



SCOTTS VALLEY  
WATER DISTRICT

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**For the Fiscal Years Ended June 30, 2024 and 2023**



**Sucinto Well  
Scotts Valley, California**

**Mission Statement**

*The mission of the Scotts Valley Water District is to deliver a sustainable, high quality water supply in an environmentally responsible and sound financial manner while providing outstanding customer service.*

**Scotts Valley Water District  
Board of Directors as of June 30, 2024**

<u>Name</u>	<u>Title</u>	<u>Elected / Appointed</u>	<u>Current Term</u>
Wade Leishman	President	Elected	12/22 - 11/26
Danny Reber	Vice President	Elected	12/20 - 11/24
Bill Ekwall	Director	Elected	12/22 - 11/26
Chris Perri	Director	Elected	12/20 - 11/24
Ruth Stiles	Director	Elected	12/22 - 11/26
Alex Schulz	Junior Associate	-	-
Jasmine Schulz	Junior Associate	-	-

**Scotts Valley Water District  
David McNair, General Manager  
2 Civic Center Drive  
Scotts Valley, California 95066  
(831) 438-2363 – [www.svwd.org](http://www.svwd.org)**

**SCOTTS VALLEY WATER DISTRICT**  
*For the Fiscal Years Ended June 30, 2024 and 2023*  
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**SCOTTS VALLEY WATER DISTRICT**

*For the Fiscal Years Ended June 30, 2024 and 2023*

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# SCOTTS VALLEY WATER DISTRICT

2 Civic Center

Scotts Valley, California 95066  
831-438-2363

**December 18, 2024**

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***To the Board of Directors and Customers of Scotts Valley Water District:***

It is my pleasure to submit the Scotts Valley Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024 (FY 2024). The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited with generally accepted auditing standards.

The District is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this report. I believe that the data presented is accurate in all material respects. This report is designed in a manner that helps to enhance the understanding of the District's financial position and activities. The management of the District has established an internal controls framework that is designed to protect the District's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP.

The District's financial statements have been audited by Nigro and Nigro, PC, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2024 are free of material misstatement. The independent audit involved examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that states that the District's financial statements for the fiscal year ended June 30, 2024 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

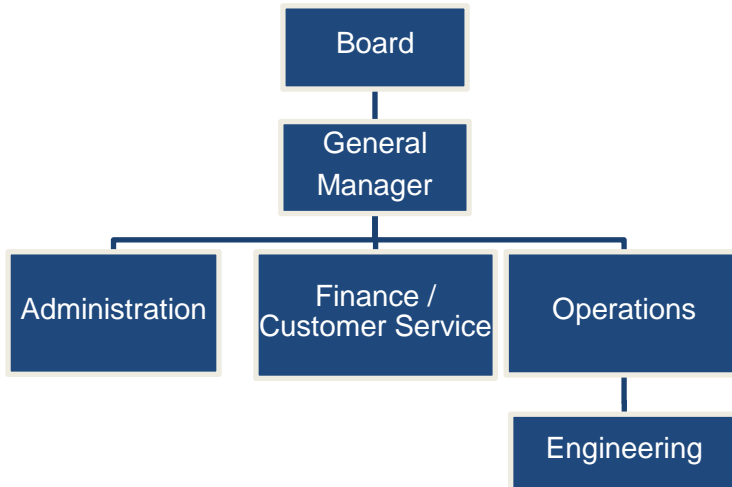
This report is organized into three sections: (1) Introductory, (2) Financial, and (3) Statistical. The Introductory section offers general information about the District's organizational structure and water system, the economic environment, as well as the District's major initiatives and accomplishments. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, and the financial statements with accompanying notes including required supplementary reports. The supplementary report's segment contains selected financial information in greater detail than presented in the financial statements in accordance with the District's internal fund structure. The Statistical section includes additional tables of unaudited data depicting select information about the District.

**District Organizational Structure and Leadership**

The Scotts Valley Water District is an independent special district, which operates under the authority of Division 12: County Water District Act of the California Water Code. The District was formed in 1961 and is governed by a five-member Board of Directors, elected at-large from within the District’s service area. The District’s Board of Directors meets on the second Thursday of each month. The public is notified of these meetings and is encouraged to attend.

The General Manager administers the day-to-day operations of the District in accordance with policies established by the Board of Directors. The District employs 18 employees organized in three divisions: Administration, Operations, and Finance. There was one change to the organization chart in FY 2024; the reduction of the Special Projects Manager (0.5 FTE) position.

The District’s organization chart is presented by position at the end of this letter. The organization’s department structure is presented below:



The District provides water service to approximately 4,500 connections, covering most of the City of Scotts Valley and several unincorporated neighborhoods.

The City of Scotts Valley, which covers approximately six square miles, is located north of the City of Santa Cruz on Highway 17 in Santa Cruz County.

**District Services**

Residential customers represent approximately 92% of the District’s customer base and consume approximately 62% of the potable water produced annually by the District. The District has a total of six groundwater wells with a maximum production capacity of 1,400 gallons per minute. Additionally, the District is the sole permitted distributor of recycled water from the Tertiary Treatment Plant of the City of Scotts Valley.

The District’s potable water connection portfolio increased by 31 accounts in FY 2024.

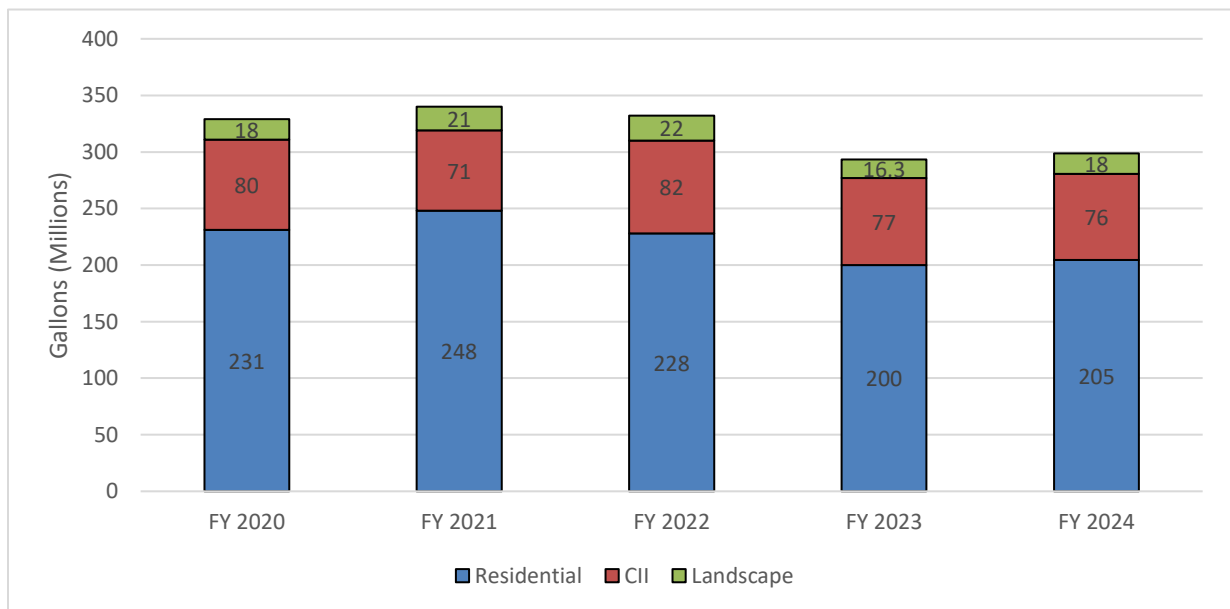
Potable Domestic Water Connections (excludes Fire Service Connections)

	6/30/2023	6/30/2024	Incr/(Decr)
Residential	3,554	3,586	32
CII*	299	299	0
Landscape	78	77	(1)
	<u>3,931</u>	<u>3,962</u>	<u>31</u>

\* CII: Commercial, Industrial and Institution

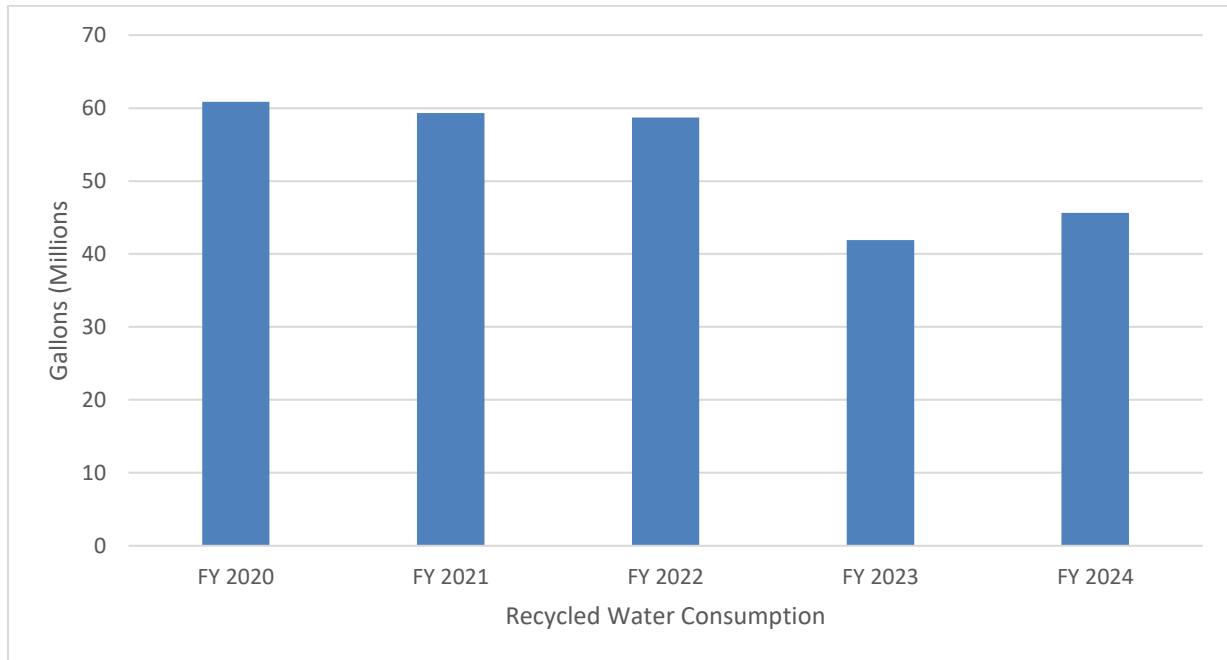
Total potable water consumption increased by 5 million gallons (MG) from FY 2023, equal to 1.8%, with residential customers as the primary driver for the change. Residential consumption increased by 5 MG (2.3%), landscape consumption increased 2 MG (10.4%), and CII consumption decreased 1 MG (-1.3%).

Five-year history of potable water consumption (in million gallons) is presented below:



Scotts Valley Water District also sells recycled water that is produced at the City of Scotts Valley Tertiary Treatment Plant. The District strives to maximize the potential use of recycled water wherever feasible by installing recycled irrigation services at new development projects and converting existing potable landscape connections to recycled water. Recycled water accounts for approximately 13% of the total annual system demand. As of June 30, 2023, there were 71 recycled water connections with an annual demand of 45.6 MG. Total recycled water consumption increased by 3.7 MG from FY 2023, or 8.9%.

The five-year history of recycled water consumption is presented below:



### Water Rates

The Board established its current rate structure at a public hearing on October 14, 2021. Rates and fees for potable and recycled water were set for a five-year period (2021-2026). At the 2021 hearing, potable water rates were approved and scheduled to increase five percent in January 2024. However, the Board acted to reduce this increase to three percent. The three percent rate increase became effective January 1, 2024. For recycled rates, basic meter charges increased 5 percent and volumetric rates increased ten percent on January 1, 2024. This was the third year of the five-year rate schedule.

### Water Use Efficiency

The District promotes the efficient use of water use by providing customers with data to effectively monitor and manage their water use. The main tool offered to achieve that goal is WaterSmart, a digital platform that provides timely notifications and access to detailed water usage data. Forty-seven percent of District customers are registered the platform, up from forty-five in June of 2023. WaterSmart notifies customers that have continuous water use of 3 gallons per hour (gph) and the customer engagement portal offers guidance on how to identify and address leaks. District staff augments these automated notifications with phone calls and letters to ensure that all customers receive notification in the event of continuous water use. The implementation of these notifications has resulted in significant decreases to the volume and duration of customer water leaks.

The District also offers rebates and free devices to encourage efficient water usage. The FY 2024 rebate program continued to fund "Turf's Up" which pays \$2/square foot of irrigated lawn that is removed. The rebate program incentivized the following in FY 2024: retrofitting of 23,600 square feet of turf; installation of 26 pressure regulating valves to protect against leaks; and provided \$1,150 for toilet replacements to more efficient models.

## **Local Economic Condition and Outlook**

Inflation continued to be an economic concern throughout fiscal year 2024. The consumer price index (CPI) for the Bay Area has come down from its peak in June of 2022. The average annual rate for the 12-month period July 2023 through June 2024 was 3.03%. This is a decrease from previous years in which Bay Area CPI averaged 4.8 percent for both fiscal years ending June 30, 2022 and 2023. Labor market data from the State Employment Development Division indicates a 5.6% unemployment rate for Santa Cruz County in June 2024, which is 1.9% higher than the prior year. The County's unemployment rate was also slightly higher than the statewide average of 5.2% for June 2024.

The local economy and the City of Scotts Valley's economic development policies, including land use policy, also impact the number of new service connections. The city population of 11,816 according to a May 2024 news release by the State Department of Finance, decreased 2.1% from the 2020 census benchmark of 12,069. The number of households increased from the 2020 census benchmark of 4,690 census to an estimated 4,762 in 2024, a 1.5% increase. As the city's remaining buildable space is limited, growth in population is likely to remain moderate.

The City's Planning Department has approved several commercial and residential developments in the past few years which have or will result in new connections. Development projects resulted in 24 new potable connections and 1 new recycled water connection to the system in FY 2024 generating capacity fee revenue of \$502,128. The Encore at 4104 Scotts Valley Drive and eight new single-family developments were the sources of the revenue from new connections.

## **Major Planned Initiatives and Significant Projects**

Water supply reliability, water quality enhancement, and infrastructure repair and replacement remain the focus of the District's capital improvement program.

In FY 2024 the District resumed construction on the Sucinto well (formerly identified as Well 3B) replacement project. The Sucinto well supplies water to the Orchard Run water treatment plant and is a key source of supply for the District. In addition, the District replaced approximately 260 feet of potable water main at the end of Bethany Drive. Work continued on the Grace Way well project as well as the Intertie with the City of Santa Cruz. Funding for these two projects comes from the 2021 Urban and Multibenefit Drought Relief grant.

## **FY 2024 Accomplishments**

The activities of the District are driven by its Mission, Vision, and Strategic Goals. Notable accomplishments within each Strategic Goal area are presented below:

### Water Resource Management:

1. Actively participated in the Santa Margarita Groundwater Agency (SMGWA) as the business agent, providing treasury support and contributing to adoption of a reserves policy.
2. Collaborated with the City of Scotts Valley and other regional partners to discuss wastewater plant upgrades and future intertie capabilities for conjunctive use.
3. Coordinated with the Santa Cruz Water Department (SCWD) on Intertie 1, reaching 100 percent design completion in February 2024 and proceeding to the bid phase.

4. Improved the District's validated water loss audit score by one point to 85, the highest in Santa Cruz County.
5. Conducted a pressure management study, leading to plans for a pilot pressure reduction station on Meadow Way.
6. Enhanced leak notification procedures by integrating WaterSmart and staff resources to ensure timely customer alerts.

