
Basic Financial Statements

SCOTTS VALLEY WATER DISTRICT

Balance Sheets

June 30, 2021 and 2020

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 3,511,535	\$ 3,791,756
Accrued interest receivable	4,548	14,245
Accounts receivable, net (Note 4)	1,805,650	1,645,176
Property taxes receivable	50,887	84,758
Other receivables	15,060	15,291
Notes receivable (Note 5)	15,000	169,412
Inventory – materials and supplies	229,228	271,380
Prepaid expenses	68,243	66,781
Total current assets	<u>5,700,151</u>	<u>6,058,799</u>
Non-current assets:		
Restricted – cash and cash equivalents (Note 2 and 3)	-	610,477
Notes receivable (Note 5)	83,333	98,333
Investment in Santa Margarita Groundwater Agency – JPA (Note 6)	29,632	91,291
Prepaid contribution to the Santa Margarita Groundwater Agency – JPA (Note 7)	368,940	295,821
Capital assets – not being depreciated (Note 8)	1,327,578	1,213,219
Capital assets – being depreciated, net (Note 8)	23,164,658	20,571,981
Total non-current assets	<u>24,974,141</u>	<u>22,881,122</u>
Total assets	<u>30,674,292</u>	<u>28,939,921</u>
Deferred outflows of resources:		
Deferred amounts related to net OPEB obligation (Note 12)	140,200	142,970
Deferred amounts related to net pension liability (Note 11)	691,330	694,399
Total deferred outflows of resources	<u>831,530</u>	<u>837,369</u>
Total assets and deferred outflows of resources	<u>\$ 31,505,822</u>	<u>\$ 29,777,290</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,296,516	\$ 683,344
Customer deposits for services	141,219	126,332
Accrued interest payable (Note 3)	37,932	43,179
Long-term liabilities – due within one year:		
Compensated absences (Note 9)	38,251	40,998
Loan payable (Note 3 and 10)	662,832	567,298
Total current liabilities	<u>2,176,750</u>	<u>1,461,151</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 9)	114,752	122,992
Loan payable (Note 10)	3,437,882	4,100,714
Net OPEB obligation (Note 12)	2,539,285	2,245,495
Net pension liability (Note 11)	2,541,228	2,304,037
Total non-current liabilities	<u>8,633,147</u>	<u>8,773,238</u>
Total liabilities	<u>10,809,897</u>	<u>10,234,389</u>
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 11)	116,480	215,460
Total deferred inflows of resources	<u>116,480</u>	<u>215,460</u>
Net position:		
Net investment in capital assets (Note 13)	21,054,354	17,684,486
Unrestricted (Deficit)	(474,909)	1,642,955
Total net position	<u>20,579,445</u>	<u>19,327,441</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 31,505,822</u>	<u>\$ 29,777,290</u>

SCOTTS VALLEY WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020*

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Operating revenues:		
Water sales	\$ 4,727,234	\$ 4,566,923
Water service	2,230,855	2,076,643
Other fees and charges	27,592	31,273
Total operating revenues	<u>6,985,681</u>	<u>6,674,839</u>
Operating expenses:		
Source of supply	111,200	182,735
Pumping	464,519	480,655
Water treatment	284,701	239,722
Recycled water	590,898	472,247
Transmission and distribution	2,213,808	1,990,814
Finance, customer service and conservation	1,064,016	659,450
General and administrative	1,163,905	993,681
Total operating expenses	<u>5,893,047</u>	<u>5,019,304</u>
Operating income before depreciation	1,092,634	1,655,535
Depreciation expense	<u>(1,119,609)</u>	<u>(1,069,751)</u>
Operating income	<u>(26,975)</u>	<u>585,784</u>
Non-operating revenues(expenses):		
Property taxes	1,057,540	1,030,321
Change in investment in Santa Margarita Groundwater Agency-JPA (Note 6)	(357,480)	(240,719)
Investment earnings	6,936	66,477
Interest expense	(75,834)	(86,262)
Other non-operating revenues	78,213	119,616
Total non-operating income	<u>709,375</u>	<u>889,433</u>
Change in net position before capital contributions	<u>682,400</u>	<u>1,475,217</u>
Capital contributions:		
Capacity buy-in fee	703,635	783,284
Capacity buy-back	(144,541)	(21,619)
Local capital grant	10,510	-
Total capital contributions	<u>569,604</u>	<u>761,665</u>
Change in net position	<u>1,252,004</u>	<u>2,236,882</u>
Net position:		
Beginning of year	<u>19,327,441</u>	<u>17,090,559</u>
End of year	<u>\$ 20,579,445</u>	<u>\$ 19,327,441</u>

