SANTA CRUZ PORT DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Years Ended
March 31, 2025
(With Comparative Amounts as of March 31, 2024)

NIGRO & NIGRO PC

SANTA CRUZ PORT DISTRICT
For the Fiscal Years Ended March 31, 2025
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Financial Section

NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Port Commissioners
Santa Cruz Port District
Santa Cruz, California

Opinion

We have audited the accompanying financial statements of the Santa Cruz Port District (District), which comprise the balance sheets as of March 31, 2025, 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 March 31, 2025, 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 Agency 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.

Change in Accounting Principle

As described in Notes 1, 7, and 15 to the financial statements, as of April 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures. Our opinion is not modified with respect to these matters.

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 Agency'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.

Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Agency's Proportionate Share of the Plan's Net Pension Liability, Schedule of the Agency's Contributions to the Pension Plan, and Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios 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 an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedule of Operating Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information
The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended March 31, 2024, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued a separate report dated August 26, 2025, on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

Walnut Creek, California
August 26, 2025

Management's Discussion and Analysis (MD&A) offers readers of Santa Cruz Port District's financial statements a narrative overview of the District's financial activities for the years ended March 31, 2025. 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 fiscal year 2025, the District's net position decreased 0.54%, or $198,733 from the prior year's net position of $36,710,987 to $36,512,254, as a result of the year's operations.

- In fiscal year 2025, operating revenues increased by 0.61%, or $69,452 from $11,458,390 to $11,527,842 from the prior year, primarily due to a $101,675 increase in charges for berthing and services.

- In fiscal year 2025, operating expenses before depreciation expense increased by 26.47% or $2,480,829 from $9,371,722 to $11,852,551, from the prior year, primarily due to a $2,092,939 increase in salaries and benefits expenses as a result of the annual revaluation of the District's Total OPEB and pension liabilities, with the majority of the increase in benefits expense being non-cash. The District also had a $352,214 increase in insurance expenses and a $1.5 million in storm expense.

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 using accounting methods similar to those used by private sector companies.

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 flexibility 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 profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting 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 did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The 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, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

Condensed Balance Sheets

	March 31, 2025	March 31, 2024	Change
Assets:			
Current assets	$ 21,001,781	$ 20,208,954	$ 792,827
Noncurrent	12,769,964	13,504,316	(734,352)
Capital assets, net	36,100,974	35,820,824	280,150
Total assets	69,872,719	69,534,094	338,625
Deferred outflows of resources	1,654,792	2,272,662	(617,870)
Total assets and deferred outflows of resources	$ 71,527,511	$ 71,806,756	$ (279,245)
Liabilities:			
Current liabilities	$ 9,446,051	$ 7,287,514	$ 2,158,537
Noncurrent liabilities	13,674,933	14,727,008	(1,052,075)
Total liabilities	23,120,984	22,014,522	1,106,462
Deferred inflows of resources	11,894,273	13,081,247	(1,186,974)
Net position:			
Net investment in capital assets	27,926,630	26,233,423	1,693,207
Restricted	1,081,801	1,057,277	24,524
Unrestricted	7,503,823	9,420,287	(1,916,464)
Total net position	36,512,254	36,710,987	(198,733)
Total liabilities, deferred inflows and net position	$ 71,527,511	$ 71,806,756	$ (279,245)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $36,512,254 and $36,710,987 as of March 31, 2025, and 2024, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (76% as of March 31, 2025, and 71% as of March 31, 2024) 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 its customers; consequently, these assets are not available for future spending.

At the end of fiscal years 2025 and 2024, the District showed a positive balance in its unrestricted net position of $9,420,287 and $7,503,823, respectively, which may be utilized in future years.