#### Infrastructure Integrity:

1. Completed the design and environmental documentation for the Grace Way Well project, with construction contracts approved in June 2024.
2. Initiated the Bethany Tank Rehabilitation project, including condition assessments and planning for replacement with two 200,000 gallon tanks.
3. Replaced the failing Well 3B with the new Sucinto Well, a 1,500 foot deep well with a design capacity of over 400 gallons per minute, enhancing operational reliability.
4. Upgraded communication technology at the Hacienda Booster Station, completing a pilot project that will inform future telemetry upgrades.
5. Submitted a permit amendment application to the State Water Resources Control Board to implement online training for Recycled Water User Site Supervisors and allow online submission of annual self-certification site inspections.
6. Explored infrastructure renewal and resiliency program, including proposals for solar installations at multiple sites and planning for a Request for Proposals in summer 2024.

#### Financial Stewardship:

1. Received the Government Finance Officers Association (GFOA) Excellence in Financial Reporting award for the FY 2022 Audited Comprehensive Financial Report (ACFR). Completed the FY 2023 ACFR and submitted the application for the award.
2. Invested surplus finds in laddered Certificates of Deposit and revised the Investment Policy to include Local Government Investment Pools, establishing a new account with CLASS to diversify and improve returns.
3. Engaged Water Resources Economics to review District policies and procedures related to new connections, with ongoing work to recommend updates in FY 2025.
4. Met all reporting deadlines for grant administration, ensuring timely and accurate processing of payments.
5. Achieve a 45% registration rate on WaterSmart customer engagement portal, facilitating better customer interaction and water use monitoring
6. Implemented online forms for rebate requests through WaterSmart, streamlining the application process for customers.

#### Community Engagement:

1. Participated in the Scotts Valley Art Wine and Beer Festival and Independence Day parade, engaging with the community and promoting water use efficiency.
2. Produced "The Path of Water" video and conducted three in-person system tours to educate the public about the District's operations.
3. Recruited and onboarded Junior Associate Board Members to involve youth in District leadership.

4. Explored collaborative activities and shared resources to provide additional value for customers through an enhanced strategic partnership with Soquel Creek Water District.
5. Maintained and enhanced the District's website as a platform for delivering informative and accessible messages to the community.

#### Organizational Vitality:

1. Completed a study of Human Resources workflows and processes to ensure successful transition and improve efficiency.
2. Provided opportunities for each employee and Director to attend at least one training or professional event annually, including conferences and specialized courses.
3. Organized staff events, such as holiday lunches and retirement celebrations, to foster a positive work environment.
4. Installed a new storage shed to house equipment, improving operational efficiency and resource management.
5. Implemented safety training and equipment inspections, including flagging training and shoring equipment maintenance, to ensure a safe work environment.

#### **Internal Control Structure**

District management is responsible for the establishment and maintenance of an internal control structure that ensures that District assets are protected from loss, theft, or misuse. The internal control structure also warrants that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

#### **Budgetary Control**

The Board of Directors approves an operating and capital budget annually, prior to each new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's activities. The budget and reporting treatment applied to the District are consistent with the accrual basis of accounting. Each division manager is responsible for his/her division budget. The General Manager is responsible for the overall District budget.

#### **Investment Policy**

The Board of Directors has adopted an investment policy that conforms to state law and prudent money management. The objectives of the Investment Policy are safety, liquidity, and yield. District funds are invested in the certificates of deposit held in a safekeeping account with US Bank. Cash is also invested in the State Treasurer's Local Agency Investment Fund (LAIF), CLASS local government investment pool, and checking accounts.

#### **Reserve Policy**

The Board of Directors has established a policy setting guidelines on cash reserves that support the District's long-term financial health and operational stability. The Board authorized the target cash reserve level to be the aggregate total of the targets for the following individual reserve categories:

- 1) Operating Reserve: to provide working capital to support the operation, maintenance, and administration of the District ensuring that the cash flow needs of normal operations are met.
- 2) Rate Stabilization Reserve: to bridge the temporary revenue shortfall resulting from reduced consumption associated with declining water sales or unexpected increases in short-term operation and maintenance expenses.
- 3) Emergency Reserve: to allow the District to provide uninterrupted service in the event of a fiscal emergency, natural disaster, or major facility failure.
- 4) Capital Reserve: to provide funds for repair, replacement, or improvement of District's infrastructure assets.
- 5) Debt Service Reserve: to ensure adequate funds for full and timely payment of debt obligations.

Following the established criteria, the District's reserve target for this fiscal year was calculated to be \$5.6 million. As of June 30, 2024, the District's cash balance was \$9.3 million, or 165.6% of the target. The year-end cash balance was designated as follows:

Operating	\$	2,814,400
Rate Stabilization		1,704,800
Emergency		1,020,100
Capital		1,919,300
Debt Service		1,847,900
Total	\$	9,306,500

**Independent Audit and Financial Reporting**

The State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Nigro & Nigro, PC has conducted the audit of the District's financial statements for FY 2024. The Independent Auditor's Report appears in the Financial Section.

**Risk Management**

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The purpose of the Authority is to arrange and administer insurance programs for the pooling of self-insured losses and to purchase excess insurance coverage, as necessary.

**Other References**

More information is contained in the Management's Discussion and Analysis and in the Notes to the Basic Financial Statements found in the Financial Section of the report.

**Awards and Acknowledgment**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate) to the District for its Annual Comprehensive Financial Report for the fiscal year ending June 30, 2023. This was the 4<sup>th</sup> year that the District has received this prestigious award. To be awarded a Certificate, a governmental entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements. As such, we

are submitting the Annual Comprehensive Financial Report to the GFOA to determine the District's eligibility for another Certificate.

Preparation of this report was accomplished by the combined efforts of the District staff. I appreciate the dedication and professionalism that our staff members bring to the District. I would also like to thank the Board of Directors for their continued support in the planning and implementation of Scotts Valley Water District's fiscal policies.

Respectfully submitted,

A handwritten signature in black ink that reads "David McNair". The signature is written in a cursive, slightly slanted style.

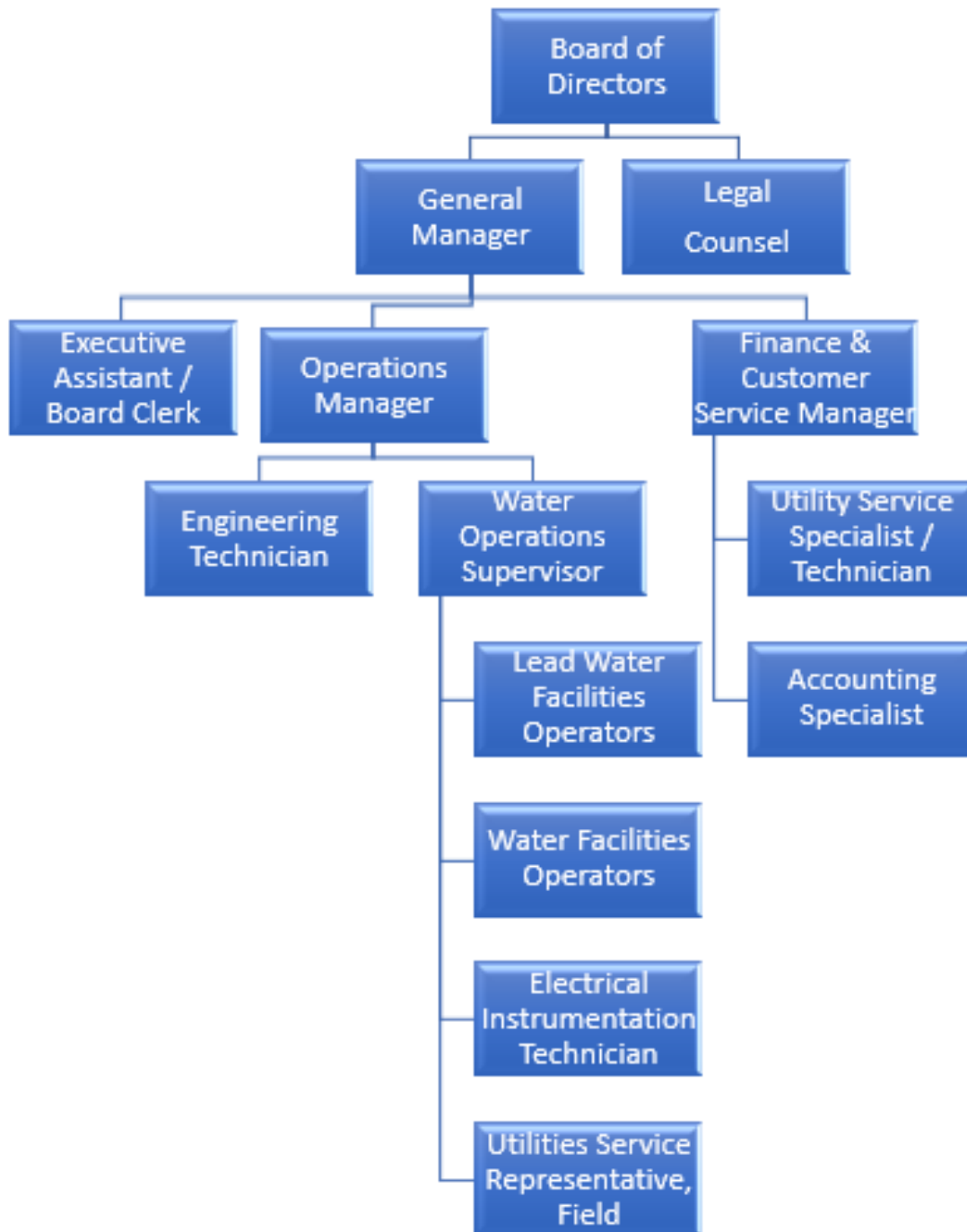
David McNair  
General Manager

**SCOTTS VALLEY WATER DISTRICT**

*Organizational Chart*

*For the Year Ended June 30, 2024*

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**SCOTTS VALLEY WATER DISTRICT**

*GFOA Award*

*For the Year Ended June 30, 2024*

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Scotts Valley Water District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Scotts Valley Water District  
Scotts Valley, California

### Opinion

We have audited the accompanying financial statements of the Scotts Valley Water District (District), which comprise the balance sheets as of June 30, 2024 and 2023, and related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and related notes to the 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 financial position of the District as of June 30, 2024 and 2023, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, and Schedule of the District's Contributions to the OPEB Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Schedules of Balance Sheets and Combining Schedules of Revenues, Expenses, and Changes in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 18, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California  
December 18, 2024

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***Management's Discussion and Analysis***

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**SCOTTS VALLEY WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2024 and 2023*

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Management's Discussion and Analysis (MD&A) offers readers of Scotts Valley Water District's financial statements a narrative overview of the District's financial activities for the years ended June 30, 2024 and 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- In 2024, the District's net position increased 11.7% or \$3,029,021 from \$25,942,840 to \$28,971,861, primarily due to a \$1,284,887 decrease in capital contributions from Capacity buy-in fees and a state grant.
- In 2023, the District's net position increased 12.8% or \$2,942,754 from \$23,000,086 to \$25,942,840, primarily due to a \$1,448,731 increase in capital contributions from Capacity buy-in fees and a state grant.
- In 2024, the District's total operating and non-operating revenues increased 4.37% or \$404,236 from \$9,248,077 to \$9,652,313, primarily from increases in investment earnings due to the higher rate of return for the fiscal period, as well as increases in property tax revenue.
- In 2023, the District's total operating and non-operating revenues increased 5.83% or \$509,539 from \$8,738,538 to \$9,248,077, primarily from increases in water service charges due to the rate increase for the fiscal period, as well as increases in property tax revenue and investment earnings.
- In 2024, the District's total expenses decreased 11.5% or \$966,918 from \$8,385,765 to \$7,418,847, primarily due to large decreases in non-cash employee benefit expenses as a result of the District's annual revaluation of net pension and OPEB liabilities.
- In 2023, the District's total expenses increased 22.4% or \$1,533,186 from \$6,852,579 to \$8,385,765, primarily from general price increases impacting overall operating expenses.

**REQUIRED FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial stability of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate net position and credit worthiness. The other required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments for the fiscal period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where the funds came from, what were the funds used for, and what were the changes in funds balance during the reporting period.

**SCOTTS VALLEY WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2024 and 2023*

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**FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes to it. The District's net position is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, non-financial factors such as changes in economic conditions, population growth, zoning and the regulatory landscape need to be taken into consideration when measuring the District's financial health.

**Condensed Balance Sheets**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>	<u>June 30, 2022</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 10,080,220	\$ 10,902,719	\$ (822,499)	\$ 5,225,582	\$ 5,677,137
Non-current assets	1,261,872	2,549,358	(1,287,486)	6,212,721	(3,663,363)
Capital assets, net	27,093,603	25,175,177	1,918,426	24,641,893	533,284
<b>Total assets</b>	<u>38,435,695</u>	<u>38,627,254</u>	<u>(191,559)</u>	<u>36,080,196</u>	<u>2,547,058</u>
<b>Deferred outflows of resources</b>	<u>1,482,700</u>	<u>2,135,688</u>	<u>(652,988)</u>	<u>2,563,537</u>	<u>(427,849)</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 39,918,395</u>	<u>\$ 40,762,942</u>	<u>\$ (844,547)</u>	<u>\$ 38,643,733</u>	<u>\$ 2,119,209</u>
<b>Liabilities:</b>					
Current liabilities	\$ 1,921,450	\$ 2,184,550	\$ (263,100)	\$ 2,136,957	\$ 47,593
Non-current liabilities	9,811,962	10,923,203	(1,111,241)	12,243,360	(1,320,157)
<b>Total liabilities</b>	<u>11,733,412</u>	<u>13,107,753</u>	<u>(1,374,341)</u>	<u>14,380,317</u>	<u>(1,272,564)</u>
<b>Deferred inflows of resources</b>	<u>1,187,814</u>	<u>1,712,349</u>	<u>(524,535)</u>	<u>1,263,330</u>	<u>449,019</u>
<b>Net position:</b>					
Net investment in capital assets	19,384,032	17,861,013	1,523,019	21,084,476	(3,223,463)
Unrestricted	9,587,829	8,081,827	1,506,002	1,915,610	6,166,217
<b>Total net position</b>	<u>28,971,861</u>	<u>25,942,840</u>	<u>3,029,021</u>	<u>23,000,086</u>	<u>2,942,754</u>
<b>Total liabilities, deferred outflows of resources and net position</b>	<u>\$ 41,893,087</u>	<u>\$ 40,762,942</u>	<u>\$ 1,130,145</u>	<u>\$ 38,643,733</u>	<u>\$ 2,119,209</u>

As noted earlier, net position may serve over time as a useful indicator of an agency's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$28,971,861 and \$25,942,840 as of June 30, 2024 and 2023, respectfully.

**SCOTTS VALLEY WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2024 and 2023*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Condensed Balance Sheets (continued)**

By far the largest portion of the District's net position (67% and 69% as of June 30, 2024 and 2023, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal year 2024 and 2023, the District showed a positive balance in its unrestricted net position of \$9,587,829 and \$8,081,827, respectively.

