,327</u>	<u>\$ 25,329</u>	<u>\$ 302,656</u>

**GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 – LONG TERM DEBT, Continued

For The Year Ending June 30	Town Square Project Loan		
	Principal	Interest	Total
2026	\$ -	\$ 45,150	\$ 45,150
2027	-	45,150	45,150
2028	-	45,150	45,150
2029	645,000	30,100	675,100
	<u>\$ 645,000</u>	<u>\$ 165,550</u>	<u>\$ 810,550</u>

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.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2025:

Type of Coverage	District Limits	District Deductibles
General Liability	\$ 5,000,000	\$ -
Workers' Compensation	Statutory Limit	-
Property Damage	1,000,000,000	1,000
Mobile Equipment	1,000,000,000	1,000
Auto Liability (includes non-owned auto)	5,000,000	-
Auto Physical Damage	1,000,000,000	-
Trailer	100,000	250

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, 2025.

**GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

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.

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, 2025, 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	7.75%
Required employer contribution rates	7.87%

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, 2025, the District contributed \$18,395 to the Plan.

**GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

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

At June 30, 2025, the District For purposes of measuring the net pension liability 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.

At June 30, 2025, the District reported a liability of \$27,327. The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2023 and 2024 was as follows:

	Miscellaneous
Proportion - June 30, 2023	0.00061%
Proportion - June 30, 2024	0.00057%
Change - Increase (Decrease)	-0.00004%

For the year ended June 30, 2025, the District recognized pension expense of \$8,480. At June 30, 2025, 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	\$ 18,395	\$ -
Differences between expected and actual experience	2,363	92
Changes of assumptions	702	-
Change in Employer's Proportion	4,869	1,207
Change in proportion and differences between employer contributions and proportionate share of contributions	3,132	5,069
Net difference between projected and actual earnings on pension plan investments	1,573	-
	-	-
Total	\$ 31,034	\$ 6,368

**GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

The \$18,395 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 in the year ended June 30, 2026. 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
2026	\$ 2,491
2027	4,993
2028	(675)
2029	(538)
Thereafter	-
Total	\$ 6,271

Actuarial Assumptions – For the measurement period ended June 30, 2023, the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions for both benefit tiers.

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increases	Varies by Entry-Age and Service
Investment Rate of Return	6.90% ¹
Mortality Rate Table ¹	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS- specific data. The table includes generational mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 6.90%. 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.

**GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

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.

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 ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

**GRATON COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – DEFINED BENEFIT PENSION PLAN, Continued

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) 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		5.90%
Net Pension Liability (Asset)	\$	75,413
Current Discount Rate		6.90%
Net Pension Liability (Asset)	\$	27,327
1% Increase		7.90%
Net Pension Liability (Asset)	\$	(12,255)

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 9 – CHANGE IN ACCOUNTING PRINCIPAL

During the year ended June 30, 2025, changes in accounting principle resulted in restatements to beginning net position as follows:

Net position, as previously reported on June 30, 2024	\$ 10,452,555
Change in accounting principle:	
Compensated absence (GASB 101)	(6,554)
Net position, July 01, 2024, as restated	\$ 10,446,001

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REQUIRED SUPPLEMENTARY INFORMATION

Graton Community Services District
 Cost-Sharing Multiple-Employer Defined Pension Plan
 Last 10 Years*
 SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY AND RELATED RATIOS AS OF
 THE MEASUREMENT DATE

Measurement Date	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>
Plan's proportion of the Net Pension Liability (Asset)	0.00000%	0.00002%	0.00013%	-0.00219%	0.00045%	0.00061%
Plan's proportion share of the Net Pension Liability (Asset)	\$ -	\$ 895	\$ 5,305	\$ (41,508)	\$ 21,011	\$ 30,389
Plan's Covered Payroll	\$ 230,349	\$ 246,019	\$ 92,129	\$ 194,420	\$ 193,174	\$ 204,544
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	0.00%	0.36%	5.76%	-21.35%	10.88%	14.86%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	99.46%	98.16%	111.49%	91.33%	89.54%	92.33%

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

Graton Community Services District
 Cost-Sharing Multiple Employer Defined Pension Plan
 Last 10 Years*
 SCHEDULE OF CONTRIBUTIONS

Fiscal Year	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Actuarially determined contribution	\$ 12,693	\$ 21,456	\$ 9,771	\$ 17,612	\$ 14,836	\$ 17,208
Contributions in relation to the actuarially determined contributions	<u>(12,693)</u>	<u>(21,456)</u>	<u>(9,771)</u>	<u>(17,612)</u>	<u>(\$14,836)</u>	<u>(\$17,208)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 <u>\$ 230,349</u>	 <u>\$ 246,019</u>	 <u>\$ 92,129</u>	 <u>\$ 194,420</u>	 <u>\$ 193,174</u>	 <u>\$ 204,544</u>
 Contributions as a percentage of covered payroll	 5.51%	 8.72%	 10.61%	 9.06%	 7.68%	 8.41%

* 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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