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

	March 31, 2025	March 31, 2024	Change
Revenues:			
Operating revenues	$ 11,527,842	$ 11,458,390	$ 69,452
Non-operating revenues	2,256,097	1,839,966	416,131
Total revenues	13,783,939	13,298,356	485,583
Expenses:			
Operating expenses	11,852,551	9,371,722	2,480,829
Depreciation	2,100,035	2,111,480	(11,445)
Non-operating expenses	296,226	348,396	(52,170)
Total expenses	14,248,812	11,831,598	2,417,214
Capital contributions	266,140	78,745	187,395
Change in net position	(198,733)	1,545,503	(1,744,236)
Net position:			
Beginning of year	36,710,987	35,165,484	1,545,503
End of year	$ 36,512,254	$ 36,710,987	$ (198,733)

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position decreased by $193,733 and increased $1,545,503 for the years ended March 31, 2025, and 2024, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

Operating revenues:	March 31, 2025	March 31, 2024	Change
Charges for berthing and services	$ 9,049,066	$ 8,947,391	$ 101,675
Rents and concessions	2,478,776	2,510,999	(32,223)
Total operating revenues	11,527,842	11,458,390	69,452
Non-operating revenues:			
Investment earnings	951,333	801,899	149,434
Grants and contributions	695,756	88,322	607,434
Dredging reimbursement	525,000	525,000	-
Sale of capital assets	-	3,050	(3,050)
Other non-operating revenues	84,008	421,695	(337,687)
Total non-operating revenues	2,256,097	1,839,966	416,131
Capital contributions	266,140	78,745	187,395
Total revenue	$ 14,050,079	$ 13,377,101	$ 672,978

In fiscal year 2025, operating revenues increased by 0.61%, or $69,452 from $11,458,390 to $11,527,842 from the prior year, primarily due to a $101,675 increase in charges for berthing and services. Non-operating revenue increased by $416,131 primarily due to a increased federal grants in fiscal year 2025.

Total Expenses

Operating expenses:	March 31, 2025	March 31, 2024	Change
Salaries and benefits	$ 5,393,455	$ 4,680,581	$ 712,874
Facilities and maintenance	1,872,958	546,498	1,326,460
Professional and legal	421,217	413,612	7,605
Materials and services	2,452,318	2,370,642	81,676
Insurance	1,712,603	1,360,389	352,214
Total operating expenses	11,852,551	9,371,722	2,480,829
Depreciation	2,100,035	2,111,480	(11,445)
Non-operating expenses:			
Interest expense – long-term debt	296,226	348,396	(52,170)
Total non-operating expenses	296,226	348,396	(52,170)
Total expenses	$ 14,248,812	$ 11,831,598	$ 2,417,214

In fiscal year 2025, operating expenses before depreciation expense increased by 26.47% or $2,480,829 from $9,371,722 to $11,852,551, from the prior year, primarily due to a $2,092,939 increase in salaries and benefits expenses as a result of the annual revaluation of the District's Total OPEB and pension liabilities, with the majority of the increase in benefits expense being non-cash. The District also had a $352,214 increase in insurance expenses and a $1.5 million in storm expense.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Capital Assets

Description	March 31, 2025	March 31, 2024
Non-depreciable assets	$ 3,624,394	$ 3,410,677
Depreciable assets	73,565,446	71,521,078
Accumulated depreciation	(41,088,866)	(39,110,931)
Total capital assets, net	$ 36,100,974	$ 35,820,824

At the end of fiscal year 2025, and 2024, the District's investment in capital assets amounted to $36,100,974, and $35,820,824 (net of accumulated depreciation), respectively. Capital asset additions amounted to $2,380,186 for various projects and equipment for the year ended March 31, 2025. See Note 5 for further information.

Debt Administration
The long-term debt of the District is summarized below:

Description	March 31, 2025	March 31, 2024
Long-term debt	$ 8,174,344	$ 9,587,401

Long-term debt decreased by $1,413,057 for the year ended March 31, 2025, due to regular principal payments on the District's revenue obligations and loans payable. See Note 8 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Port Director at 135 5th Avenue, Santa Cruz, CA 95062

SANTA CRUZ PORT DISTRICT

Balance Sheets

For the Years Ended March 31, 2025 (With Comparative Amounts as of March 31, 2024)