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>	<u>June 30, 2022</u>	<u>Change</u>
Total operating revenues	\$ 7,689,553	\$ 7,605,864	\$ 83,689	\$ 7,454,898	\$ 150,966
Total operating expenses	<u>(5,804,101)</u>	<u>(6,759,109)</u>	955,008	<u>(5,251,268)</u>	<u>(1,507,841)</u>
<b>Operating income before depreciation</b>	1,885,452	846,755	1,038,697	2,203,630	(1,356,875)
Depreciation expense	<u>(1,237,189)</u>	<u>(1,208,395)</u>	<u>(28,794)</u>	<u>(1,159,097)</u>	<u>(49,298)</u>
<b>Operating income (loss)</b>	648,263	(361,640)	1,009,903	1,044,533	(1,406,173)
Total non-operating revenues(expenses), net	1,585,203	1,223,952	361,251	744,397	479,555
Capital contributions	<u>795,555</u>	<u>2,080,442</u>	<u>(1,284,887)</u>	<u>631,711</u>	<u>1,448,731</u>
<b>Change in net position</b>	3,029,021	2,942,754	86,267	2,420,641	522,113
Net position:					
<b>Beginning of year</b>	<u>25,942,840</u>	<u>23,000,086</u>	<u>2,942,754</u>	<u>20,579,445</u>	<u>2,420,641</u>
<b>End of year</b>	<u>\$ 28,971,861</u>	<u>\$ 25,942,840</u>	<u>\$ 3,029,021</u>	<u>\$ 23,000,086</u>	<u>\$ 2,942,754</u>

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

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

In 2024, the District's net position increased 11.7% or \$3,029,021 from \$25,942,840 to \$28,971,861, primarily due to a \$1,284,887 decrease in capital contributions from Capacity buy-in fees and a state grant.

In 2023, the District's net position increased 12.8% or \$2,942,754 from \$23,000,086 to \$25,942,840, primarily due to a \$1,448,731 increase in capital contributions from Capacity buy-in fees and a state grant.

**SCOTTS VALLEY WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2024 and 2023*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

The following tables present the detailed breakdown of the information presented in the condensed summary.

**Total Revenues**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Increase (Decrease)</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
<b>Operating revenues:</b>					
Water sales	\$ 4,868,776	\$ 4,896,862	\$ (28,086)	\$ 4,913,827	\$ (16,965)
Water service	2,780,388	2,666,947	113,441	2,509,412	157,535
Other fees and charges	40,389	42,055	(1,666)	31,659	10,396
<b>Total operating revenues</b>	<u>7,689,553</u>	<u>7,605,864</u>	<u>83,689</u>	<u>7,454,898</u>	<u>150,966</u>
<b>Non-operating:</b>					
Property taxes	1,557,187	1,398,325	158,862	1,241,664	156,661
Investment earnings	388,890	90,570	298,320	(29,611)	120,181
Other non-operating revenues	16,683	153,318	(136,635)	71,587	81,731
<b>Total non-operating</b>	<u>1,962,760</u>	<u>1,642,213</u>	<u>320,547</u>	<u>1,283,640</u>	<u>358,573</u>
<b>Total revenues</b>	<u>\$ 9,652,313</u>	<u>\$ 9,248,077</u>	<u>\$ 404,236</u>	<u>\$ 8,738,538</u>	<u>\$ 509,539</u>

In 2024, the District's total operating and non-operating revenues increased 4.37% or \$404,236 from \$9,248,077 to \$9,652,313, primarily from increases in investment earnings due to the higher rate of return in the fixed asset market for the fiscal period, as well as increases in property tax revenue driven by the current local real estate market where home prices remain high.

In 2023, the District's total operating and non-operating revenues increased 5.83% or \$509,539 from \$8,738,538 to \$9,248,077, primarily from increases in water service charges due to the rate increase for the fiscal period, as well as increases in property tax revenue and investment earnings, from higher assessed property values and increased market interest rates, respectively.

**SCOTTS VALLEY WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
For the Years Ended June 30, 2024 and 2023

**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Total Expenses**

	June 30, 2024	June 30, 2023	Increase (Decrease)	June 30, 2022	Increase (Decrease)
<b>Operating expenses:</b>					
Source of supply	\$ 143,902	\$ 104,053	\$ 39,849	\$ 104,454	\$ (401)
Pumping	516,628	488,373	28,255	469,102	19,271
Water treatment	514,224	310,960	203,264	439,819	(128,859)
Recycled water	573,445	847,463	(274,018)	536,090	311,373
Transmission and distribution	2,191,237	2,253,229	(61,992)	1,877,505	375,724
Finance, customer service and conservation	1,012,598	1,433,076	(420,478)	816,887	616,189
General and administrative	852,067	1,321,955	(469,888)	1,007,411	314,544
<b>Total operating expenses</b>	<b>5,804,101</b>	<b>6,759,109</b>	<b>(955,008)</b>	<b>5,251,268</b>	<b>1,507,841</b>
Depreciation expense	1,237,189	1,208,395	28,794	1,159,097	49,298
<b>Non-operating expenses:</b>					
Change in investment in SMGA-JPA	202,282	224,364	(22,082)	328,729	(104,365)
Interest expense	175,275	193,897	(18,622)	113,485	80,412
<b>Total non-operating</b>	<b>377,557</b>	<b>418,261</b>	<b>(40,704)</b>	<b>442,214</b>	<b>(23,953)</b>
<b>Total expenses</b>	<b>\$ 7,418,847</b>	<b>\$ 8,385,765</b>	<b>\$ (966,918)</b>	<b>\$ 6,852,579</b>	<b>\$ 1,533,186</b>

In 2024, the District's total expenses decreased 11.5% or \$966,918 from \$8,385,765 to \$7,418,847, primarily due to large decreases in non-cash employee benefit expenses as a result of the District's annual revaluation of net pension and OPEB liabilities.

In 2023, the District's total expenses increased 22.4% or \$1,533,186 from \$6,852,579 to \$8,385,765, primarily from general price increases impacting overall operating expenses.

**Capital Assets**

The following provides a summary comparison of the District's capital assets at year end.

	Balance June 30, 2024	Balance June 30, 2023	Balance June 30, 2022
<b>Capital assets:</b>			
Non-depreciable assets	\$ 4,197,415	\$ 1,555,380	\$ 1,106,059
Depreciable assets	51,176,756	50,663,176	49,370,818
Accumulated depreciation	(28,280,568)	(27,043,379)	(25,834,984)
<b>Total capital assets, net</b>	<b>\$ 27,093,603</b>	<b>\$ 25,175,177</b>	<b>\$ 24,641,893</b>

At June 30, 2024 and 2023, the District's investment in capital assets amounted to \$27,093,603 and \$25,175,177, (net of accumulated depreciation), respectively. The District's investment in capital assets includes land, transmission and distribution systems, tanks, pumps, buildings, equipment, vehicles and construction-in-process. See Note 7 for further capital asset information.

**SCOTTS VALLEY WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2024 and 2023*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Debt Administration**

The following provides a summary comparison of the District's long-term debt at year end.

	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>
<b>Long-term debt:</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Loan payable	<u>\$ 7,709,571</u>	<u>\$ 8,640,891</u>	<u>\$ 9,552,882</u>

For the years ended June 30, 2024 and 2023, long-term debt decreased by \$931,320 and \$931,320, respectively, due to the regular principal payments on the District's loans payable. See Note 9 for further information.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**FACTORS AFFECTING CURRENT FINANCIAL POSITION**

Management is unaware of any item that would affect the current financial position.

**CONTACTING THE DISTRICT**

This financial report is designed to provide the District's customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Contact the District's General Manager, David McNair [dmcnair@svwd.org](mailto:dmcnair@svwd.org) or (831-600-1902) with any questions.

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***Basic Financial Statements***

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**SCOTTS VALLEY WATER DISTRICT**  
*Balance Sheets*  
*June 30, 2024 and 2023*

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 8,344,078	\$ 8,580,425
Accrued interest receivable	76,445	49,730
Accounts receivable, net (Note 4)	1,232,427	1,078,476
Property taxes receivable	74,566	77,352
Grant receivable	23,736	784,669
Other receivables	7,667	16,097
Notes receivable (Note 5)	10,000	18,334
Inventory – materials and supplies	234,904	227,243
Prepaid expenses	76,397	70,393
<b>Total current assets</b>	<u>10,080,220</u>	<u>10,902,719</u>
<b>Non-current assets:</b>		
Restricted – cash and cash equivalents (Note 2 and 3)	1,037,449	2,355,013
Investments (Note 2)	1,974,692	-
Notes receivable (Note 5)	35,000	45,000
Investment in Santa Margarita Groundwater Agency – JPA (Note 6)	189,423	149,345
Capital assets – not being depreciated (Note 7)	4,197,415.00	1,555,380
Capital assets – being depreciated, net (Note 7)	22,896,188	23,619,797
<b>Total non-current assets</b>	<u>30,330,167</u>	<u>27,724,535</u>
<b>Total assets</b>	<u>40,410,387</u>	<u>38,627,254</u>
<b>Deferred outflows of resources:</b>		
Deferred amounts related to total OPEB liability (Note 11)	116,373	115,583
Deferred amounts related to net pension liability (Note 10)	1,366,327	2,020,105
<b>Total deferred outflows of resources</b>	<u>1,482,700</u>	<u>2,135,688</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 41,893,087</u>	<u>\$ 40,762,942</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 613,068	\$ 868,140
Customer deposits for services	120,467	127,356
Accrued interest payable	87,638	96,966
Long-term liabilities – due within one year:		
Compensated absences (Note 8)	44,395	44,395
Loans payable (Note 9)	949,811	931,320
Total OPEB liability (Note 11)	106,071	116,373
<b>Total current liabilities</b>	<u>1,921,450</u>	<u>2,184,550</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 8)	115,416	133,185
Loans payable (Note 9)	6,759,760	7,709,571
Total OPEB liability (Note 11)	1,494,132	1,680,769
Net pension liability (Note 10)	1,442,654	1,399,678
<b>Total non-current liabilities</b>	<u>9,811,962</u>	<u>10,923,203</u>
<b>Total liabilities</b>	<u>11,733,412</u>	<u>13,107,753</u>
<b>Deferred inflows of resources:</b>		
Deferred amounts related to net pension liability (Note 10)	1,187,814	1,712,349
<b>Total deferred inflows of resources</b>	<u>1,187,814</u>	<u>1,712,349</u>
<b>Net position:</b>		
Net investment in capital assets (Note 12)	19,384,032	17,861,013
Unrestricted	9,587,829	8,081,827
<b>Total net position</b>	<u>28,971,861</u>	<u>25,942,840</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 41,893,087</u>	<u>\$ 40,762,942</u>

*The notes to financial statements are an integral part of this statement.*

**SCOTTS VALLEY WATER DISTRICT***Statements of Revenues, Expenses and Changes in Net Position  
For the Fiscal Years Ended June 30, 2024 and 2023*

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Operating revenues:</b>		
Water sales	\$ 4,868,776	\$ 4,896,862
Water service	2,780,388	2,666,947
Other fees and charges	40,389	42,055
<b>Total operating revenues</b>	<u>7,689,553</u>	<u>7,605,864</u>
<b>Operating expenses:</b>		
Source of supply	143,902	104,053
Pumping	516,628	488,373
Water treatment	514,224	310,960
Recycled water	573,445	847,463
Transmission and distribution	2,191,237	2,253,229
Finance, customer service and conservation	1,012,598	1,433,076
General and administrative	852,067	1,321,955
<b>Total operating expenses</b>	<u>5,804,101</u>	<u>6,759,109</u>
<b>Operating income before depreciation</b>	1,885,452	846,755
Depreciation expense	<u>(1,237,189)</u>	<u>(1,208,395)</u>
<b>Operating income (loss)</b>	<u>648,263</u>	<u>(361,640)</u>
<b>Non-operating revenues(expenses):</b>		
Property taxes	1,557,187	1,398,325
Change in investment in Santa Margarita Groundwater Agency-JPA (Note 6)	(202,282)	(224,364)
Investment earnings	388,890	90,570
Interest expense	(175,275)	(193,897)
Other non-operating revenues	16,683	153,318
<b>Total non-operating income</b>	<u>1,585,203</u>	<u>1,223,952</u>
<b>Change in net position before capital contributions</b>	<u>2,233,466</u>	<u>862,312</u>
<b>Capital contributions:</b>		
Capacity buy-in fee	502,128	1,281,338
State capital grant	293,427	799,104
<b>Total capital contributions</b>	<u>795,555</u>	<u>2,080,442</u>
<b>Change in net position</b>	<u>3,029,021</u>	<u>2,942,754</u>
<b>Net position:</b>		
Beginning of year	<u>25,942,840</u>	<u>23,000,086</u>
End of year	<u>\$ 28,971,861</u>	<u>\$ 25,942,840</u>

**SCOTTS VALLEY WATER DISTRICT**  
*Statements of Cash Flows*  
For the Fiscal Years Ended June 30, 2024 and 2023

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers and others	\$ 7,553,826	\$ 7,391,500
Cash paid to employees for salaries and wages	(2,163,959)	(2,169,894)
Cash paid to vendors and suppliers for materials and services	(3,941,856)	(3,771,494)
<b>Net cash provided by operating activities</b>	<u>1,448,011</u>	<u>1,450,112</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes	<u>1,559,973</u>	<u>1,420,733</u>
<b>Net cash provided by non-capital financing activities</b>	<u>1,559,973</u>	<u>1,420,733</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(3,155,615)	(1,741,679)
Proceeds from capacity buy-in fee	502,128	1,281,338
Proceeds from state capital grant	1,054,360	14,435
Proceeds from notes receivable	18,335	20,000
Principal paid on long-term debt	(931,320)	(911,991)
Interest paid on long-term debt	(184,604)	(156,110)
<b>Net cash used in capital and related financing activities</b>	<u>(2,696,716)</u>	<u>(1,494,007)</u>
<b>Cash flows from investing activities:</b>		
Contribution to the Santa Margarita Groundwater Agency - JPA	(242,360)	(219,786)
Purchase of investments, net	(1,974,692)	-
Investment earnings	362,175	49,402
<b>Net cash provided by (used in) investing activities</b>	<u>(1,854,877)</u>	<u>(170,384)</u>
<b>Net increase in cash and cash equivalents</b>	(1,543,609)	1,206,454
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>10,935,438</u>	<u>9,728,984</u>
End of year	<u>\$ 9,391,829</u>	<u>\$ 10,935,438</u>
<b>Reconciliation of cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 8,344,078	\$ 8,580,425
Restricted - cash and cash equivalents	1,037,449	2,355,013
<b>Total cash and cash equivalents</b>	<u>\$ 9,381,527</u>	<u>\$ 10,935,438</u>

**SCOTTS VALLEY WATER DISTRICT**  
*Statements of Cash Flows (continued)*  
*For the Fiscal Years Ended June 30, 2024 and 2023*

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities:</b>		
Operating income(loss)	\$ 648,263	\$ (361,640)
<b>Adjustments to reconcile operating income(loss) to net cash provided by operating activities:</b>		
Depreciation	1,237,189	1,208,395
Other non-operating revenues	16,683	153,318
<b>Change in assets – (increase)decrease:</b>		
Accounts receivable, net	(153,951)	(22,430)
Other receivables	8,430	2,191
Inventory – materials and supplies	(7,661)	(13,839)
Prepaid expenses	(6,004)	5,610
<b>Change in deferred outflows of resources – (increase)decrease</b>		
Deferred amounts related to total OPEB liability	(790)	6,267
Deferred amounts related to net pension liability	653,778	421,582
<b>Change in liabilities – increase(decrease):</b>		
Accounts payable and accrued expenses	(255,072)	215,989
Customer deposits for services	(6,889)	(347,443)
Compensated absences	(17,769)	22,229
Total OPEB liability	(186,637)	(326,753)
Net pension liability	42,976	37,617
<b>Change in deferred inflows of resources – increase(decrease)</b>		
Deferred amounts related to net pension liability	(524,535)	449,019
<b>Total adjustments</b>	<u>799,748</u>	<u>1,811,752</u>
<b>Net cash provided by operating activities</b>	<u>\$ 1,448,011</u>	<u>\$ 1,450,112</u>

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***Notes to the Financial Statements***

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# SCOTTS VALLEY WATER DISTRICT

## *Notes to Financial Statements*

*June 30, 2024 and 2023*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Organization**

Scotts Valley Water District (District) was created in 1961 by a vote of the people within the proposed District. It was formed under the County Water District Act with the purpose of providing water for domestic, commercial, municipal, and firefighting purposes. Beginning in 1962, the District acquired and consolidated several small mutual water supply systems. The District is located six miles north of the City of Santa Cruz, along State Highway 17, and covers approximately six square miles including most of the incorporated area of the City of Scotts Valley (City) and a portion of the unincorporated area north of the City.