SCOTTS VALLEY WATER DISTRICT
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 6,918,538	\$ 6,550,435
Cash paid to employees for salaries and wages	(1,753,518)	(1,726,184)
Cash paid to vendors and suppliers for materials and services	<u>(3,058,814)</u>	<u>(3,379,117)</u>
Net cash provided by operating activities	<u>2,106,206</u>	<u>1,445,134</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>1,091,411</u>	<u>995,387</u>
Net cash provided by non-capital financing activities	<u>1,091,411</u>	<u>995,387</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,826,645)	(1,212,526)
Proceeds from capacity buy-in fee	703,635	783,284
Payments for capacity buy-back	(144,541)	(21,619)
Proceeds from local capital grant	10,510	-
Proceeds from notes receivable	169,412	173,019
Principal paid on long-term debt	(567,298)	(468,579)
Interest paid on long-term debt	<u>(81,081)</u>	<u>(90,596)</u>
Net cash (used in) capital and related financing activities	<u>(3,736,008)</u>	<u>(837,017)</u>
Cash flows from investing activities:		
Prepaid contribution to the Santa Margarita Groundwater Agency – JPA	(368,940)	(295,821)
Investment earnings	<u>16,633</u>	<u>59,330</u>
Net cash (used in) investing activities	<u>(352,307)</u>	<u>(236,491)</u>
Net increase in cash and cash equivalents	(890,698)	1,367,013
Cash and cash equivalents:		
Beginning of year	<u>4,402,233</u>	<u>3,035,220</u>
End of year	<u>\$ 3,511,535</u>	<u>\$ 4,402,233</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 3,511,535	\$ 3,791,756
Restricted – cash and cash equivalents	<u>-</u>	<u>610,477</u>
Total cash and cash equivalents	<u>\$ 3,511,535</u>	<u>\$ 4,402,233</u>

SCOTTS VALLEY WATER DISTRICT
Statements of Cash Flows (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income(loss)	\$ (26,975)	\$ 585,784
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,119,609	1,069,751
Other non-operating revenues	78,213	119,616
Change in assets - (increase)decrease:		
Accounts receivable, net	(160,474)	(240,209)
Other receivables	231	36,762
Inventory - materials and supplies	42,152	(38,779)
Prepaid expenses	(1,462)	1,649
Change in deferred outflows of resources - (increase)decrease		
Deferred amounts related to net OPEB obligation	2,770	10,579
Deferred amounts related to net pension liability	3,069	(13,410)
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	613,172	188,765
Customer deposits for services	14,887	(40,573)
Compensated absences	(10,987)	41,960
Net OPEB obligation	293,790	(513,319)
Net pension liability	237,191	233,379
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to net pension liability	(98,980)	3,179
Total adjustments	<u>2,133,181</u>	<u>859,350</u>
Net cash provided by operating activities	<u>\$ 2,106,206</u>	<u>\$ 1,445,134</u>

Notes to the Financial Statements

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

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, 2019. As of June 30, 2020, 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, 2021 and 2020

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, 2021 and 2020

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 the lower of cost or net realizable value, 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 estimated fair 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.

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 position 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 position 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, 2019

Measurement Date June 30, 2020

Measurement Period July 1, 2019 to June 30, 2020

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

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)

10. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net 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, 2019

Measurement Date June 30, 2020

Measurement Period July 1, 2019 to June 30, 2020

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, mortgages, 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.
- **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. 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, 2021 and 2020

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents were classified on the balance sheet as follows:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 3,511,535	\$ 3,791,756
Restricted – cash and cash equivalents	-	610,477
Total cash and cash equivalents	\$ 3,511,535	\$ 4,402,233