ASSETS	2025	2024
Current assets:		
Cash and investments (Note 2)	$ 19,668,347	$ 19,069,634
Accrued interest receivable	3,366	3,120
Accrued interest receivable – leases	32,950	34,994
Accounts receivable	301,516	196,080
Lease receivable (Note 4)	794,671	756,221
Materials and supplies inventory	20,435	18,500
Prepaid items	180,496	130,405
Total current assets	21,001,781	20,208,954
Non-current assets:		
Restricted – cash and cash equivalents (Note 3)	1,081,801	1,057,277
Lease receivable (Note 4)	11,688,163	12,447,039
Capital assets – not being depreciated (Note 5)	3,624,394	3,410,677
Capital assets – being depreciated, net (Note 5)	32,476,580	32,410,147
Total non-current assets	48,870,938	49,325,140
Total assets	69,872,719	69,534,094
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions (Note 9)	1,515,801	2,109,089
Deferred outflows of resources related to OPEB (Note 10)	138,991	163,573
Total deferred outflows of resources	1,654,792	2,272,662
Total assets and deferred outflows of resources	$ 71,527,511	$ 71,806,756

SANTA CRUZ PORT DISTRICT

Balance Sheets (continued)

For the Years Ended March 31, 2025 (With Comparative Amounts as of March 31, 2024)

LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 392,392	$ 406,215
Customer deposits and unearned revenue (Note 6)	7,593,015	5,365,278
Accrued interest payable	40,388	51,528
Long-term liabilities – due within one year:		
Compensated absences (Note 7)	146,707	51,436
Loans payable (Note 8)	1,057,521	1,204,395
Revenue obligations payable (Note 8)	216,028	208,662
Total current liabilities	9,446,051	7,287,514
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 7)	342,316	120,018
Loans payable (Note 8)	5,017,929	6,075,450
Revenue obligations payable, net (Note 8)	1,882,866	2,098,894
Total OPEB liability (Note 10)	707,562	648,233
Net pension liability (Note 9)	5,724,260	5,784,413
Total non-current liabilities	13,674,933	14,727,008
Total liabilities	23,120,984	22,014,522
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to leases (Note 4)	11,410,945	12,451,756
Deferred inflows of resources related to pensions (Note 9)	156,390	270,219
Deferred inflows of resources related to OPEB (Note 10)	326,938	359,272
Total deferred inflows of resources	11,894,273	13,081,247
NET POSITION		
Net investment in capital assets (Note 11)	27,926,630	26,233,423
Restricted for debt service (Note 3)	1,081,801	1,057,277
Unrestricted	7,503,823	9,420,287
Total net position	36,512,254	36,710,987
Total liabilities, deferred inflows of resources and net position	$ 71,527,511	$ 71,806,756

SANTA CRUZ PORT DISTRICT

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended March 31, 2025 (With Comparative Amounts as of March 31, 2024)

	2025	2024
OPERATING REVENUES		
Charges for berthing and services	$ 9,049,066	$ 8,947,391
Rents and concessions	2,478,776	2,510,999
Total operating revenues	11,527,842	11,458,390
OPERATING EXPENSES		
Salaries and benefits	5,393,455	4,680,581
Facilities and maintenance	1,872,958	546,498
Professional and legal services	421,217	413,612
Materials and services	2,452,318	2,370,642
Insurance	1,712,603	1,360,389
Total operating expenses before depreciation	11,852,551	9,371,722
Operating income(loss) before depreciation	(324,709)	2,086,668
Depreciation expense	(2,100,035)	(2,111,480)
Operating income(loss)	(2,424,744)	(24,812)
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	951,333	801,899
Interest expense – long-term debt	(296,226)	(348,396)
Grants and contributions	695,756	88,322
Dredging reimbursement (Note 12)	525,000	525,000
Sale of capital assets	-	3,050
Other non-operating revenues	84,008	421,695
Total non-operating revenue(expense), net	1,959,871	1,491,570
Net income(loss) before capital contributions	(464,873)	1,466,758
CAPITAL CONTRIBUTIONS		
Local capital contributions	266,140	78,745
Total capital contributions	266,140	78,745
Change in net position	(198,733)	1,545,503
Net position:		
Beginning of year	36,710,987	35,165,484
End of year	$ 36,512,254	$ 36,710,987