The financial statements of the District include the financial activities of the District as well as transactions made by the fiscal agent under authority granted by the District in various resolutions authorizing the issuance of revenue bonds, and the Scotts Valley Water District Public Facilities Corporation, a component unit. The District is incorporated as a water district in the State of California and is exempt from federal income and state franchise taxes under Internal Revenue Code Section 115 and corresponding California Revenue and Taxation Code provisions.

The Scotts Valley Water District Public Facilities Corporation (Public Facilities Corporation), a California nonprofit corporation, was formed in April 1997, to finance the construction of a one million gallon per day reclaimed water treatment plant and related distribution system. The Public Facilities Corporation was dissolved on June 8, 2021. As of June 30, 2022, the assets and liabilities of the Public Facilities Corporation were distributed properly, resulting in a zero balance.

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

#### **B. Basis of Presentation, Basis of Accounting**

The District reports its activities as an enterprise fund, where the intent of the District is that the costs of providing goods and services (including depreciation expense) on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### B. Basis of Presentation, Basis of Accounting (continued)

Operating revenues are those revenues that are generated from the primary operating activities of the District. The District reports the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operating activities of the District. All other expenses are reported as non-operating expenses.

##### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

###### 1. Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

###### 2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Investments recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

# SCOTTS VALLEY WATER DISTRICT

## Notes to Financial Statements

June 30, 2024 and 2023

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 3. Receivables and Allowance for Doubtful Accounts

Accounts receivable consist of amounts owed by customers for goods provided and services rendered. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts.

##### 4. Inventory – Materials and Supplies

These items consist of pipes, meters, and other items that are used for the repairs and maintenance of the District’s transmission and distribution system. These items are stated at cost using the first-in first-out method for inventory valuation.

##### 5. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### 6. Capital Assets

Capital assets are stated at cost or at their acquisition value at date of contribution. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

<u>Description</u>	<u>Estimated Lives</u>
Water rights – recycled water	50 years
Water treatment	7-40 years
Recycled water system	10-40 years
Source of supply – wells	15-40 years
Transmission and distribution system	15-40 years
Reservoirs and tanks	20-40 years
Pumping	5-20 years
Buildings and improvements	12-33 years
Infrastructure	25-50 years
Equipment and tools	7 years
Office equipment	5-10 years
Transportation	5-10 years

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

###### 7. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources until then. Also, the statement of net position reports a separate section for deferred inflows of resources. This element represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources until that time.

###### 8. Compensated Absences

The District's employee benefits provide for accumulation of vacation and sick leave. Liabilities for vacation leave are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination.

###### 9. Pensions

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 District's California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2022  
Measurement Date June 30, 2023  
Measurement Period July 1, 2022 to June 30, 2023

###### 10. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Scotts Valley Water District Retiree Benefits Plan (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 Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2023  
Measurement Date June 30, 2023  
Measurement Period July 1, 2022 to June 30, 2023

# SCOTTS VALLEY WATER DISTRICT

## Notes to Financial Statements

June 30, 2024 and 2023

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 11. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, loans, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** – This component of net position is restricted by external creditors, grantors, contributors or laws or regulations of other governments.
- **Unrestricted** – This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

#### D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### E. Property Taxes

The Santa Cruz County Assessor's Office assesses all real and personal property within the County each year. The Santa Cruz County Tax Collector's Office bills and collects the District's share of property taxes. The Santa Cruz County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the Santa Cruz County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

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

#### F. Capital Contributions

Capital contributions represent cash and/or capital asset additions contributed to the District by outside parties.

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified on the balance sheet as follows:

Description	June 30, 2024	June 30, 2023
Cash and cash equivalents	\$ 8,344,078	\$ 8,580,425
Restricted – cash and cash equivalents	1,037,449	2,355,013
Investments	1,974,692	-
<b>Total cash and cash equivalents</b>	<b>\$ 11,356,219</b>	<b>\$ 10,935,438</b>

Cash and investments as of June 30<sup>th</sup> consisted of the following:

Description	June 30, 2024	June 30, 2023
Petty cash	\$ 309	\$ 400
Demand deposits held with financial institutions	3,050,145	4,906,824
Local Agency Investment Fund (LAIF)	6,331,073	6,028,214
Investments	1,974,692	-
<b>Total cash and cash equivalents</b>	<b>\$ 11,356,219</b>	<b>\$ 10,935,438</b>

#### Demand Deposits with Financial Institutions

At June 30, 2024 and 2023, the carrying amount of the District's demand deposits were \$3,050,145 and \$4,906,824, respectively, and the financial institution's balances were \$4,612,753 and \$3,922,143, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secures deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

#### Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests its funds to manage the State's cash flow and strengthen the financial security of local public agencies. PMIA's policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). LAIF allows cities, counties, and special districts to place money in a major portfolio and, at no additional costs, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from LAIF at any time as LAIF is highly liquid and has a dollar-in dollar-out amortized cost methodology.

# SCOTTS VALLEY WATER DISTRICT

## Notes to Financial Statements

June 30, 2024 and 2023

### NOTE 2 – CASH AND INVESTMENTS (continued)

#### Local Agency Investment Fund (LAIF) (continued)

The District is a voluntary participant in LAIF. The fair value of the District’s investment in this pool is reported at an amount based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers funds in LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, and 2023, the District held \$6,331,073 and \$6,028,214 in LAIF, respectively.

#### Investments

The District’s investments as of June 30, 2024 are presented in the following Investment Table:

Type of Investments	Measurement Input	Credit Rating	Total Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 120 Months
U.S. treasury obligations	Level 1	AAa	\$ 496,384	\$ 496,384	\$ -	\$ -
Negotiable certificates of deposit	Level 2	A to AAA	1,478,308	-	491,490	986,818
<b>Total investments</b>			<b>\$ 1,974,692</b>	<b>\$ 496,384</b>	<b>\$ 491,490</b>	<b>\$ 986,818</b>

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5-years	100%	None
U.S. Government Sponsored Agency Securities	5-years	100%	None
State of California Obligations	5-years	100%	None
CA Local Agency Obligations	5-years	100%	None
Negotiable Certificates of Deposit (Negotiable CD)	5-years	30%	None
Banker’s Acceptances	180 days	100%	None
Repurchase Agreements	1-year	100%	None
Commercial Paper	270 days	100%	None
Medium- Term Notes	5-years	100%	None
California Local Agency Investment Fund (LAIF)	N/A	100%	None
Mutual Funds and Money Market Mutual Funds	N/A	100%	None

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 2 – CASH AND INVESTMENTS (continued)

##### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the Investment Table that shows the distribution of the District's investments by maturity as of June 30, 2024.

##### Disclosures Relating to 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. Presented in the Investment Table are Standard & Poor's credit ratings for the District's investments as of June 30, 2024.

#### NOTE 3 – RESTRICTED – CASH AND CASH EQUIVALENTS

Restricted – cash and cash equivalents as of June 30<sup>th</sup> consisted of the following:

Description	June 30, 2024	June 30, 2023
Restricted – cash and cash equivalents	\$ 1,037,449	\$ 2,355,013
Less:		
Accrued interest payable	(87,638)	(96,966)
Loan payable – current portion	(949,811)	(931,320)
Unspent proceeds from loan issuance	-	(1,326,727)
<b>Total restricted – net position</b>	<b>\$ -</b>	<b>\$ -</b>

The restricted – cash and cash equivalents balance on the balance sheet at June 30, 2024 and 2023 were cash holdings by the District's financial institution for the July 1, 2024 and 2023 loan payments, respectively. The June 30, 2023 balance also included cash from the remaining unused proceeds from the loan payable – 2021. This amount was then used in the calculation of net investment in capital assets. (See Note 12)

#### NOTE 4 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net of an allowance for doubtful accounts consisted of the following:

Description	June 30, 2024	June 30, 2023
Accounts receivable	\$ 1,245,427	\$ 1,091,476
Allowance for doubtful accounts	(13,000)	(13,000)
<b>Total accounts receivable, net</b>	<b>\$ 1,232,427</b>	<b>\$ 1,078,476</b>

**SCOTTS VALLEY WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024 and 2023*

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**NOTE 5 – NOTES RECEIVABLE**

Changes in notes receivable amounts for the fiscal year ended June 30, 2024, were as follows:

Notes Receivable	Balance			Balance June 30, 2024	Current Portion	Long-term Portion
	July 1, 2023	Additions	Payments			
City of Scotts Valley – Installment Note	\$ 55,000	\$ -	\$ (10,000)	\$ 45,000	\$ 10,000	\$ 35,000
Vineyards HOA – Installment Note	8,333	-	(8,333)	-	-	-
<b>Total notes receivable</b>	<b>\$ 63,333</b>	<b>\$ -</b>	<b>\$ (18,333)</b>	<b>\$ 45,000</b>	<b>\$ 10,000</b>	<b>\$ 35,000</b>

Changes in notes receivable amounts for the fiscal year ended June 30, 2023, were as follows:

Notes Receivable	Balance			Balance June 30, 2023	Current Portion	Long-term Portion
	July 1, 2022	Additions	Payments			
City of Scotts Valley – Installment Note	\$ 65,000	\$ -	\$ (10,000)	\$ 55,000	\$ 10,000	\$ 45,000
Vineyards HOA – Installment Note	18,333	-	(10,000)	8,333	8,333	-
<b>Total notes receivable</b>	<b>\$ 83,333</b>	<b>\$ -</b>	<b>\$ (20,000)</b>	<b>\$ 63,333</b>	<b>\$ 18,333</b>	<b>\$ 45,000</b>

**City of Scotts Valley – Installment Note**

The City of Scotts Valley (City) entered into an agreement with the District on June 4, 1997, for the construction of the water main extension into the Gateway South Assessment District (Project). Total cost of the extension amounted to \$277,000. The owner of the Project contributed \$112,000 and the City contributed, as a result of the District’s bond issuance, \$165,000.

Terms of the installment note call for principal payable semi-annually on January 1st and July 1st of each year maturing in 2027, with variable annual interest rates ranging from 5.3% to 7%. At June 30, 2024 and 2023, the balance of the note with the City regarding the Installment Note amounted to \$45,000 and \$55,000, respectively. Future principal and interest payments on the note are as follows:

Fiscal Year	Principal	Interest	Total
2025	10,000	2,400	12,400
2026	10,000	1,800	11,800
2027	10,000	1,200	11,200
2028	15,000	450	15,450
Total	45,000	\$ 5,850	\$ 50,850
Current	(10,000)		
Long-term	\$ 35,000		

## **SCOTTS VALLEY WATER DISTRICT**

### *Notes to Financial Statements*

*June 30, 2024 and 2023*

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#### **NOTE 5 – NOTES RECEIVABLE (continued)**

##### **Vineyards HOA – Installment Note**

On May 15, 2022, the District entered into a Memorandum of Understanding with the Vineyards Homeowners Association (Association) where the District agreed to loan the Association \$50,000 for installation of backflow protection devices on the Association's premises. The Association will make 60 monthly payments of \$833.33 plus interest at the LAIF rate of return. At June 30, 2024 and 2023, the balance of the note with the Association amounted to \$0 and \$8,333, respectively.

#### **NOTE 6 – INVESTMENT IN SANTA MARGARITA GROUNDWATER AGENCY – JPA**

On June 1, 2017, the Scotts Valley Water District, San Lorenzo Valley Water District, and the County of Santa Cruz (Members) entered into a joint powers agreement creating the Santa Margarita Groundwater Agency (Agency). The purpose of the Agency is to prepare a Groundwater Sustainability Plan (Plan) by January 31, 2023 and continue implementing the Plan over the next 20-year period.

The term of the agreement with the Members shall remain in effect until terminated by unanimous written consent of all Members, except during the outstanding term of any Agency indebtedness. Upon termination of the agreement, the assets shall be distributed in proportion to the contributions of each Member agency.

For the fiscal year ended June 30, 2024 and 2023, the District contributed \$242,360 and \$219,786, respectively, to the Agency and held a \$189,423 and \$149,345, respectively, net position investment in the Agency after operations concluded for those years.

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

#### NOTE 6 – INVESTMENT IN SANTA MARGARITA GROUNDWATER AGENCY – JPA (continued)

The following table presents the summary breakdown of the information presented in the condensed financial statements as well as the District’s calculated share:

<b>A. Entity</b>	Santa Margarita Groundwater Agency		
<b>B. Purpose</b>	To pool member resources and realize the advantages of local groundwater sustainability through an agency		
<b>C. Participants</b>	3 member agencies, 2 non-member agencies		
<b>D. Governing board</b>	Eleven representatives appointed by members		
<b>E. District payments for FY 2024:</b>			
<b>Contribution</b>	\$242,360		
<b>F. Condensed financial information</b>	June 30, 2024		
<b>Audit dated</b>	October 24, 2024		
<b>Statement of net position:</b>		<b>June 30, 2024</b>	<b>District Share</b>
<b>Total assets</b>		\$ 464,131	\$ 242,711
<b>Total liabilities</b>		101,902	53,288
<b>Net position</b>		<u>\$ 362,229</u>	<u>\$ 189,423</u>
<b>Statement of revenues, expenses and changes in net position:</b>			
<b>Total revenues</b>		\$ 694,491	\$ 363,175
<b>Total expenses</b>		<u>(646,986)</u>	<u>(323,097)</u>
<b>Change in net position</b>		47,505	40,078
<b>Beginning – net position</b>		314,724	149,345
<b>Ending – net position</b>		<u>\$ 362,229</u>	<u>\$ 189,423</u>
<b>G. District's share of year-end financial position, as calculated</b>		<u>100.00%</u>	<u>52.29%</u>

**SCOTTS VALLEY WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024 and 2023*

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION**

Changes in capital assets for the fiscal year ended June 30, 2024, were as follows:

Description	Balance July 1, 2023	Additions	Deletions/ Transfers	Balance June 30, 2024
<b>Non-depreciable assets:</b>				
Land	\$ 1,218,697	\$ -	\$ -	\$ 1,218,697
Construction-in-process	336,683	4,204,318	(1,562,283)	2,978,718
<b>Total non-depreciable assets</b>	<b>1,555,380</b>	<b>4,204,318</b>	<b>(1,562,283)</b>	<b>4,197,415</b>
<b>Depreciable assets:</b>				
Water rights – recycled water	5,267,834	-	-	5,267,834
Water treatment	9,446,610	128,942	-	9,575,552
Recycled water system	2,654,867	-	-	2,654,867
Source of supply – wells	6,677,359	-	-	6,677,359
Transmission and distribution system	9,957,772	215,488	-	10,173,260
Reservoirs and tanks	7,286,514	-	-	7,286,514
Pumping	2,340,638	15,540	-	2,356,178
Buildings and improvements	1,913,490	36,180	-	1,949,670
Infrastructure	2,757,262	-	-	2,757,262
Equipment and tools	1,256,410	117,430	-	1,373,840
Office equipment	257,207	-	-	257,207
Transportation	847,213	-	-	847,213
<b>Total depreciable assets</b>	<b>50,663,176</b>	<b>513,580</b>	<b>-</b>	<b>51,176,756</b>
<b>Accumulated depreciation:</b>				
Water rights – recycled water	(2,210,635)	(102,004)	-	(2,312,639)
Water treatment	(4,850,535)	(156,950)	-	(5,007,485)
Recycled water system	(1,074,315)	(66,718)	-	(1,141,033)
Source of supply – wells	(3,906,329)	(145,380)	-	(4,051,709)
Transmission and distribution system	(6,517,066)	(200,274)	-	(6,717,340)
Reservoirs and tanks	(3,879,765)	(167,126)	-	(4,046,891)
Pumping	(1,346,551)	(101,266)	-	(1,447,817)
Buildings and improvements	(807,974)	(57,811)	-	(865,785)
Infrastructure	(650,221)	(121,156)	-	(771,377)
Equipment and tools	(960,390)	(63,586)	-	(1,023,976)
Office equipment	(243,253)	(4,681)	-	(247,934)
Transportation	(596,345)	(50,237)	-	(646,582)
<b>Total accumulated depreciation</b>	<b>(27,043,379)</b>	<b>(1,237,189)</b>	<b>-</b>	<b>(28,280,568)</b>
<b>Total depreciable assets, net</b>	<b>23,619,797</b>	<b>(723,609)</b>	<b>-</b>	<b>22,896,188</b>
<b>Total capital assets, net</b>	<b>\$ 25,175,177</b>	<b>\$ 3,480,709</b>	<b>\$ (1,562,283)</b>	<b>\$ 27,093,603</b>

In fiscal year 2024, major capital assets additions amounted to \$3,155,615, and depreciation expense amounted to \$1,237,189.