Cash and cash equivalents as of June 30th consisted of the following:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Petty cash	\$ 400	\$ 400
Demand deposits held with financial institutions	1,489,854	1,191,071
Local Agency Investment Fund (LAIF)	2,021,281	3,210,762
Total cash and cash equivalents	\$ 3,511,535	\$ 4,402,233

Demand Deposits with Financial Institutions

At June 30, 2021 and 2020, the carrying amount of the District's demand deposits were \$1,489,854 and \$1,191,071, respectively, and the financial institution's balances were \$1,629,633 and \$1,297,074, 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 market 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, 2021 and 2020

NOTE 2 – CASH AND CASH EQUIVALENTS (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, 2021, and 2020, the District held \$2,021,281 and \$3,210,762 in LAIF, respectively.

NOTE 3 – RESTRICTED – CASH AND CASH EQUIVALENTS

Restricted – cash and cash equivalents as of June 30th consisted of the following:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Restricted – cash and cash equivalents	\$ -	\$ 610,477
Accrued interest payable	\$ -	\$ (43,179)
Loan payable – current portion	-	(567,298)
Total	<u>\$ -</u>	<u>\$ -</u>

The restricted – cash and cash equivalents balance on the balance sheet at June 30, 2020 was cash holdings by the District's financial institution for the July 1, 2020 loan payment.

NOTE 4 – ACCOUNTS RECEIVABLE, NET

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

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Accounts receivable	\$ 1,845,650	\$ 1,645,176
Allowance for doubtful accounts	(40,000)	-
Total accounts receivable, net	<u>\$ 1,805,650</u>	<u>\$ 1,645,176</u>

For the fiscal year ended June 30, 2020, the District changed its method of customer account write-off from the allowance method to the direct-write-off method.

For the fiscal year ended June 30, 2021, the District changed its method of customer account write-off back to the allowance method from the direct-write-off method due to the outstanding customer receivables attributed to the COVID-19 global pandemic.

SCOTTS VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 5 – NOTES RECEIVABLE

Changes in notes receivable amounts for the fiscal year ended June 30, 2021, were as follows:

Notes Receivable	Balance July 1, 2020	Additions	Payments	Balance June 30, 2021	Current Portion	Long-term Portion
City of Scotts Valley – Recycled Water System	\$ 154,412	\$ -	\$ (154,412)	\$ -	\$ -	\$ -
City of Scotts Valley – Installment Note	75,000	-	(5,000)	70,000	5,000	65,000
Vineyards HOA – Installment Note	38,333	-	(10,000)	28,333	10,000	18,333
Total notes receivable	\$ 267,745	\$ -	\$ (169,412)	\$ 98,333	\$ 15,000	\$ 83,333

Changes in notes receivable amounts for the fiscal year ended June 30, 2020, were as follows:

Notes Receivable	Balance July 1, 2019	Additions	Payments	Balance June 30, 2020	Current Portion	Long-term Portion
City of Scotts Valley – Recycled Water System	\$ 307,431	\$ -	\$ (153,019)	\$ 154,412	\$ 154,412	\$ -
City of Scotts Valley – Installment Note	85,000	-	(10,000)	75,000	5,000	70,000
Vineyards HOA – Installment Note	48,333	-	(10,000)	38,333	10,000	28,333
Total notes receivable	\$ 440,764	\$ -	\$ (173,019)	\$ 267,745	\$ 169,412	\$ 98,333

City of Scotts Valley – Recycled Water System

On September 4, 2013, the District entered into a Recycled Water Supply Use, Maintenance and Operation Agreement (Agreement) setting forth terms and conditions for the Recycled Water System in Scotts Valley. The Agreement was amended on April 20, 2016, reducing the District’s entitlement to recycled water produced by the City. In exchange, the City agreed to pay the District \$758,169 over five (5) annual payments with annual interest rate of 0.91% each year commencing on June 1, 2017. At June 30, 2021 and 2020, the balance of the City’s obligation to the District amounted to \$0 and \$154,412, respectively.

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.