SANTA CRUZ PORT DISTRICT
Statements of Cash Flows
For the Years Ended March 31, 2025 (With Comparative Amounts as of March 31, 2024)

	2025	2024
Cash flows from operating activities:		
Cash receipts from customers and others	$ 13,279,776	$ 15,638,866
Cash paid to employees for salaries and benefits	(2,871,333)	(2,771,917)
Cash paid to vendors and suppliers for materials and services	(8,206,589)	(6,347,313)
Net cash provided by operating activities	2,201,854	6,519,636
Cash flows from non-capital financing activities:		
Grant and contribution funding	695,756	88,322
Dredging reimbursement	525,000	525,000
Other non-operating revenue	84,008	421,695
Net cash provided by non-capital financing activities	1,304,764	1,035,017
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,380,185)	(2,491,260)
Proceeds from local capital contributions	266,140	78,745
Proceeds from the sale of capital assets	-	3,050
Principal paid on long-term debt	(1,413,057)	(1,290,388)
Interest paid on long-term debt	(307,366)	(359,125)
Net cash used in capital and related financing activities	(3,834,468)	(4,058,978)
Cash flows from investing activities:		
Investment earnings	951,087	889,141
Net cash provided by investing activities	951,087	889,141
Net increase in cash and cash equivalents	623,237	4,384,816
Cash and cash equivalents:		
Beginning of year	20,126,911	15,742,095
End of year	$ 20,750,148	$ 20,126,911
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and investments	$ 19,668,347	$ 19,069,634
Restricted assets – cash and cash equivalents	1,081,801	1,057,277
Total cash and cash equivalents	$ 20,750,148	$ 20,126,911

SANTA CRUZ PORT DISTRICT
Statements of Cash Flows (continued)
For the Years Ended March 31, 2025 (With Comparative Amounts as of March 31, 2024)

	2025	2024
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	$ (2,424,744)	$ (24,812)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation	2,100,035	2,111,480
Debt issuance costs amortization	-	(38,293)
Change in assets – (increase)decrease:		
Accounts receivable	(105,436)	174,883
Lease receivable	722,470	711,517
Materials and supplies inventory	(1,935)	(2,668)
Prepaid items	(50,091)	(7,632)
Change in deferred outflows of resources – (increase)decrease		
Deferred outflows of resources related to pensions	593,288	36,992
Deferred outflows of resources related to OPEB	24,582	27,913
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(13,823)	(30,117)
Customer deposits and unearned revenue	2,227,737	4,418,614
Compensated absences	317,569	6,508
Total OPEB liability	59,329	(159,558)
Net pension liability	(60,153)	367,232
Change in deferred inflows of resources – increase(decrease)		
Deferred inflows of resources related to leases	(1,040,811)	(1,075,945)
Deferred inflows of resources related to pensions	(113,829)	(189,992)
Deferred inflows of resources related to OPEB	(32,334)	193,514
Total adjustments	4,626,598	6,544,448
Net cash provided by operating activities	$ 2,201,854	$ 6,519,636

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Santa Cruz Port District (District) is a political subdivision of the State of California. The District is governed by an elected Board of Commissioner, each of whom is elected to serve a four-year term. The District was organized on November 20, 1950, in conformity with Division 8, Part 4 of the Harbors and Navigation Code, Section 6200 et seq. The District was formed for the purpose of creating a legal entity to negotiate with various governmental agencies for the financing and construction of a small craft harbor and the subsequent operation of the facility. The District began the operation of the small craft harbor in January 1964.

The District operates as principal landlord for the purpose of assigning or leasing Port facilities and land areas. The District's principal sources of revenue are from berthing and related services, and rentals of land and facilities. Capital construction is financed through operations, grants and revenue bond debt proceeds. Daily operation of Port facilities and regular maintenance are performed by the District's regular work force. Major maintenance and new construction projects are awarded by bid to commercial contractors.

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 by district 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, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public 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.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting 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 operations of the District. All other expenses are reported as non-operating expenses.

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

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

1. Cash and Cash Equivalents

For purposes of the 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.

Financial assets and liabilities 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.