**SCOTTS VALLEY WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024 and 2023*

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION (continued)**

Changes in capital assets for the fiscal year ended June 30, 2023, were as follows:

Description	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
<b>Non-depreciable assets:</b>				
Land	\$ 650,697	\$ 568,000	\$ -	\$ 1,218,697
Construction-in-process	455,362	1,173,680	(1,292,359)	336,683
<b>Total non-depreciable assets</b>	<u>1,106,059</u>	<u>1,741,680</u>	<u>(1,292,359)</u>	<u>1,555,380</u>
<b>Depreciable assets:</b>				
Water rights – recycled water	5,267,834	-	-	5,267,834
Water treatment	9,446,610	-	-	9,446,610
Recycled water system	2,654,867	-	-	2,654,867
Source of supply – wells	6,677,359	-	-	6,677,359
Transmission and distribution system	9,360,220	597,552	-	9,957,772
Reservoirs and tanks	7,286,514	-	-	7,286,514
Pumping	2,024,808	315,830	-	2,340,638
Buildings and improvements	1,605,999	307,491	-	1,913,490
Infrastructure	2,757,262	-	-	2,757,262
Equipment and tools	1,247,496	8,914	-	1,256,410
Office equipment	257,207	-	-	257,207
Transportation	784,642	62,571	-	847,213
<b>Total depreciable assets</b>	<u>49,370,818</u>	<u>1,292,358</u>	<u>-</u>	<u>50,663,176</u>
<b>Accumulated depreciation:</b>				
Water rights – recycled water	(2,108,631)	(102,004)	-	(2,210,635)
Water treatment	(4,697,346)	(153,189)	-	(4,850,535)
Recycled water system	(1,007,597)	(66,718)	-	(1,074,315)
Source of supply – wells	(3,756,160)	(150,169)	-	(3,906,329)
Transmission and distribution system	(6,325,138)	(191,928)	-	(6,517,066)
Reservoirs and tanks	(3,702,340)	(177,425)	-	(3,879,765)
Pumping	(1,260,770)	(85,781)	-	(1,346,551)
Buildings and improvements	(759,561)	(48,413)	-	(807,974)
Infrastructure	(529,065)	(121,156)	-	(650,221)
Equipment and tools	(901,362)	(59,028)	-	(960,390)
Office equipment	(238,572)	(4,681)	-	(243,253)
Transportation	(548,442)	(47,903)	-	(596,345)
<b>Total accumulated depreciation</b>	<u>(25,834,984)</u>	<u>(1,208,395)</u>	<u>-</u>	<u>(27,043,379)</u>
<b>Total depreciable assets, net</b>	<u>23,535,834</u>	<u>83,963</u>	<u>-</u>	<u>23,619,797</u>
<b>Total capital assets, net</b>	<u>\$ 24,641,893</u>	<u>\$ 1,825,643</u>	<u>\$ (1,292,359)</u>	<u>\$ 25,175,177</u>

In fiscal year 2023 major capital assets additions amounted to \$1,741,679, and depreciation expense amounted to \$1,208,395.

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

#### NOTE 8 – COMPENSATED ABSENCES

Changes in compensated absences amounts for the fiscal year ended June 30, 2024, were as follows:

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 155,351	\$ 175,477	\$ (153,248)	\$ 177,580	\$ 44,395	\$ 115,416

Changes in compensated absences amounts for the fiscal year ended June 30, 2023, were as follows:

<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 153,003	\$ 173,222	\$ (170,874)	\$ 155,351	\$ 44,395	\$ 133,185

#### NOTE 9 – LOAN PAYABLE

Changes in loan payable for the year ended June 30, 2024, were as follows:

<u>Loan Payable</u>	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
2016 Loan Payable	\$ 2,765,891	\$ -	\$ (685,320)	\$ 2,080,571	\$ 697,811	\$ 1,382,760
2021 Loan Payable	5,875,000	-	(246,000)	5,629,000	252,000	5,377,000
<b>Total notes payable</b>	<b>\$ 8,640,891</b>	<b>\$ -</b>	<b>\$ (931,320)</b>	<b>\$ 7,709,571</b>	<b>\$ 949,811</b>	<b>\$ 6,759,760</b>

Changes in loan payable for the year ended June 30, 2023, were as follows:

<u>Loan Payable</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
2016 Loan Payable	\$ 3,437,882	\$ -	\$ (671,991)	\$ 2,765,891	\$ 685,320	\$ 2,080,571
2021 Loan Payable	6,115,000	-	(240,000)	5,875,000	246,000	5,629,000
<b>Total notes payable</b>	<b>\$ 9,552,882</b>	<b>\$ -</b>	<b>\$ (911,991)</b>	<b>\$ 8,640,891</b>	<b>\$ 931,320</b>	<b>\$ 7,709,571</b>

#### 2016 – Loan Payable

In December 2016, the District entered into a loan payable agreement of \$6,049,548 with JPMorgan Chase Bank to provide funds to prepay the 2004 and 2011 outstanding debt balances. Terms of the agreement provide for principal payable semi-annually on January 1st and July 1st at the rate of 1.85% per annum.

Future principal and interest payments on the loan payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	697,811	32,036	729,847
2026	714,404	18,973	733,377
2027	467,752	8,038	475,790
2028	200,604	1,855	202,459
<b>Total</b>	<b>2,080,571</b>	<b>\$ 60,902</b>	<b>\$ 2,141,473</b>
<b>Current</b>	<b>(697,811)</b>		
<b>Long-term</b>	<b>\$ 1,382,760</b>		

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 9 – LOAN PAYABLE (continued)

##### 2021 – Loan Payable

On July 1, 2021, the District entered into an installment sale agreement of \$6,115,000 with First Foundation Public Finance to provide funds for financing certain public water facilities. The terms of the agreement provide for principal payable semi-annually on January 1st and July 1st at the rate of 2.43% per annum.

Future principal and interest payments on the loan payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	252,000	133,723	385,723
2026	259,000	127,514	386,514
2027	265,000	121,148	386,148
2028	271,000	114,635	385,635
2029	278,000	107,965	385,965
2030 - 2034	1,497,000	433,767	1,930,767
2035 - 2039	1,691,000	240,315	1,931,315
2040 - 2042	1,116,000	41,116	1,157,116
<b>Total</b>	5,629,000	<u>\$ 1,320,183</u>	<u>\$ 6,949,183</u>
<b>Current</b>	<u>(252,000)</u>		
<b>Long-term</b>	<u>\$ 5,377,000</u>		

#### NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY

##### Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Pension related deferred outflows	\$ 1,366,327	\$ 2,020,105
Net pension liability	1,442,654	1,399,678
Pension related deferred inflows	1,187,814	1,712,349

Qualified employees of the District are covered under a multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS), or "The Plan".

**SCOTTS VALLEY WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024 and 2023*

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**NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)**

**A. General Information about the Pension Plan**

**The Plan**

The District contracts with CalPERS to provide retirement benefits for its employees in the following Plans:

	Miscellaneous Plans		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Hire date	Prior to July 1, 2011	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50+	50+	52+
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.5%
Required member contribution rates	8.000%	7.000%	7.750%
Required employer contribution rates – FY 2023	14.340%	10.320%	7.470%
Required employer contribution rates – FY 2022	14.330%	10.340%	7.590%

**Plan Description, Benefits Provided, and Employees Covered**

The District participates in a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2023 and 2022 Annual Actuarial Valuation Reports. The Annual Actuarial Valuation Reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2023 (measurement date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	2	9	8	19
Transferred and terminated members	8	1	7	16
Retired members and beneficiaries	18	4	-	22
<b>Total plan members</b>	<b>28</b>	<b>14</b>	<b>15</b>	<b>57</b>

At June 30, 2022 (measurement date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	2	8	8	18
Transferred and terminated members	8	1	8	17
Retired members and beneficiaries	20	4	-	24
<b>Total plan members</b>	<b>30</b>	<b>13</b>	<b>16</b>	<b>59</b>

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)

##### A. General Information about the Pension Plan (continued)

###### Plan Description, Benefits Provided, and Employees Covered (continued)

CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for retirement upon attainment of age 50 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for retirement upon attainment of age 52 with at least 5 years of service. The retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the highest average pay rate during any consecutive three-year period.

Members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.15% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

###### Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

# SCOTTS VALLEY WATER DISTRICT

## Notes to Financial Statements

June 30, 2024 and 2023

### NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)

#### A. General Information about the Pension Plan (continued)

##### Contribution Description (continued)

Contributions for the year ended June 30, 2024, were as follows:

Contribution Type	Miscellaneous Plans		PEPRA Tier 3	Total
	Classic Tier 1	Classic Tier 2		
Contributions – employer	\$ 37,499	\$ 126,599	\$ 56,041	\$ 220,139

Contributions for the year ended June 30, 2023, were as follows:

Contribution Type	Miscellaneous Plans		PEPRA Tier 3	Total
	Classic Tier 1	Classic Tier 2		
Contributions – employer	\$ 171,367	\$ 134,201	\$ 64,000	\$ 369,568

Employer contributions rates may change if Plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

##### Proportionate Share of Net Pension Liability and Pension Expense

The following tables show the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan:

Changes in the net pension liability for the fiscal year ended June 30, 2024, are as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2022 (Measurement Date)	\$ 12,428,071	\$ 11,028,393	\$ 1,399,678
Balance as of June 30, 2023 (Measurement Date)	\$ 13,035,039	\$ 11,592,385	\$ 1,442,654
<b>Change in Plan Net Pension Liability</b>	<b>\$ 606,968</b>	<b>\$ 563,992</b>	<b>\$ 42,976</b>

Changes in the net pension liability for the fiscal year ended June 30, 2023, are as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2021 (Measurement Date)	\$ 11,319,925	\$ 9,957,864	\$ 1,362,061
Balance as of June 30, 2022 (Measurement Date)	\$ 12,428,071	\$ 11,028,393	\$ 1,399,678
<b>Change in Plan Net Pension Liability</b>	<b>\$ 1,108,146</b>	<b>\$ 1,070,529</b>	<b>\$ 37,617</b>

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)

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

###### Proportionate Share of Net Pension Liability and Pension Expense (continued)

For the years ended June 30, 2024 and 2023 pension expense was \$392,358 and \$1,277,785, respectively.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2021 and 2019). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2023 and 2022). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2023 and 2022 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2023 fiscal year and the 2022 fiscal year).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

As of June 30, 2024 and 2023, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,399,678 and \$1,362,061, respectively.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**SCOTTS VALLEY WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2024 and 2023*

**NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)**

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

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

The District’s proportionate share percentage of the net pension liability for the June 30, 2023, measurement date was as follows:

	<b>Percentage Share of Risk Pool</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending</b>	<b>Fiscal Year Ending</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>	
Measurement Date	June 30, 2023	June 30, 2022	
Percentage of Risk Pool Net Pension Liability	0.028851%	0.029913%	-0.001062%
Percentage of Plan (PERF C) Net Pension Liability	0.011564%	0.012118%	-0.000554%

The District’s proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

	<b>Percentage Share of Risk Pool</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending</b>	<b>Fiscal Year Ending</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>	
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.029913%	0.071733%	-0.041820%
Percentage of Plan (PERF C) Net Pension Liability	0.012118%	0.025185%	-0.013067%

The total amount of \$220,139 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, 2025. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Account Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions made after the measurement date	\$ 220,139	\$ -
Difference between actual and proportionate share of employer contributions	742,955	(90,706)
Adjustment due to differences in proportions	8,857	(1,085,675)
Differences between expected and actual experience	73,698	(11,433)
Differences between projected and actual earnings on pension plan investments	233,579	-
Changes in assumptions	87,099	-
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 1,366,327</b>	<b>\$ (1,187,814)</b>

**SCOTTS VALLEY WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2024 and 2023*

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**NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)**

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

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

The total amount of \$369,568 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2024. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 369,568	\$ -
Difference between actual and proportionate share of employer contributions	1,179,987	(30,629)
Adjustment due to differences in proportions	42,631	(1,662,894)
Differences between expected and actual experience	28,108	(18,826)
Differences between projected and actual earnings on pension plan investments	256,384	-
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 2,020,105</b>	<b>\$ (1,712,349)</b>

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2024, will be amortized to pension expense in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (101,400)
2025	(88,596)
2026	141,669
2027	6,701
<b>Total</b>	<b>\$ (41,626)</b>

**SCOTTS VALLEY WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2024 and 2023*

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**NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)**

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

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2023, will be amortized to pension expense in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2023	\$ (61,091)
2024	(84,434)
2025	(73,100)
2026	156,813
<b>Total</b>	<u>\$ (61,812)</u>

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022, total pension liability. The June 30, 2023, total pension liability and the June 30, 2022, total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

**Long-term Expected Rate of Return**

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.

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)

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

###### Long-term Expected Rate of Return (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

The table below reflects the long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return</u> <sup>1,2</sup>
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 Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

<sup>1</sup> An expected inflation of 2.3% is used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

###### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

###### Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 10 – PENSION PLAN AND NET PENSION LIABILITY (continued)

##### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Changes in the discount rate for the year ended June 30, 2024, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -		
	1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	\$ 3,205,587	\$ 1,442,654	\$ (8,392)

Changes in the discount rate for the year ended June 30, 2023, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -		
	1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	\$ 3,093,848	\$ 1,399,678	\$ 5,796

#### C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 11 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

##### Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
OPEB related deferred outflows	\$ 116,373	\$ 115,583
Total OPEB liability – current	106,071	116,373
Total OPEB liability – non-current	<u>1,494,132</u>	<u>1,680,769</u>
Total OPEB liability	<u>1,600,203</u>	<u>1,797,142</u>

#### A. General Information about the OPEB Plan

##### Plan description

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides benefits for all employees covered by the Plan as listed below. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. Effective January 1, 2015, the District participates in a retiree benefits program through Association of California Water Agencies (ACWA/JPIA). The District does not have an OPEB trust established and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

##### Benefits provided

The District offers medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's Plan provider. The contribution requirements of Plan members and the District are established in the Memorandum of Understanding with Scotts Valley Water District Employees Union AFSCME Local 101 AFL-CIO (Union).

The District pays 100% of the premiums for employee only or employee plus one coverage up to the non-Medicare rates for the High Deductible Health Plan (HDHP) and similar Medicare rates for post-65 coverage. Mixed two-party contracts where either the retiree or other covered party is on Medicare will also be subject to the non-Medicare maximum. The benefits include medical, dental, and vision. The District pays 100% of the cost for dental and vision coverage.