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 5 – NOTES RECEIVABLE (continued)

City of Scotts Valley – Installment Note (continued)

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, 2021 and 2020, the balance of the note with the City regarding the Installment Note amounted to \$70,000 and \$75,000, respectively. Future principal and interest payments on the note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	5,000	4,050	9,050
2023	10,000	3,600	13,600
2024	10,000	3,000	13,000
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	70,000	<u>\$ 16,500</u>	<u>\$ 86,500</u>
Current	<u>(5,000)</u>		
Long-term	<u>\$ 65,000</u>		

Vineyards HOA – Installment Note

On May 15, 2020, 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, 2021 and 2020, the balance of the note with the Association amounted to \$28,333 and \$38,333, respectively. Future principal and estimated interest payments on the note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	10,000	525	10,525
2023	10,000	275	10,275
2024	8,333	55	8,388
Total	28,333	<u>\$ 855</u>	<u>\$ 29,188</u>
Current	<u>(10,000)</u>		
Long-term	<u>\$ 18,333</u>		

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

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, 2022 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, 2020 and 2019, the District contributed \$295,821 and \$291,256, respectfully, to the Agency and held a \$29,632 and \$91,291, respectfully, net position investment in the Agency after operations concluded for those years.

A. Entity	Santa Margarita Groundwater Agency		
B. Purpose	To pool member resources and realize the advantages of local groundwater sustainability through an agency		
C. Participants	3 member agencies		
D. Governing board	Eleven representatives appointed by members		
E. District payments for FY 2020:			
Contribution	\$295,821		
F. Condensed financial information	June 30, 2020		
Audit dated	January 28, 2021		
Statement of net position:		June 30, 2020	District Share
Total assets		<u>\$ 154,566</u>	<u>\$ 92,740</u>
Total liabilities		<u>105,179</u>	<u>63,108</u>
Net position		<u>\$ 49,387</u>	<u>\$ 29,632</u>
Statement of revenues, expenses and changes in net position:			
Total revenues		\$ 704,585	\$ 422,751
Total expenses		<u>(807,350)</u>	<u>(484,410)</u>
Change in net position		(102,765)	(61,659)
Beginning - net position		152,152	91,291
Ending - net position		<u>\$ 49,387</u>	<u>\$ 29,632</u>
G. District's share of year-end financial position		<u>100.00%</u>	<u>60.00%</u>

NOTE 7 – PREPAID CONTRIBUTION TO THE SANTA MARGARITA GROUNDWATER AGENCY – JPA

For the fiscal years ended June 30, 2021 and 2020, the District contributed \$368,940 and \$295,821, respectfully, to the Agency; however, the annual audit of 2021 for the Agency had not been completed as of the date of this report. Therefore, the District is recording the contribution of \$368,940 as a prepaid contribution to the Agency on the balance sheet.

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 8 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2021, were as follows:

Description	Balance July 1, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable assets:				
Land	\$ 650,697	\$ -	\$ -	\$ 650,697
Construction-in-process	562,522	3,826,645	(3,712,286)	676,881
Total non-depreciable assets	1,213,219	3,826,645	(3,712,286)	1,327,578
Depreciable assets:				
Water rights – recycled water	5,267,834	-	-	5,267,834
Water treatment	5,521,874	-	3,177,581	8,699,455
Recycled water system	2,654,867	-	-	2,654,867
Source of supply – wells	6,677,359	-	-	6,677,359
Transmission and distribution system	8,921,321	-	-	8,921,321
Reservoirs and tanks	7,266,344	-	20,170	7,286,514
Pumping	1,866,860	-	-	1,866,860
Buildings and improvements	1,605,999	-	-	1,605,999
Infrastructure	2,680,967	-	43,953	2,724,920
Equipment and tools	982,199	-	154,181	1,136,380
Office equipment	257,207	-	-	257,207
Transportation	696,442	-	45,387	741,829
Total depreciable assets	44,399,273	-	3,441,272	47,840,545
Accumulated depreciation:				
Water rights – recycled water	(1,904,623)	(102,004)	-	(2,006,627)
Water treatment	(4,754,743)	(69,469)	271,014	(4,553,198)
Recycled water system	(874,161)	(66,718)	-	(940,879)
Source of supply – wells	(3,446,038)	(155,061)	-	(3,601,099)
Transmission and distribution system	(5,969,274)	(180,644)	-	(6,149,918)
Reservoirs and tanks	(3,318,960)	(191,690)	-	(3,510,650)
Pumping	(1,115,754)	(82,718)	-	(1,198,472)
Buildings and improvements	(669,185)	(45,633)	-	(714,818)
Infrastructure	(297,615)	(113,527)	-	(411,142)
Equipment and tools	(824,464)	(33,175)	-	(857,639)
Office equipment	(188,477)	(36,737)	-	(225,214)
Transportation	(463,998)	(42,233)	-	(506,231)
Total accumulated depreciation	(23,827,292)	(1,119,609)	271,014	(24,675,887)
Total depreciable assets, net	20,571,981	(1,119,609)	3,712,286	23,164,658
Total capital assets, net	\$ 21,785,200	\$ 2,707,036	\$ -	\$ 24,492,236