3. Receivables and Allowance for Doubtful Accounts

Trade receivables consist of tenant and slip holder rents. The District believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is recorded.

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)

4. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Materials and Supplies Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of boat supplies and merchandise for resale.

6. Prepaids

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

7. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. 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. Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Wharves and docks	3-40 years
Land improvements	3-40 years
Buildings and buildings improvements	3-30 years
Equipment	3-10 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

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)

9. Compensated Absences

The District's employee benefits provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination. Cash payment for all unused sick leave is available at 50% of the employee's current pay rate upon retirement or termination. The cost of vacation is recorded in the period accrued.

In accordance with GASB No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences and the District's portion of social security and medicare taxes.

10. 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2023
Measurement Date June 30, 2024
Measurement Period July 1, 2023 to June 30, 2024

11. Post-employment 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 Santa Cruz Port District Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the 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.

Valuation Date March 31, 2023
Measurement Date March 31, 2024
Measurement Period April 1, 2023 to March 31, 2024

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)

12. Net Position

Net position is classified into three components: net investment in capital assets; restricted; 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 debt for those capital assets.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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. Grant Funding

Grants for operating assistance and capital acquisitions are included in their respective non-operating and capital contribution sections of the statement of revenues, expenses and changes in net position. Grant funds are claimed on a reimbursement basis and receivables for grant funds are recorded as the related obligations are incurred. Grant funds advanced but not yet earned are treated as unearned revenue until the respective obligations these grants were funded for are incurred.

F. Capital Contributions

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

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

G. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended March 31, 2024, the District has implemented new GASB pronouncements as follows:

GASB Statement No. 101 – Compensated Absences
This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employees and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of April 1, 2024. See Note 7 for the effect of this Statement.

GASB Statement No. 102 – Certain Risk Disclosures
This GASB Statement requires state and local governments to disclose vulnerabilities due to certain concentrations and constraints that could significantly impact their financial health. A concentration refers to a dependency on a specific source—such as a major revenue stream, customer, supplier, or workforce—while a constraint involves legal, regulatory, contractual, or other external limitations that restrict an entity's ability to respond to those risks. If these factors make the government vulnerable to a near-term severe impact, disclosure is required in the notes to the financial statements. The goal of Statement No. 102 is to improve transparency and provide users with better insight into potential risks that could affect a government's financial condition. The District adopted the Statement as of April 1, 2024. See Note 15 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

Description	March 31, 2025
Cash and investments	$ 19,668,347
Restricted – cash and cash equivalents	1,081,801
Total	$ 20,750,148

Cash and investments consisted of the following:

Description	March 31, 2025
Cash on hand	$ 3,200
Deposits held with financial institutions	425,351
Deposits in Local Agency Investment Fund (LAIF)	305,482
Deposits in California CLASS	18,934,314
Deposits in money-market funds	1,081,801
Total	$ 20,750,148

Demand Deposits
At March 31, 2025, the carrying amount of the District's demand deposits was $425,351, and the financial institution balance was $810,825. The $385,474 net difference as of March 31, 2025, represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk
The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

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

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 of that 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 LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of March 31, 2025, the District held $305,482 in LAIF.

California Cooperative Liquid Assets Securities System (California CLASS)
The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds.

The management of California CLASS is under the direction of a Board of Trustees comprised of eligible Participants of the program. The Board of Trustees has appointed Public Trust Advisors, LLC to serve as the Investment Advisor and Administrator of the program and has appointed U.S. Bank as the Custodian. The District is a voluntary participant in California CLASS. 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 California CLASS for the entire California CLASS portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by California CLASS. California CLASS is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. The California Class Prime and Enhanced Cash funds receive a credit rating of AAAm (S&P Global Ratings) and AAAf/S1 (FitchRatings), respectively. For financial reporting purposes, the District considers California CLASS a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of March 31, 2025, the District held $18,934,314 in California CLASS.

NOTE 2 – CASH AND INVESTMENTS (continued)

Money-Market Funds
Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of $1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money market funds a cash equivalent due to their highly liquid nature and NAV of $1 per share. As of March 31, 2025, the District held $1,081,801, in money market funds.