# SCOTTS VALLEY WATER DISTRICT

## Notes to Financial Statements

June 30, 2024 and 2023

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### NOTE 11 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

#### A. General Information about the OPEB Plan (continued)

##### Employees covered by benefit terms

At June 30, 2023 and 2022 (Measurement Dates), the following employees were covered by the benefit terms:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Inactive plan members or spouses currently receiving benefits	17	18
Inactive plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>1</u>	<u>1</u>
Total	<u><u>18</u></u>	<u><u>19</u></u>

##### Total OPEB Liability

The District's total OPEB liability of \$1,600,203 and \$1,797,142 were measured as of June 30, 2023 and 2022, respectively, and were determined by an actuarial valuation as of that date. These amounts were reported as of June 30, 2024 and 2023, respectively.

##### Payable to the OPEB Plan

At June 30, 2023 and 2022, respectively, the District had no outstanding amount of contributions required to the OPEB plan.

#### B. Total OPEB Liability

##### Actuarial assumptions

The total OPEB liability in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation/Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Experience Study	N/A	N/A
Discount rate	3.65%	3.54%
Inflation	2.50%	2.50%
Salary increases	2.75%	2.75%
Healthcare cost trend rates	4.0 percent	4.0 percent

The mortality assumptions are based on the 2017 CalPERS Active and Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

The retirement assumptions are based on the 2014 CalPERS 2.7%@55 Rates for Miscellaneous Employees table and the 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees.

**SCOTTS VALLEY WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024 and 2023*

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**NOTE 11 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)**

**B. Total OPEB Liability (continued)**

**Actuarial assumptions (continued)**

The turnover assumptions are based on the 2017 CalPERS Turnover for Miscellaneous Employees table. CalPERS periodically studies the mortality, retirement and turnover assumptions for participating agencies and establishes tables that are appropriate for each pool.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.65% and 3.54% for the fiscal years ended June 30, 2023 and 2022, respectively. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the liability over a period not to exceed 30 years. Based on this assumption, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. The discount rate used historic 27-year real rates of return for each asset class along with an assumed long-term inflation assumption to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points. The Bond Buyer 20 Bond Index was used.

**C. Changes in the Total OPEB Liability**

Changes in the Total OPEB Liability for June 30, 2024, were as follows:

	<b>Increase (Decrease)</b>		
	<b>OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2023 (Measurement date July 1, 2022)</b>	\$ 1,797,142	\$ -	\$ 1,797,142
<b>Changes for the year:</b>			
Service cost	11,701	-	11,701
Interest	61,788	-	61,788
Changes in assumptions	(663)	-	(663)
Changes in experience	(154,182)	-	(154,182)
Changes in benefit terms	-	-	-
Employer contributions	-	115,583	(115,583)
Benefit payments	(115,583)	(115,583)	-
Net changes	(196,939)	-	(196,939)
<b>Balance at June 30, 2024 (Measurement date June 30, 2023)</b>	<b>\$ 1,600,203</b>	<b>\$ -</b>	<b>\$ 1,600,203</b>

Changes in the Total OPEB Liability for June 30, 2023, were as follows:

	<b>Increase (Decrease)</b>		
	<b>OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2022 (Measurement date July 1, 2021)</b>	\$ 2,123,895	\$ -	\$ 2,123,895
<b>Changes for the year:</b>			
Service cost	16,167	-	16,167
Interest	44,844	-	44,844
Changes in assumptions	(276,050)	-	(276,050)
Changes in experience	10,136	-	10,136
Changes in benefit terms	-	-	-
Employer contributions	-	121,850	(121,850)
Benefit payments	(121,850)	(121,850)	-
Net changes	(326,753)	-	(326,753)
<b>Balance at June 30, 2023 (Measurement date June 30, 2022)</b>	<b>\$ 1,797,142</b>	<b>\$ -</b>	<b>\$ 1,797,142</b>

**SCOTTS VALLEY WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2024 and 2023*

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**NOTE 11 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)**

**C. Changes in the Total OPEB Liability (continued)**

**Sensitivity of the Total OPEB Liability to changes in the discount rate**

The following presents the Total OPEB Liability of the District, as well as what the District’s Total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Sensitivity of the Total OPEB liability to changes in the discount rate for the fiscal year ended June 30, 2023:

<b>Plan's Total OPEB Liability/(Asset)</b>		
<b>Discount Rate</b>	<b>Current</b>	<b>Discount Rate</b>
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
<b>2.65%</b>	<b>3.65%</b>	<b>4.65%</b>
<b>\$ 1,996,467</b>	<b>\$ 1,600,203</b>	<b>\$ 1,662,319</b>

Sensitivity of the Total OPEB liability to changes in the discount rate for the fiscal year ended June 30, 2022:

<b>Plan's Total OPEB Liability/(Asset)</b>		
<b>Discount Rate</b>	<b>Current</b>	<b>Discount Rate</b>
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
<b>2.54%</b>	<b>3.54%</b>	<b>4.54%</b>
<b>\$ 1,996,467</b>	<b>\$ 1,797,142</b>	<b>\$ 1,662,319</b>

**Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates**

The following presents the Total OPEB liability of the District, as well as what the District’s Total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates for June 30, 2023:

<b>Trend Rate</b>	<b>Healthcare Cost</b>	<b>Trend Rate</b>
<b>1% Decrease</b>	<b>Trend Rates</b>	<b>1% Increase</b>
<b>3.0%</b>	<b>4.0%</b>	<b>5.0%</b>
<b>\$ 1,616,553</b>	<b>\$ 1,600,203</b>	<b>\$ 1,994,691</b>

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates for June 30, 2022:

<b>Trend Rate</b>	<b>Healthcare Cost</b>	<b>Trend Rate</b>
<b>1% Decrease</b>	<b>Trend Rates</b>	<b>1% Increase</b>
<b>3.0%</b>	<b>4.0%</b>	<b>5.0%</b>
<b>\$ 1,616,553</b>	<b>\$ 1,797,142</b>	<b>\$ 1,994,691</b>

## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 11 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

##### D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2024 and 2023, the District recognized OPEB expense/(credit) of (\$81,356) and (\$204,903), respectively. At June 30, 2024 and 2023, the District reported deferred outflows of resources related to OPEB for plan contributions subsequent to the measurement date of \$116,373 and \$115,583, respectfully. The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date of the Total OPEB liability will be recognized as a reduction of the Total OPEB liability in the year ended June 30, 2025 and 2024, respectively.

#### NOTE 12 – NET POSITION – NET INVESTMENT IN CAPITAL ASSETS

The net investment in capital assets component of net position was calculated at June 30<sup>th</sup> as follows:

Description	June 30, 2024	June 30, 2023
<b>Net investment in capital assets:</b>		
Capital assets – not being depreciated	\$ 4,197,415	\$ 1,555,380
Capital assets – being depreciated, net	22,896,188	23,619,797
Loans payable – current portion	(949,811)	(931,320)
Loans payable – non-current portion	(6,759,760)	(7,709,571)
Unspent proceeds from loan issuance (Note 3)	-	1,326,727
<b>Total net investment in capital assets</b>	<b>\$ 19,384,032</b>	<b>\$ 17,861,013</b>

#### NOTE 13 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in an Internal Revenue Code §457 Deferred Compensation Program. The purpose of this program is to provide deferred compensation for public employees that elect to participate in the program. Eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little involvement and does not perform the investing function for this program, the assets and related liabilities are not shown on the accompanying financial statements.

# SCOTTS VALLEY WATER DISTRICT

## Notes to Financial Statements

June 30, 2024 and 2023

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### NOTE 14 – RISK MANAGEMENT POOL

The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing pool that provides insurance coverage and related services.

<b>A. Entity</b>	ACWA-JPIA
<b>B. Purpose</b>	To pool member contributions and realize the advantages of self-insurance
<b>C. Participants</b>	As of September 30, 2023 – 401 member districts
<b>D. Governance</b>	Nine representatives employed by members
<b>E. District payments for FY 2024:</b>	
Property/Liability policy	\$101,882
Workers' compensation policy	\$55,040
<b>F. Condensed financial information</b>	September 30, 2023
Audit dated	March 20, 2024

#### Statement of financial position:

	<u>Sept 30, 2023</u>
Total assets	\$ 288,462,503
Deferred outflows	4,654,911
Total liabilities	167,203,667
Deferred inflows	5,200,835
Net position	<u>\$ 120,712,912</u>

#### Statement of revenues, expenses and changes in net position:

Total revenues	\$ 248,013,664
Total expenses	(240,084,673)
Change in net position	7,928,991
Beginning - net position	112,783,921
Ending - net position	<u>\$ 120,712,912</u>

<b>G. Member agencies share of year-end financial position</b>	Not Calculated
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## SCOTTS VALLEY WATER DISTRICT

### Notes to Financial Statements

June 30, 2024 and 2023

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#### NOTE 14 – RISK MANAGEMENT POOL (continued)

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At June 30, 2024, the District participated in the liability, property, and workers compensation programs of the ACWA/JPIA as follows:

- Property coverage of \$150 million, per occurrence, with liability limits varying by property. Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$150 million, subject to a deductible between \$500 and \$5,000 depending on the type of property. Property coverage includes flood coverage with various deductibles and earthquake coverage with deductibles of 5% per unit of insurance, \$75,000 minimum.
- Liability coverage of \$5 million, per occurrence, with self-insurance and additional excess coverage layers up to \$60 million.
- Crime coverage: Limit of coverage \$100,000 with a deductible of \$1,000.
- Workers Compensation of \$2 million each accident or each employee.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2024, 2023, and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024, 2023, and 2022.

#### NOTE 15 – COMMITMENTS AND CONTINGENCIES

##### Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. As of June 30, 2024, the District had approximately \$2,572,500 in open construction contracts related to projects in Construction in process.

##### Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

##### Grant Awards

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

##### Litigation

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

**SCOTTS VALLEY WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024 and 2023*

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**NOTE 16 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 18, 2024, the date which the financial statements were available to be issued.

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***Required Supplementary Information***

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**SCOTTS VALLEY WATER DISTRICT**

*Schedule of the District's Proportionate Share of the Plan's Net Pension Liability  
For the Year Ended June 30, 2024 and 2023*

**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Measurement Date</b>	<b>District's Proportion of the Net Pension Liability</b>	<b>District's Proportionate Share of the Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</b>	<b>Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability</b>
June 30, 2014	0.021380%	\$ 1,329,971	\$ 1,135,330	117.14%	83.03%
June 30, 2015	0.017960%	1,435,475	1,332,329	107.74%	82.98%
June 30, 2016	0.020598%	1,782,379	1,272,122	140.11%	79.61%
June 30, 2017	0.021237%	2,106,130	1,458,545	144.40%	77.49%
June 30, 2018	0.021488%	2,070,657	1,591,177	130.13%	78.69%
June 30, 2019	0.022485%	2,304,037	1,703,662	135.24%	77.91%
June 30, 2020	0.023356%	2,541,228	1,726,184	147.22%	76.40%
June 30, 2021	0.025185%	1,362,061	1,753,518	77.68%	87.97%
June 30, 2022	0.012118%	1,399,678	1,994,705	70.17%	88.74%
June 30, 2023	0.011564%	1,442,654	2,029,740	71.08%	88.93%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

**From fiscal year June 30, 2015 and June 30, 2016:**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

**From fiscal year June 30, 2016 to June 30, 2017:**

There were no changes in assumptions.

**From fiscal year June 30, 2017 to June 30, 2018:**

The discount rate was reduced from 7.65% to 7.15%.

**From fiscal years June 30, 2018 to June 30, 2022:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2022 to June 30, 2023:**

The discount rate was reduced from 7.15% to 6.90% and the inflation rate from 2.50% to 2.30%..

**From fiscal year June 30, 2023 to June 30, 2024:**

There were no significant changes in assumptions.

**SCOTTS VALLEY WATER DISTRICT**

*Schedule of the District's Contributions to the Pension Plan  
For the Year Ended June 30, 2024 and 2023*

**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
June 30, 2015	\$ 73,314	\$ (573,314)	\$ (500,000)	1,332,329	5.50%
June 30, 2016	157,182	(157,182)	-	1,272,122	12.36%
June 30, 2017	176,792	(176,792)	-	1,458,545	12.12%
June 30, 2018	207,207	(207,207)	-	1,591,177	13.02%
June 30, 2019	250,483	(250,483)	-	1,703,662	14.70%
June 30, 2020	313,392	(313,392)	-	1,726,184	18.16%
June 30, 2021	349,774	(349,774)	-	1,753,518	19.95%
June 30, 2022	388,682	(2,189,071)	(1,800,389)	1,838,826	21.14%
June 30, 2023	369,568	(369,568)	-	1,994,705	18.53%
June 30, 2024	220,139	(220,139)	-	2,029,740	10.85%

**Notes to Schedule:**

<b>Fiscal Year</b>	<b>Valuation Date</b>	<b>Actuarial Cost Method</b>	<b>Asset Valuation Method</b>	<b>Inflation</b>	<b>Investment Rate of Return</b>
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
June 30, 2024	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%

**Amortization Method** Level percentage of payroll, closed  
**Salary Increases** Depending on age, service, and type of employment  
**Investment Rate of Return** Net of pension plan investment expense, including inflation  
**Retirement Age** 50 years (2.7%@55), 50 years (2.0%@55), 52 years (2.0%@62)  
**Mortality** Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first implementation year; therefore, only ten years are shown.

## SCOTTS VALLEY WATER DISTRICT

### Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Year Ended June 30, 2024 and 2023

Fiscal Year Ended	Last Ten Fiscal Years*				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
<b>Total OPEB liability:</b>					
Service cost	\$ 11,701	\$ 16,167	\$ 17,015	\$ 11,702	\$ 19,190
Interest	61,788	44,844	54,646	76,448	94,207
Changes in assumptions	(663)	(276,050)	8,778	339,880	(257,933)
Differences between expected and actual experience	(154,182)	10,136	85,297	11,205	(215,234)
Changes of benefit terms	-	-	(440,821)	-	-
Benefit payments	(115,583)	(121,850)	(140,305)	(145,445)	(153,549)
<b>Net change in total OPEB liability</b>	<b>(196,939)</b>	<b>(326,753)</b>	<b>(415,390)</b>	<b>293,790</b>	<b>(513,319)</b>
<b>Total OPEB liability - beginning</b>	<b>1,797,142</b>	<b>2,123,895</b>	<b>2,539,285</b>	<b>2,245,495</b>	<b>2,758,814</b>
<b>Total OPEB liability - ending</b>	<b>1,600,203</b>	<b>1,797,142</b>	<b>2,123,895</b>	<b>2,539,285</b>	<b>2,245,495</b>
<b>Plan fiduciary net position:</b>					
Contributions - employer	115,583	121,850	140,305	145,445	153,549
Benefit payments	(115,583)	(121,850)	(140,305)	(145,445)	(153,549)
<b>District's total OPEB liability</b>	<b>\$ 1,600,203</b>	<b>\$ 1,797,142</b>	<b>\$ 2,123,895</b>	<b>\$ 2,539,285</b>	<b>\$ 2,245,495</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered payroll</b>	<b>\$ 1,886,454</b>	<b>\$ 1,838,826</b>	<b>\$ 1,753,518</b>	<b>\$ 1,726,184</b>	<b>\$ 1,703,662</b>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<b>84.83%</b>	<b>97.73%</b>	<b>121.12%</b>	<b>147.10%</b>	<b>131.80%</b>

#### Notes to Schedule:

##### Benefit Changes:

Measurement Date June 30, 2019 – There were no changes of benefits terms  
Measurement Date June 30, 2020 – There were no changes of benefits terms  
Measurement Date June 30, 2021 – Change in census  
Measurement Date June 30, 2022 – There were no changes of benefits terms  
Measurement Date June 30, 2023 – There were no changes of benefits terms

##### Changes in Assumptions:

Measurement Date June 30, 2019 – Change in projected payroll growth to 2.75% and long-term medical trend rate to 4.00%  
Measurement Date June 30, 2020 – Change in discount rate to 2.20%  
Measurement Date June 30, 2021 – Change in discount rate to 2.16%  
Measurement Date June 30, 2022 – Change in discount rate to 3.54%  
Measurement Date June 30, 2023 – Change in discount rate to 3.65%

\* Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown.