In fiscal year 2021, major capital assets additions amounted to \$3,826,645, and depreciation expense amounted to \$1,119,609.

SCOTTS VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 8 – CAPITAL ASSETS AND DEPRECIATION (continued)

Changes in capital assets for the fiscal year ended June 30, 2020, were as follows:

Description	Balance July 1, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable assets:				
Land	\$ 650,697	\$ -	\$ -	\$ 650,697
Construction-in-process	427,911	1,212,526	(1,077,915)	562,522
Total non-depreciable assets	1,078,608	1,212,526	(1,077,915)	1,213,219
Depreciable assets:				
Water rights – recycled water	5,267,834	-	-	5,267,834
Water treatment	5,521,874	-	-	5,521,874
Recycled water system	2,654,867	-	-	2,654,867
Source of supply – wells	6,677,359	-	-	6,677,359
Transmission and distribution system	8,868,055	-	53,266	8,921,321
Reservoirs and tanks	6,358,503	-	907,841	7,266,344
Pumping	1,848,229	-	18,631	1,866,860
Buildings and improvements	1,608,060	-	(2,061)	1,605,999
Infrastructure	2,564,159	-	116,808	2,680,967
Equipment and tools	982,199	-	-	982,199
Office equipment	255,146	-	2,061	257,207
Transportation	715,073	-	(18,631)	696,442
Total depreciable assets	43,321,358	-	1,077,915	44,399,273
Accumulated depreciation:				
Water rights – recycled water	(1,802,619)	(102,004)	-	(1,904,623)
Water treatment	(4,691,546)	(63,197)	-	(4,754,743)
Recycled water system	(807,443)	(66,718)	-	(874,161)
Source of supply – wells	(3,290,977)	(155,061)	-	(3,446,038)
Transmission and distribution system	(5,786,586)	(182,688)	-	(5,969,274)
Reservoirs and tanks	(3,150,470)	(168,490)	-	(3,318,960)
Pumping	(1,031,394)	(84,360)	-	(1,115,754)
Buildings and improvements	(622,516)	(46,669)	-	(669,185)
Infrastructure	(188,226)	(109,389)	-	(297,615)
Equipment and tools	(807,644)	(16,820)	-	(824,464)
Office equipment	(150,804)	(37,673)	-	(188,477)
Transportation	(427,316)	(36,682)	-	(463,998)
Total accumulated depreciation	(22,757,541)	(1,069,751)	-	(23,827,292)
Total depreciable assets, net	20,563,817	(1,069,751)	1,077,915	20,571,981
Total capital assets, net	\$ 21,642,425	\$ 142,775	\$ -	\$ 21,785,200

In fiscal year 2020, major capital assets additions amounted to \$1,212,526, and depreciation expense amounted to \$1,069,751.

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 9 – COMPENSATED ABSENCES

Changes in compensated absences amounts for the fiscal year ended June 30, 2021, were as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 163,990	\$ 142,371	\$ (153,358)	\$ 153,003	\$ 38,251	\$ 114,752

Changes in compensated absences amounts for the fiscal year ended June 30, 2020, were as follows:

<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 122,030	\$ 153,824	\$ (111,864)	\$ 163,990	\$ 40,998	\$ 122,992

NOTE 10 – LOAN PAYABLE

Changes in loan payable for the year ended June 30, 2021, were as follows:

<u>Loan Payable</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
2016 Loan Payable	\$ 4,668,012	\$ -	\$ (567,298)	\$ 4,100,714	\$ 662,832	\$ 3,437,882

Changes in loan payable for the year ended June 30, 2020, were as follows:

<u>Loan Payable</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
2016 Loan Payable	\$ 5,136,591	\$ -	\$ (468,479)	\$ 4,668,012	\$ 567,298	\$ 4,100,714

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.