Authorized Investments and Investment Policy
The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions to purchases financial investments in accordance with California Government Code 53600-53610.

Fair Value Measurement Input
The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the previous table.

Credit Risk
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. As of March 31, 2025, the District's investment in the LAIF was not rated as noted in the previous table, and the District's investment in the VCPIF was rated AAAf/S-1+.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the previous table.

Concentration of Credit Risk
The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF, CA CLASS or money-market funds.

NOTE 3 – RESTRICTED – ASSETS AND RESTRICTED – NET POSITION

Restricted – cash and investments as of March 31st consisted of the following:

Description	March 31, 2025
Money-market funds held for debt service reserves	$ 1,081,801
Total restricted – net position	$ 1,081,801

The District's restricted cash and investments are funds required for debt service.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable for the year ended March 31, 2025, was as follows:

Description	Balance April 1, 2024	Additions	Deductions	Balance March 31, 2025
State Farm	$ 87,189	$ -	$ (35,972)	$ 51,217
O'neill Sea Odyssey	419,090	-	(21,661)	397,429
Santa Cruz Yacht Club	2,555,520	-	(74,627)	2,480,893
Pacific Yachting & Sailing	47,493	-	(14,054)	33,439
Chardonnay	15,831	-	(4,685)	11,146
Bayside Marine	381,722	-	(32,016)	349,706
UCSC	27,772	-	(11,929)	15,843
Beacon Pointe Advisors, LLC	115,843	-	(67,968)	47,875
Intero Real Estate	420,630	-	(91,718)	328,912
Johnny's Harborside Restaurant	1,872,240	-	(49,155)	1,823,085
H&H Fresh Fish	60,678	-	(14,532)	46,146
Java Junction	514,959	-	(72,286)	442,673
Cafe El Palomar	1,685,883	-	(112,771)	1,573,112
Crow's Nest Beach Market	781,651	-	(63,055)	718,596
Crow's Nest	4,216,759	-	(53,997)	4,162,762
Total lease receivable	$ 13,203,260	$ -	$ (720,426)	$ 12,482,834

The District is the lessor of 15 individual land and improvements leases under long-term, non-cancelable operating leases, expiring in various dates through December 2043. Of the District's total capital assets, a portion of total land, structures and improvements is available for rent and concessions, and docks (berths) are available for slip licensing, while the remainder is held for District use. The leases held by the District do not have an implicit rate of return, therefore the District used their incremental borrowing rate at as of the time the lease initiated to discount the lease revenue to the net present value.

In some cases, leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. Certain long-term, non-cancelable leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

The District is reporting a total lease receivable of $12,482,834 and a total related deferred inflows of resources of $11,410,945 for the year ending March 31, 2025. Also, the District is reporting total lease revenue of $1,084,392 and interest revenue of $413,970 related to lease payments received for the year ending March 31, 2025. The District's leases are summarized as follows:

State Farm
The District, on June 1, 2022, entered into a lease agreement for 50 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $145,167. As of March 31, 2025, the value of the lease receivable was $51,217. The lease is required to make monthly fixed payments of $2,961 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $47,377 as of March 31, 2025. The District recognized lease revenue of $35,533 and interest revenue of $1,786 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