## SCOTTS VALLEY WATER DISTRICT

### Schedule of Changes in the District's Total OPEB Liability and Related Ratios (continued) For the Year Ended June 30, 2024 and 2023

Fiscal Year Ended Measurement Date	Last Ten Fiscal Years*	
	June 30, 2019 June 30, 2018	June 30, 2018 June 30, 2017
<b>Total OPEB liability:</b>		
Service cost	\$ 18,631	\$ 18,018
Interest	94,606	96,029
Changes in assumptions	(33,754)	-
Benefit payments	(169,107)	(143,918)
<b>Net change in total OPEB liability</b>	<b>(89,624)</b>	<b>(29,871)</b>
<b>Total OPEB liability - beginning</b>	<b>2,848,438</b>	<b>2,878,309</b>
<b>Total OPEB liability - ending</b>	<b>2,758,814</b>	<b>2,848,438</b>
<b>Plan fiduciary net position:</b>		
Contributions - employer	169,107	143,918
Benefit payments	(169,107)	(143,918)
<b>District's total OPEB liability</b>	<b>\$ 2,758,814</b>	<b>\$ 2,848,438</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered payroll</b>	<b>\$ 1,591,177</b>	<b>\$ 1,458,545</b>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<b>173.38%</b>	<b>195.29%</b>

#### Notes to Schedule:

##### Benefit Changes:

Measurement Date June 30, 2017 – There were no changes of benefits terms

Measurement Date June 30, 2018 – There were no changes of benefits terms

##### Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions

Measurement Date June 30, 2018 – There were no changes in assumptions except change in discount rate

\* Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown.

**SCOTTS VALLEY WATER DISTRICT**  
*Schedule of the District's Contributions to the OPEB Plan*  
*For the Year Ended June 30, 2024 and 2023*

Fiscal Year Ended	Last Ten Fiscal Years*				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Actuarially determined contribution* (Pay-as-you-go funding with No Plan Assets)	\$ 116,373	\$ 115,583	\$ 121,850	\$ 140,200	\$ 145,445
Contributions in relation to the actuarially determined contributions	(116,373)	(115,583)	(121,850)	(140,200)	(145,445)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,886,454	\$ 1,838,826	\$ 1,753,518	\$ 1,726,184	\$ 1,703,662
Contributions as a percentage of covered-employee payroll	6.17%	6.29%	6.95%	8.12%	8.54%

**Notes to Schedule:**

Valuation Date	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019
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**Methods and Assumptions Used to Determine**

**Contribution Rates:**

	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial cost method	Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Closed period, level percent of pay	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	3.65%	3.54%	2.16%	2.20%	3.50%
Inflation	2.50%	2.50%	2.50%	2.75%	2.75%
Payroll increases	2.75%	2.75%	2.75%	2.75%	2.75%
Mortality	(2)	(2)	(2)	(2)	(2)
Morbidity	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Disability	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(3)	(3)	(3)	(3)	(3)
Percent Married - Spouse Support	80%	80%	80%	80%	80%
Healthcare trend rates	4.00%	4.00%	4.00%	4.00%	4.00%

(1) Closed period, level percent of pay

(2) SOA Pub-2010 using Scale MP-2017

(3) CalPERS Public Agency Miscellaneous 2.7% @55, 2.0% @55 and 2.0% @62

\* Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

**SCOTTS VALLEY WATER DISTRICT**  
*Schedule of the District's Contributions to the OPEB Plan*  
*For the Year Ended June 30, 2024 and 2023*

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**Last Ten Fiscal Years\***

<b>Fiscal Year Ended</b>	<b><u>June 30, 2019</u></b>	<b><u>June 30, 2018</u></b>
Actuarially determined contribution* (Pay-as-you-go funding with No Plan Assets)	\$ 153,549	\$ 169,107
Contributions in relation to the actuarially determined contributions	<u>(153,549)</u>	<u>(169,107)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 1,591,177</u>	<u>\$ 1,458,545</u>
Contributions as a percentage of covered-employee payroll	<u>9.65%</u>	<u>11.59%</u>

**Notes to Schedule:**

<b>Valuation Date</b>	June 30, 2017	June 30, 2017
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>		
Actuarial cost method Entry age normal	Entry Age	Entry Age
Amortization method Closed period, level percent of pay	(1)	(1)
Amortization period	20-years	20-years
Asset valuation method	Fair Value	Fair Value
Discount rate	3.50%	3.40%
Inflation	2.75%	2.75%
Payroll increases	3.00%	3.00%
Mortality	(2)	(2)
Morbidity	Not Valued	Not Valued
Disability	Not Valued	Not Valued
Retirement	(3)	(3)
Percent Married - Spouse Support	80%	80%
Healthcare trend rates	6.50% to 5.00%	6.50% to 5.00%

(1) Closed period, level percent of pay

(2) SOA Pub-2010 using Scale MP-2017

(3) CalPERS Public Agency Miscellaneous 2.7% @55, 2.0% @55 and 2.0% @62

\* Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown.

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***Supplementary Information***

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**SCOTTS VALLEY WATER DISTRICT**  
*Combining Schedules of Balance Sheets*  
*For the Year Ended June 30, 2024*

	<u>Water Fund</u>	<u>Recycled Water Fund</u>	<u>Total</u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 8,344,078	\$ -	\$ 8,344,078
Accrued interest receivable	75,095	1,350	76,445
Accounts receivable, net	1,111,462	120,965	1,232,427
Property taxes receivable	74,566	-	74,566
Grant receivable	23,736	-	23,736
Other receivables	7,667	-	7,667
Notes receivable	-	10,000	10,000
Inventory – materials and supplies	234,904	-	234,904
Prepaid expenses	76,397	-	76,397
<b>Total current assets</b>	<u>9,947,905</u>	<u>132,315</u>	<u>10,080,220</u>
<b>Non-current assets:</b>			
Restricted – cash and cash equivalents	1,037,449	-	1,037,449
Investments	1,974,692	-	1,974,692
Notes receivable	-	35,000	35,000
Interagency due (to)/from	1,093,007	(1,093,007)	-
Investment in SMGA – JPA	189,423	-	189,423
Capital assets – not being depreciated	4,197,415	-	4,197,415
Capital assets – being depreciated, net	18,290,640	4,605,548	22,896,188
<b>Total non-current assets</b>	<u>26,782,626</u>	<u>3,547,541</u>	<u>30,330,167</u>
<b>Total assets</b>	<u>36,730,531</u>	<u>3,679,856</u>	<u>40,410,387</u>
<b>Deferred outflows of resources:</b>			
Deferred amounts related to net OPEB liability	104,736	11,637	116,373
Deferred amounts related to net pension liability	1,229,694	136,633	1,366,327
<b>Total deferred outflows of resources</b>	<u>1,334,430</u>	<u>148,270</u>	<u>1,482,700</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 38,064,961</u>	<u>\$ 3,828,126</u>	<u>\$ 41,893,087</u>

**SCOTTS VALLEY WATER DISTRICT**  
*Combining Schedules of Balance Sheets (continued)*  
For the Year Ended June 30, 2024

	<u>Water Fund</u>	<u>Recycled Water Fund</u>	<u>Total</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u></b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 566,908	\$ 46,160	\$ 613,068
Customer deposits for services	112,912	7,555	120,467
Accrued interest payable	87,638	-	87,638
Long-term liabilities – due within one year:			
Compensated absences	40,400	3,995	44,395
Loan payable	675,431	274,380	949,811
Total OPEB liability	95,464	10,607	106,071
<b>Total current liabilities</b>	<u>1,578,753</u>	<u>342,697</u>	<u>1,921,450</u>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences	103,431	11,985	115,416
Loan payable	6,216,059	543,701	6,759,760
Total OPEB liability	1,344,719	149,413	1,494,132
Net pension liability	1,298,389	144,265	1,442,654
<b>Total non-current liabilities</b>	<u>8,962,598</u>	<u>849,364</u>	<u>9,811,962</u>
<b>Total liabilities</b>	<u>10,541,351</u>	<u>1,192,061</u>	<u>11,733,412</u>
<b>Deferred inflows of resources:</b>			
Deferred amounts related to net pension liability	1,069,033	118,781	1,187,814
<b>Total deferred inflows of resources</b>	<u>1,069,033</u>	<u>118,781</u>	<u>1,187,814</u>
<b>Net position:</b>			
Net investment in capital assets	15,596,565	3,787,467	19,384,032
Unrestricted	10,858,012	(1,270,183)	9,587,829
<b>Total net position</b>	<u>26,454,577</u>	<u>2,517,284</u>	<u>28,971,861</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 38,064,961</u>	<u>\$ 3,828,126</u>	<u>\$ 41,893,087</u>

## SCOTTS VALLEY WATER DISTRICT

### Combining Schedules of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2024

	Water Fund	Recycled Water Fund	Total
<b>Operating revenues:</b>			
Water sales	\$ 4,387,487	\$ 481,289	\$ 4,868,776
Water service	2,682,545	97,843	2,780,388
Other fees and charges	40,089	300	40,389
<b>Total operating revenues</b>	<b>7,110,121</b>	<b>579,432</b>	<b>7,689,553</b>
<b>Operating expenses:</b>			
Source of supply	143,902	-	143,902
Pumping	516,628	-	516,628
Water treatment	514,224	-	514,224
Recycled water	-	573,445	573,445
Transmission and distribution	2,191,237	-	2,191,237
Finance, customer service and conservation	1,012,598	-	1,012,598
General and administrative	852,067	-	852,067
<b>Total operating expenses</b>	<b>5,230,656</b>	<b>573,445</b>	<b>5,804,101</b>
<b>Operating income before depreciation</b>	<b>1,879,465</b>	<b>5,987</b>	<b>1,885,452</b>
Depreciation expense	(1,048,187)	(189,002)	(1,237,189)
<b>Operating income (loss)</b>	<b>831,278</b>	<b>(183,015)</b>	<b>648,263</b>
<b>Non-operating revenues(expenses):</b>			
Property taxes	1,557,187	-	1,557,187
Change in investment in SMGA-JPA	(202,282)	-	(202,282)
Investment earnings	386,058	2,832	388,890
Interest expense	(175,275)	-	(175,275)
Other non-operating revenues	16,683	-	16,683
<b>Total non-operating income</b>	<b>1,582,371</b>	<b>2,832</b>	<b>1,585,203</b>
<b>Change in net position before capital contributions</b>	<b>2,413,649</b>	<b>(180,183)</b>	<b>2,233,466</b>
<b>Capital contributions:</b>			
Capacity buy-in fee	494,715	7,413	502,128
State capital grant	293,427	-	293,427
<b>Total capital contributions</b>	<b>788,142</b>	<b>7,413</b>	<b>795,555</b>
<b>Change in net position</b>	<b>3,201,791</b>	<b>(172,770)</b>	<b>3,029,021</b>
<b>Net position:</b>			
Beginning of year	23,252,786	2,690,054	25,942,840
End of year	<b>\$ 26,454,577</b>	<b>\$ 2,517,284</b>	<b>\$ 28,971,861</b>

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***Other Independent Auditors' Reports***

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

Board of Directors  
Scotts Valley Water District  
Scotts Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Scotts Valley Water District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Scotts Valley Water District's basic financial statements, and have issued our report thereon dated December 18, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Scotts Valley Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Scotts Valley Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Scotts Valley Water 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Scotts Valley Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in blue ink that reads "Nigro & Nigro, PC".

Walnut Creek, California  
December 18, 2024

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***Statistical Section***

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**SCOTTS VALLEY WATER DISTRICT**  
*Changes in Net Position and Net Position by Component*  
*Last Ten Fiscal Years*

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Changes in net position:</b>					
Operating revenues	\$4,499,859	\$4,048,964	\$4,549,738	\$5,647,160	\$6,025,665
Operating expenses	(5,067,252)	(5,692,368)	(5,613,137)	(6,242,979)	(5,715,261)
Operating income (loss)	(567,393)	(1,643,404)	(1,063,399)	(595,819)	310,404
Non-Operating revenues (expenses)					
Property Taxes Ad-Valorem	724,433	775,679	839,095	923,894	975,085
Investment earnings	24,848	39,106	25,159	22,574	35,893
Interest expense	(361,513)	(417,796)	(703,031)	(143,774)	(94,956)
Other non-operating revenues	40,610	498,070	8,468	81,241	62,910
Other non-operating expenses	-	-	-	-	-
Total non-operating revenues(expenses), net	428,378	895,059	169,691	883,935	978,932
Net income before capital contributions	(139,015)	(748,345)	(893,708)	288,116	1,289,336
Capital contributions	399,554	335,704	803,279	515,963	434,636
<b>Changes in net position</b>	<b>260,539</b>	<b>(412,641)</b>	<b>(90,429)</b>	<b>804,079</b>	<b>1,723,972</b>
Net position, beginning of period	16,366,105	16,626,644	16,214,003	14,562,508	15,366,587
Prior period adjustments	-	-	(1,561,066)	-	-
Net position, end of period	16,626,644	16,214,003	14,562,508	15,366,587	17,090,559
<b>Net position by component</b>					
Net investment in capital assets	12,154,452	13,665,884	14,790,579	16,664,117	16,974,413
Debt service (restricted):	932,329	749,404	-	-	-
Unrestricted	3,539,863	1,798,715	(228,071)	(1,297,530)	116,146
<b>Total net position</b>	<b>16,626,644</b>	<b>16,214,003</b>	<b>14,562,508</b>	<b>15,366,587</b>	<b>17,090,559</b>

	Fiscal Year				
	2020	2021	2022	2023	2024
<b>Changes in net position:</b>					
Operating revenues	\$6,674,839	\$6,985,681	\$7,454,898	\$7,605,864	\$7,689,553
Operating expenses	(6,089,055)	(7,012,656)	(6,410,365)	(7,967,504)	(7,041,290)
Operating income (loss)	585,784	(26,975)	1,044,533	(361,640)	648,263
Non-Operating revenues (expenses)					
Property Taxes Ad-Valorem	1,030,321	1,057,540	1,241,664	1,398,325	1,557,187
Investment earnings	66,477	6,936	(29,611)	90,570	388,890
Interest expense	(86,262)	(75,834)	(113,485)	(193,897)	(175,275)
Other non-operating revenues	119,616	78,213	71,587	153,318	16,683
Other non-operating expenses	(240,719)	(357,480)	(425,758)	(224,364)	(202,282)
Total non-operating revenues(expenses), net	889,433	709,375	744,397	1,223,952	1,585,203
Net income before capital contributions	1,475,217	682,400	1,788,930	862,312	2,233,466
Capital contributions	761,665	569,604	631,711	2,080,442	795,555
<b>Changes in net position</b>	<b>2,236,882</b>	<b>1,252,004</b>	<b>2,420,641</b>	<b>2,942,754</b>	<b>3,029,021</b>
Net position, beginning of period	17,090,559	19,327,441	20,579,445	23,000,086	25,942,840
Prior period adjustments	-	-	-	-	-
Net position, end of period	19,327,441	20,579,445	23,000,086	25,942,840	28,971,861
<b>Net position by component</b>					
Net investment in capital assets	17,684,486	20,391,522	21,084,476	17,861,013	19,384,032
Debt service (restricted):	-	-	-	-	-
Unrestricted	1,642,955	187,923	1,915,610	8,081,827	9,587,829
<b>Total net position</b>	<b>19,327,441</b>	<b>20,579,445</b>	<b>23,000,086</b>	<b>25,942,840</b>	<b>28,971,861</b>