SCOTTS VALLEY WATER DISTRICT*Notes to Financial Statements**June 30, 2021 and 2020*

NOTE 10 – LOAN PAYABLE (continued)**2016 – Loan Payable (continued)**

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>
2022	662,832	69,732	732,564
2023	671,991	57,385	729,376
2024	685,320	44,830	730,150
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
Total	4,100,714	<u>\$ 232,849</u>	<u>\$ 4,333,563</u>
Current	<u>(662,832)</u>		
Long-term	<u>\$ 3,437,882</u>		

NOTE 11 – 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, 2021</u>	<u>June 30, 2020</u>
Pension related deferred outflows	\$ 691,330	\$ 694,399
Net pension liability	2,541,228	2,304,037
Pension related deferred inflows	116,480	215,460

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, 2021 and 2020

NOTE 11 – 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%	6.750%
Required employer contribution rates – FY 2020	13.473%	9.680%	6.985%
Required employer contribution rates – FY 2019	12.556%	8.892%	6.842%

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, 2019 and 2018 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, 2020 (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	10	5	17
Transferred and terminated members	9	1	6	16
Retired members and beneficiaries	20	2	-	22
Total plan members	31	13	11	55

At June 30, 2019 (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	10	7	19
Transferred and terminated members	9	2	4	15
Retired members and beneficiaries	20	1	-	21
Total plan members	31	13	11	55

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 11 – 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 will be determined on an annual basis by the actuary and shall be effective on 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 based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2020 and 2019 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 11 – 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, 2021, were as follows:

Contribution Type	Miscellaneous Plans		PEPRA Tier 3	Total
	Classic Tier 1	Classic Tier 2		
Contributions – employer	\$ 182,099	\$ 120,641	\$ 47,034	\$ 349,774

Contributions for the year ended June 30, 2020, were as follows:

Contribution Type	Miscellaneous Plans		PEPRA Tier 3	Total
	Classic Tier 1	Classic Tier 2		
Contributions – employer	\$ 159,225	\$ 116,268	\$ 37,899	\$ 313,392

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, 2021, are as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2019 (Measurement Date)	\$ 10,429,031	\$ 8,124,994	\$ 2,304,037
Balance as of June 30, 2020 (Measurement Date)	\$ 10,765,729	\$ 8,224,501	\$ 2,541,228
Change in Plan Net Pension Liability	\$ 336,698	\$ 99,507	\$ 237,191

Changes in the net pension liability for the fiscal year ended June 30, 2020, are as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2018 (Measurement Date)	\$ 9,715,791	\$ 7,645,134	\$ 2,070,657
Balance as of June 30, 2019 (Measurement Date)	\$ 10,429,031	\$ 8,124,994	\$ 2,304,037
Change in Plan Net Pension Liability	\$ 713,240	\$ 479,860	\$ 233,380

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 11 – 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, 2021 and 2020 pension expense was \$491,054 and \$536,540, 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, 2019 and 2018). 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, 2020 and 2019). 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, 2020 and 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020 fiscal year and the 2019 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, 2021 and 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$2,541,228 and \$2,304,037, 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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2021 and 2020

NOTE 11 – 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, 2020, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Percentage of Risk Pool Net Pension Liability	0.060246%	0.057536%	0.002710%
Percentage of Plan (PERF C) Net Pension Liability	0.023356%	0.022485%	0.000871%

The District’s proportionate share percentage of the net pension liability for the June 30, 2019, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2020</u>	<u>Fiscal Year Ending June 30, 2019</u>	
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Percentage of Risk Pool Net Pension Liability	0.057536%	0.054943%	0.002593%
Percentage of Plan (PERF C) Net Pension Liability	0.022485%	0.021488%	0.000997%