O'neill Sea Odyssey
The District, on June 1, 2022, entered into a lease agreement for 258 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $452,737. As of March 31, 2025, the value of the lease receivable was $397,429. The lease is required to make monthly fixed payments of $1,759 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $395,664 as of March 31, 2025. The District recognized lease revenue of $21,102 and interest revenue of $13,282 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Santa Cruz Yacht Club
The District, on May 1, 2022, entered into a lease agreement for 240 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $2,671,100. As of March 31, 2025, the value of the lease receivable was $2,480,893. The lease is required to make monthly fixed payments of $11,180 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $2,291,847 as of March 31, 2025. The District recognized lease revenue of $134,157 and interest revenue of $81,999 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Pacific Yachting and Sailing
The District, on April 1, 2022, continued a lease agreement for 62 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $72,127. As of March 31, 2025, the value of the lease receivable was $33,439. The lease is required to make monthly fixed payments of $1,182 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 2.42%. The value of the deferred inflow of resources was $30,735 as of March 31, 2025. The District recognized lease revenue of $14,185 and interest revenue of $966 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Chardonnay
The District, on April 1, 2022, continued a lease agreement for 62 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $24,046. As of March 31, 2025, the value of the lease receivable was $11,146. The lease is required to make monthly fixed payments of $394 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $10,247 as of March 31, 2025. The District recognized lease revenue of $4,729 and interest revenue of $322 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Bayside Marine
The District, on April 1, 2022, continued a lease agreement for 130 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $436,540. As of March 31, 2025, the value of the lease receivable was $349,706. The lease is required to make monthly fixed payments of $3,384 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $318,122 as of March 31, 2025. The District recognized lease revenue of $40,611 and interest revenue of $11,882 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

UCSC
The District, on April 1, 2022, continued a lease agreement for 51 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $48,665. As of March 31, 2025, the value of the lease receivable was $15,843. The lease is required to make monthly fixed payments of $973 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $14,588 as of March 31, 2025. The District recognized lease revenue of $11,670 and interest revenue of $517 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Beacon Pointe Advisors, LLC
The District, on April 1, 2022, continued a lease agreement for 45 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $235,126. As of March 31, 2025, the value of the lease receivable was $47,875. The lease is required to make monthly fixed payments of $5,467 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $43,740 as of March 31, 2025. The District recognized lease revenue of $65,609 and interest revenue of $2,082 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Intero Real Estate
The District, on April 1, 2022, continued a lease agreement for 113 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $581,398. As of March 31, 2025, the value of the lease receivable was $328,912. The lease is required to make monthly fixed payments of $7,962 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $302,570 as of March 31, 2025. The District recognized lease revenue of $95,548 and interest revenue of $8,981 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Johnny's Harborside Restaurant
The District, on April 1, 2022, continued a lease agreement for 74 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $1,950,175. As of March 31, 2025, the value of the lease receivable was $1,823,085. The lease is required to make monthly fixed payments of $8,403 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $1,655,298 as of March 31, 2025. The District recognized lease revenue of $100,830 and interest revenue of $60,171 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

H&H Fresh Fish
The District, on April 1, 2022, continued a lease agreement for 70 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $85,885. As of March 31, 2025, the value of the lease receivable was $46,146. The lease is required to make monthly fixed payments of $1,244 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $42,304 as of March 31, 2025. The District recognized lease revenue of $14,931 and interest revenue of $1,279 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Java Junction
The District, on April 1, 2022, continued a lease agreement for 97 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $641,389. As of March 31, 2025, the value of the lease receivable was $442,673. The lease is required to make monthly fixed payments of $6,679 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $407,439 as of March 31, 2025. The District recognized lease revenue of $80,152 and interest revenue of $11,518 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Café El Palomar
The District, on April 1, 2022, continued a lease agreement for 112 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $1,877,309. As of March 31, 2025, the value of the lease receivable was $1,573,112. The lease is required to make monthly fixed payments of $12,771 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $1,430,391 as of March 31, 2025. The District recognized lease revenue of $153,256 and interest revenue of $52,978 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Crow's Nest Beach Market
The District, on April 1, 2022, continued a lease agreement for 132 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $882,899. As of March 31, 2025, the value of the lease receivable was $718,596. The lease is required to make monthly fixed payments of $6,686 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was $648,535 as of March 31, 2025. The District recognized lease revenue of $80,231 and interest revenue of $24,374 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Crow's Nest

The District, on April 1, 2022, continued a lease agreement for 248 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $4,547,441. As of March 31, 2025, the value of the lease receivable was $4,162,762. The lease is required to make monthly fixed payments of $18,335 for the first 12-month period, then increases annually based on the CPI index. The lease has an interest rate of 3.26%. The value of the deferred inflow of resources was $3,772,088 as of March 31, 2025. The District recognized lease revenue of $220,022 and interest revenue of $141,664 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Minimum future lease receipts are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 751,733	$ 390,108	$ 1,141,841
2027	773,501	367,106	1,140,607
2028	794,775	343,475	1,138,250
2029	734,860	319,763	1,054,623
2030	755,859	296,562	1,052,421
2031-2035	3,611,411	1,118,712	4,730,123
2036-2040	3,244,903	585,298	3,830,201
2041-2044	1,815,792	76,120	1,891,912
Total	12,482,834	$ 3,497,144	$ 15,979,978
Current	(751,733)		
Long-term	$ 11,731,101		