Source: Provided by District

**SCOTTS VALLEY WATER DISTRICT**  
*Operating Revenues by Sources*  
*Last Ten Fiscal Years*

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Fiscal Year	Water Sales		Service Charges		Total Operating Revenue
	(Potable Water)	(Recycled Water)	(Potable & Recycled Water)	Other	
2015	\$ 2,350,163	\$ 317,926	\$ 1,566,851	\$ 264,919	\$ 4,499,859
2016	2,242,642	382,366	1,348,590	75,366	4,048,964
2017	2,646,488	352,298	1,497,782	53,170	4,549,738
2018	3,478,119	455,073	1,671,070	42,898	5,647,160
2019	3,605,178	446,873	1,927,303	46,311	6,025,665
2020	4,057,953	508,970	2,076,643	31,273	6,674,839
2021	4,183,900	543,334	2,230,855	27,592	6,985,681
2022	4,358,136	555,691	2,509,412	31,659	7,454,898
2023	4,478,040	418,822	2,666,947	42,055	7,605,864
2024	4,387,487	481,289	2,780,388	40,389	7,689,553

Source: Provided by District

## SCOTTS VALLEY WATER DISTRICT

### Non-Operating Revenues

#### Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Investment Income *</b>	<b>Property Taxes</b>	<b>Interest Expense</b>	<b>Other Income &amp; Expenses, net</b>	<b>Net Non- Operating Revenue / (Expense)</b>
2015	24,848	724,433	(361,513)	40,610	428,378
2016	39,106	775,679	(417,796)	498,070	895,059
2017	25,159	839,095	(703,031)	8,468	169,691
2018	22,574	923,894	(143,774)	81,241	883,935
2019	35,893	975,085	(94,956)	62,910	978,932
2020	66,477	1,030,321	(86,262)	(121,103)	889,433
2021	6,936	1,057,540	(75,834)	(279,267)	709,375
2022	(29,611)	1,241,664	(113,485)	(354,171)	744,397
2023	90,570	1,398,325	(193,897)	(71,046)	1,223,952
2024	388,890	1,557,187	(175,275)	(185,599)	1,585,203

\* Includes mark-to-market valuation adjustment of LAIF holdings

Source: Provided by District

**SCOTTS VALLEY WATER DISTRICT**

*Operating Expenses by Activity*

*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Source of Supply</b>	<b>Pumping</b>	<b>Water Treatment</b>	<b>Recycled Water</b>	<b>Transmission &amp; Distribution</b>	<b>Water Use Efficiency</b>	<b>Finance &amp; Customer Service*</b>	<b>General &amp; Admin*</b>	<b>Total Operating Expenses</b>
2015	\$ 1,638	\$ 478,911	\$ 558,991	\$ 102,152	\$ 1,129,053	\$ 202,521	\$ 188,335	\$ 1,522,036	\$ 4,183,637
2016	97,655	524,177	688,601	546,568	776,096	241,892	207,833	1,695,591	4,778,413
2017	150,614	536,653	660,704	472,105	797,494	158,507	192,925	1,706,288	4,675,290
2018	163,709	445,655	304,122	480,855	1,917,154	**	713,891	871,541	4,896,927
2019	99,307	466,512	293,069	434,404	1,849,596	**	649,335	837,784	4,630,007
2020	182,735	480,655	239,722	472,247	1,990,814	**	659,450	993,681	5,019,304
2021	111,200	464,519	284,701	590,898	2,213,808	**	1,064,016	1,163,905	5,893,047
2022	104,454	469,102	439,819	536,090	1,877,505	**	816,887	1,007,411	5,251,268
2023	104,053	488,373	310,960	847,463	2,253,229	**	1,433,076	1,321,955	6,759,109
2024	143,902	516,628	514,224	573,445	2,191,237	**	1,012,598	852,067	5,804,101

\* Finance included in General & Admin for the period FY 2014 through FY 2017

\*\* Water Use Efficiency included in Finance & Customer Service for the period FY 2018 through FY 2021

Source: Provided by District

**SCOTTS VALLEY WATER DISTRICT**  
*Revenue Base*  
*Last Ten Fiscal Years*

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<b>Fiscal Year</b>	<b>Portable Water Consumption (Million Gallons)</b>
2015	326
2016	312
2017	316
2018	344
2019	325
2020	329
2021	340
2022	332
2023	295
2024	302

Source: Provided by District

**SCOTTS VALLEY WATER DISTRICT**

*Customers by Type*

*Last Ten Fiscal Years*

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<b>As of June 30</b>	<b>Single Family Residential</b>	<b>Multi Family Residential</b>	<b>Commercial / Institutional</b>	<b>Fire Service</b>	<b>Landscape - Potable</b>	<b>Landscape - Recycled</b>	<b>Bulk Water</b>	<b>Total</b>
2015	3,240	118	291	400	82	62	2	4,195
2016	3,239	117	284	403	81	62	6	4,192
2017	3,244	117	287	412	84	63	18	4,225
2018	3,262	117	290	419	84	64	20	4,256
2019	3,300	117	290	442	83	67	17	4,316
2020	3,333	117	287	453	82	65	12	4,349
2021	3,372	116	298	467	81	60	11	4,405
2022	3,388	117	298	479	79	61	21	4,443
2023	3,436	118	299	501	78	59	7	4,498
2024	3,468	118	299	510	77	60	10	4,542

Source: Provided by District

## SCOTTS VALLEY WATER DISTRICT

### *Outstanding Debt by Type*

*Last Ten Fiscal Years*

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<b>Fiscal Year</b>	<b>Refunding Bonds</b>	<b>Certificates of Participation</b>	<b>Notes Payable</b>	<b>Private Placement</b>	<b>Total Debt</b>	<b>Total Debt per Capita</b>
2015	\$ 785,000	\$ 2,680,000	\$ 4,535,000	\$ -	\$ 8,000,000	\$ 659.14
2016	-	2,520,000	4,325,000	-	6,845,000	561.30
2017	-	-	-	6,049,548	6,049,548	496.03
2018	-	-	-	5,596,621	5,596,621	458.93
2019	-	-	-	5,136,591	5,136,591	425.14
2020	-	-	-	4,668,012	4,668,012	386.78
2021	-	-	-	4,100,714	4,100,714	334.53
2022	-	-	-	9,552,882	9,552,882	799.87
2023	-	-	-	8,640,891	8,640,891	727.84
2024	-	-	-	7,709,571	7,709,571	652.47

Source: Provided by District

## SCOTTS VALLEY WATER DISTRICT

### Debt Service Coverage

### Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Coverage Ratio</b>
2015	5,289,750	4,183,637	1,106,113	495,000	361,513	856,513	1.29141
2016 *	5,361,819	4,778,413	583,406	788,351	268,352	1,056,703	0.55210
2017 *	5,422,460	4,675,290	747,170	445,881	175,881	621,762	1.20170
2018	6,674,869	4,896,927	1,777,942	452,927	143,774	596,701	2.97962
2019	7,099,553	4,630,007	2,469,546	460,030	94,956	554,986	4.44974
2020	7,891,253	5,019,304	2,871,949	468,579	86,262	554,841	5.17617
2021	8,128,370	5,893,047	2,235,323	567,298	75,834	643,132	3.47568
2022	8,768,149	5,251,268	3,516,881	662,832	113,485	776,317	4.53021
2023	9,248,077	6,759,109	2,488,968	911,991	193,897	1,105,888	2.25065
2024	9,652,313	5,804,101	3,848,212	931,320	175,275	1,106,595	3.47753

\* Does not include principal and interest related to the defeasance of the 2004 Refunding Certificates of Participation and 2011 Wells Fargo Bank Loan.

Source: Provided by District

**SCOTTS VALLEY WATER DISTRICT**

*Population Estimates – City of Scotts Valley*

*2015-2019 with 2010 Benchmark and 2020-2024 with 2020 Benchmark*

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	<b>Santa Cruz County Scotts Valley**</b>
<b>April 1, 2010</b>	11,580
<b>January 1, 2015</b>	12,137
<b>January 1, 2016</b>	12,195
<b>January 1, 2017</b>	12,196
<b>January 1, 2018</b>	12,195
<b>January 1, 2019</b>	12,082
<b>April 1, 2020</b>	12,069
<b>January 1, 2021</b>	12,258
<b>January 1, 2022</b>	11,943
<b>January 1, 2023</b>	11,872
<b>January 1, 2024</b>	11,816

\* Data source for 2010 is the 2010 U.S. Census. Data for 2020 is the 2020 U.S. Census. All other data from California Department of Finance.

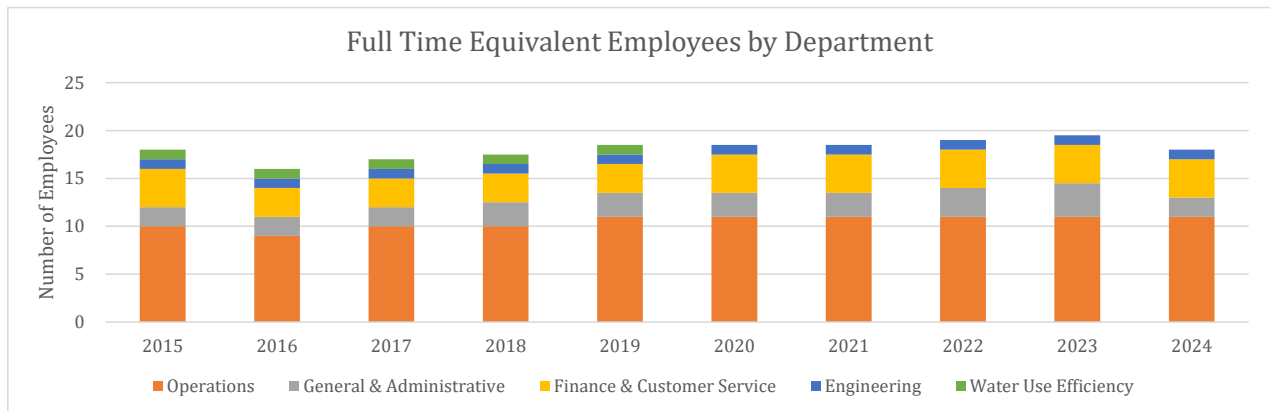
\*\* The District Service Area includes most of the incorporated area of the City of Scotts Valley as well as a portion of the unincorporated area north of the City.

Source: Provided by Santa Cruz County

**SCOTTS VALLEY WATER DISTRICT**  
*Full Time Equivalent Employees by Department*  
*Last Ten Fiscal Years*

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<b>Fiscal Year</b>	<b>Operations</b>	<b>General &amp; Administrative</b>	<b>Finance &amp; Customer Service</b>	<b>Engineering</b>	<b>Water Use Efficiency</b>	<b>Total</b>
2015	10	2	4	1	1	18
2016	9	2	3	1	1	16
2017	10	2	3	1	1	17
2018	10	2.5	3	1	1	17.5
2019	11	2.5	3	1	1	18.5
2020	11	2.5	4	1	-	18.5
2021	11	2.5	4	1	-	18.5
2022	11	3.0	4	1	-	19.0
2023	11	3.5	4	1	-	19.5
2024	11	2.0	4	1	-	18.0



Source: Provided by District

**SCOTTS VALLEY WATER DISTRICT**  
*Direct and Overlapping Debt*  
*As of June 30, 2024*

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>(1)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Cabrillo Joint Community College District	\$ 91,586,964	5.807%	5,318,455
Scotts Valley Unified School District	29,845,000	61.116%	18,240,070
Scotts Valley Water District	-	100.000%	-
Santa Cruz Library Facilities Community Facilities District No. 2016-1	35,785,000	6.466%	2,313,858
City of Scotts Valley Community Facilities District No. 97-1	<u>1,730,000</u>	<u>84.245%</u>	<u>1,457,442</u>
<b>Total Direct and Overlapping Tax and Assessment Debt</b>			<u>27,329,825</u>
<b>Overlapping General Fund Debt:</b>			
Santa Cruz County General Fund Obligations	167,498,341	5.855%	9,807,028
Santa Cruz County Office of Education Certificates of Participation	6,612,042	5.855%	387,135
Scotts Valley Unified School District Certificates of Participation	9,410,000	61.116%	5,751,016
City of Scotts Valley Certificates of Participation	6,965,000	87.686%	6,107,330
City of Scotts Valley Pension Obligation Bonds	430,000	87.686%	<u>377,050</u>
<b>Total Overlapping General Fund Debt</b>			<u>22,429,559</u>
<b>Overlapping Tax Increment Debt (Successor Agency)</b>	9,330,000	99.031%	<u>9,239,592</u>
<b>Total Direct Debt</b>			<u>-</u>
<b>Total Overlapping Debt</b>			<u>58,998,976</u>
<b>Combined Total Debt</b>			<u>58,998,976</u> <sup>(2)</sup>
<b>2023-24 Assessed Valuation:</b>	3,150,148,855		
<b>Ratios to 2023-24 Assessed Valuation:</b>			
Total Overlapping Tax and Assessment Debt	0.80%		
Total Direct Debt	0.00%		
Combined Total Debt	1.72%		
<b>Ratios to Redevelopment Successor Agency Incremental Valuation</b>		1,184,292,770	
Total Overlapping Tax Increment Debt		0.78%	

(1) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the District's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage and non-bonded capital lease obligations.

Source: Provided by Santa Cruz County

**SCOTTS VALLEY WATER DISTRICT**  
*Assessed Valuations – Santa Cruz County*  
 2014-2024

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2015	1,850,583,702	-	69,765,255	1,920,348,957
2016	1,977,106,591	-	74,898,080	2,052,004,671
2017	2,078,152,308	-	84,632,026	2,162,784,334
2018	2,196,063,260	-	87,973,799	2,284,037,059
2019	2,340,152,176	-	103,841,992	2,443,994,168
2020	2,453,773,705	-	99,809,951	2,553,583,656
2021	2,579,219,859	-	103,267,265	2,682,487,124
2022	2,749,227,175	-	111,343,087	2,860,570,262
2023	3,019,130,440	-	131,013,415	3,150,143,855
2024	3,275,747,132	-	150,887,948	3,426,635,080

**2023-24 Total Local Secured Assessed Valuation Breakdown**

<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Other Property</u>	<u>Total Local Secured Property</u>
\$ 2,762,427,015	\$ 311,119,739	\$ 130,111,652	\$ 72,088,726	\$ 3,275,747,132

**2023-24 Assessed Valuation of Redevelopment Agency Project Area Within the District**

<u>Project Area</u>	<u>Total Assessed Valuation</u>	<u>Base Year Valuation</u>	<u>Incremental Valuation</u>
Scotts Valley	1,600,704,924	416,412,154	1,184,292,770

Source: Provided by Santa Cruz County

**SCOTTS VALLEY WATER DISTRICT**

*Typical Total Tax Rate Per \$100 of Assessed Valuation  
(TRA 004-053)*

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	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Scotts Valley Unified School District	0.041027	0.075224	0.051200	0.083657	0.068688	0.086437	0.077672	0.076107	0.071782	0.066545
Cabrillo Community College District	0.036941	0.036693	0.032597	0.024250	0.021023	0.021172	0.024746	0.023703	0.024048	0.024343
<b>Total All Property</b>	<u>1.077968</u>	<u>1.111917</u>	<u>1.083797</u>	<u>1.107907</u>	<u>1.089711</u>	<u>1.107609</u>	<u>1.102418</u>	<u>1.099810</u>	<u>1.095830</u>	<u>1.090888</u>

Source: Provided by Santa Cruz County