The total amount of \$349,774 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, 2021. At June 30, 2021, 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	\$ 349,774	\$ -
Difference between actual and proportionate share of employer contributions	-	(98,355)
Adjustment due to differences in proportions	135,107	-
Differences between expected and actual experience	130,957	-
Differences between projected and actual earnings on pension plan investments	75,492	-
Changes in assumptions	-	(18,125)
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 691,330</u>	<u>\$ (116,480)</u>

SCOTTS VALLEY WATER DISTRICT*Notes to Financial Statements**June 30, 2021 and 2020***NOTE 11 – 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 \$313,392 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, 2020. At June 30, 2020, 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	\$ 313,392	\$ -
Difference between actual and proportionate share of employer contributions	-	(123,833)
Adjustment due to differences in proportions	111,115	-
Differences between expected and actual experience	160,025	(12,399)
Differences between projected and actual earnings on pension plan investments	-	(40,281)
Changes in assumptions	109,867	(38,947)
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 694,399</u>	<u>\$ (215,460)</u>

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2021, 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>
2022	\$ 43,917
2023	80,668
2024	64,284
2025	36,207
Total	<u>\$ 225,076</u>

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 11 – 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, 2020, 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>
2021	\$ 154,148
2022	(15,861)
2023	19,120
2024	8,140
Total	\$ 165,547

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, total pension liability and the June 30, 2019, 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	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2019 and 2018, valuations were based on the results of an actuarial experience study for the years 1997 to 2011.

Discount Rate

The discount rate used to measure the total pension liability for PERF B was 7.15%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 11 – PENSION PLAN AND NET PENSION LIABILITY (continued)

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

Discount Rate (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

¹ An expected inflation of 2.5% is used for years 1-10.

² An expected inflation of 3.0% is used for years 11+.

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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Changes in the discount rate for the year ended June 30, 2021, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -	Current	Discount Rate +
	1%	Discount	1%
	6.15%	Rate 7.15%	8.15%
CalPERS – Miscellaneous Plan	3,973,884	\$ 2,541,228	\$ 1,357,470

Changes in the discount rate for the year ended June 30, 2020, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -	Current	Discount Rate +
	1%	Discount	1%
	6.15%	Rate 7.15%	8.15%
CalPERS – Miscellaneous Plan	3,706,773	\$ 2,304,037	\$ 1,146,177

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 11 – PENSION PLAN AND NET PENSION LIABILITY (continued)

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.

D. Payable to the Pension Plans

At June 30, 2021 and 2020, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021 or 2020, respectively.

NOTE 12 – NET 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, 2021</u>	<u>June 30, 2020</u>
OPEB related deferred outflows	\$ 140,200	\$ 142,970
Net other post-employment benefits obligation	2,539,285	2,245,495

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, 2021 and 2020

NOTE 12 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

A. General Information about the OPEB Plan (continued)

Employees covered by benefit terms

At June 30, 2020 and 2019 (Measurement Dates), the following employees were covered by the benefit terms:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Inactive plan members or spouses currently receiving benefits	18	18
Inactive plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>1</u>	<u>1</u>
Total	<u><u>19</u></u>	<u><u>19</u></u>

Total OPEB Liability

The District's total OPEB liability of \$2,539,285 and \$2,245,495 were measured as of June 30, 2020 and 2019, respectively, and were determined by an actuarial valuation as of that date. These amounts were reported as of June 30, 2021 and 2020, respectively.

Payable to the OPEB Plan

At June 30, 2020 and 2019, respectively, the District had no outstanding amount of contributions required to the OPEB plan.

B. Net OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2020 and 2019 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, 2020</u>	<u>June 30, 2019</u>
Experience Study	N/A	N/A
Discount rate	2.20%	3.50%
Inflation	2.75%	2.75%
Salary increases	2.75%	3.00%
Investment rate of return	2.20%	3.50%
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, 2021 and 2020

NOTE 12 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

B. Net 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 2.20% and 3.50% for the fiscal years ended June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation 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 Net OPEB Liability

Changes in the Net OPEB Liability for June 30, 2021, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2020 (Measurement date July 1, 2019)	\$ 2,245,495	\$ -	\$ 2,245,495
Changes for the year:			
Service cost	11,702	-	11,702
Interest	76,448	-	76,448
Changes in assumptions	339,880	-	339,880
Changes in experience	11,205	-	11,205
Employer contributions	-	145,445	(145,445)
Benefit payments	(145,445)	(145,445)	-
Net changes	293,790	-	293,790
Balance at June 30, 2021 (Measurement date June 30, 2020)	\$ 2,539,285	\$ -	\$ 2,539,285

Changes in the Net OPEB Obligation for June 30, 2020, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019 (Measurement date July 1, 2018)	\$ 2,758,814	\$ -	\$ 2,758,814
Changes for the year:			
Service cost	19,190	-	19,190
Interest	94,207	-	94,207
Changes in assumptions	(257,933)	-	(257,933)
Changes in experience	(215,234)	-	(215,234)
Employer contributions	-	153,549	(153,549)
Benefit payments	(153,549)	(153,549)	-
Net changes	(513,319)	-	(513,319)
Balance at June 30, 2020 (Measurement date June 30, 2019)	\$ 2,245,495	\$ -	\$ 2,245,495

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

C. Changes in the Net OPEB Liability (continued)

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability of the District, as well as what the District's net 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 Net OPEB liability to changes in the discount rate for the fiscal year ended June 30, 2020:

Plan's Net OPEB Liability/(Asset)		
Discount Rate 1% Decrease 2.5%	Current Discount Rate 2.2%	Discount Rate 1% Increase 3.2%
\$ 2,819,158	\$ 2,539,285	\$ 2,266,769

Sensitivity of the Net OPEB liability to changes in the discount rate for the fiscal year ended June 30, 2019:

Plan's Net OPEB Liability/(Asset)		
Discount Rate 1% Decrease 2.5%	Current Discount Rate 3.5%	Discount Rate 1% Increase 4.5%
\$ 2,496,219	\$ 2,245,495	\$ 2,034,237

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

The following presents the Net OPEB liability of the District, as well as what the District's net 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 net OPEB liability to changes in the healthcare cost trend rates for June 30, 2020:

Trend Rate 1% Decrease 3.0%	Healthcare Cost Trend Rates 4.0%	Trend Rate 1% Increase 5.0%
\$ 2,266,070	\$ 2,539,285	\$ 2,889,710

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates for June 30, 2019:

Trend Rate 1% Decrease 5.0%	Healthcare Cost Trend Rates 6.0%	Trend Rate 1% Increase 7.0%
\$ 2,026,089	\$ 2,245,495	\$ 2,503,424

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 12 – 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, 2021 and 2020, the District recognized OPEB expense of \$296,560 and (\$359,770), respectively. At June 30, 2021 and 2020, the District reported deferred outflows of resources related to OPEB for plan contributions subsequent to the measurement date of \$140,200 and \$142,970. The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date of the net OPEB liability will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021 and 2020, respectively.

NOTE 13 – NET POSITION – NET INVESTMENT IN CAPITAL ASSETS

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

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 1,327,578	\$ 1,213,219
Capital assets – being depreciated, net	23,164,658	20,571,981
Note payable – non-current portion	<u>(3,437,882)</u>	<u>(4,100,714)</u>
Total net investment in capital assets	<u>\$ 21,054,354</u>	<u>\$ 17,684,486</u>

NOTE 14 – 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, 2021 and 2020

NOTE 15 – 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.

A. Entity	ACWA-JPIA
B. Purpose	To pool member contributions and realize the advantages of self-insurance
C. Participants	As of June 30, 2020 – 396 member districts
D. Governance	Nine representatives employed by members
E. District payments for FY 2021:	
Property/Liability policy	\$65,490
Workers' compensation policy	\$27,152
F. Condensed financial information	September 30, 2020
Audit dated	April 7, 2021

Statement of financial position:		Sept 30, 2020
Total assets		\$ 237,525,073
Deferred outflows		1,054,750
Total liabilities		113,075,164
Deferred inflows		1,817,452
Net position		\$ 123,687,207
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 197,639,443
Total expenses		(172,886,738)
Change in net position		24,752,705
Beginning – net position		98,934,502
Ending – net position		\$ 123,687,207
G. Member agencies share of year-end financial position		Not Calculated

SCOTTS VALLEY WATER DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 15 – 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, 2021, 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, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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.

NOTE 17 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2021, the date which the financial statements were available to be issued.