Changes in the District's deferred inflows of resources related to leases for March 31, 2025 is as follows:

Description	Balance April 1, 2024	Additions	Deductions	Balance March 31, 2025
State Farm	$ 82,910	$ -	$ (35,533)	$ 47,377
O'neill Sea Odyssey	416,766	-	(21,102)	395,664
Santa Cruz Yacht Club	2,426,004	-	(134,157)	2,291,847
Pacific Yachting & Sailing	44,920	-	(14,185)	30,735
Chardonnay	14,976	-	(4,729)	10,247
Bayside Marine	358,733	-	(40,611)	318,122
UCSC	26,258	-	(11,670)	14,588
Beacon Pointe Advisors, LLC	109,349	-	(65,609)	43,740
Intero Real Estate	398,118	-	(95,548)	302,570
Johnny's Harborside Restaurant	1,756,128	-	(100,830)	1,655,298
H&H Fresh Fish	57,235	-	(14,931)	42,304
Java Junction	487,591	-	(80,152)	407,439
Cafe El Palomar	1,583,647	-	(153,256)	1,430,391
Crow's Nest Beach Market	728,766	-	(80,231)	648,535
Crow's Nest	3,960,355	-	(188,267)	3,772,088
Total lease receivable	$ 12,451,756	$ -	$ (1,040,811)	$ 11,410,945

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

The amounts reported as deferred inflows of resources related to leases for the year ended March 31, 2025, will be amortized in future periods as follows:

Amortization Period Fiscal Year Ended March 31	Deferred Inflows of Resources
2026	$ 1,006,957
2027	974,516
2028	941,503
2029	846,285
2030	830,360
Thereafter	6,811,325
	$ 11,410,945

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended March 31, 2025, were as follows:

Description	Balance April 1, 2024	Additions	Deletions/ Transfers	Balance March 31, 2025
Non-depreciable assets:				
Land	$ 2,201,360	$ -	$ -	$ 2,201,360
Construction-in-process	1,209,317	473,004	(259,287)	1,423,034
Total non-depreciable assets	3,410,677	473,004	(259,287)	3,624,394
Depreciable assets:				
Structures and improvements	31,695,389	1,856,816	-	33,552,205
Docks	28,361,298	17,121	-	28,378,419
Equipment	11,410,017	292,532	(122,101)	11,580,448
Office equipment	54,374	-	-	54,374
Total depreciable assets	71,521,078	2,166,469	(122,101)	73,565,446
Accumulated depreciation:				
Structures and improvements	(22,815,640)	(560,541)	-	(23,376,181)
Docks	(10,814,152)	(976,428)	-	(11,790,580)
Equipment	(5,426,765)	(563,067)	122,101	(5,867,731)
Office equipment	(54,374)	-	-	(54,374)
Total accumulated depreciation	(39,110,931)	(2,100,036)	122,101	(41,088,866)
Total depreciable assets, net	32,410,147	66,433	-	32,476,580
Total capital assets, net	$ 35,820,824	$ 539,437	$ (259,287)	$ 36,100,974

NOTE 6 – CUSTOMER DEPOSITS AND UNEARNED REVENUE

Customer deposits and unearned revenue consisted of the following:

Description	March 31, 2025
Prepaid slip rent	$ 229,726
Slip and key deposits	438,592
Unearned revenue – Murray St. Bridge Project	6,924,697
Total	$ 7,593,015

On August 10, 2021, The District entered into an agreement with the City of Santa Cruz. The agreement grants the city possession and use of portions of District property for the purpose of constructing the Murray Street Bridge seismic retrofit and barrier replacement project. Per the agreement, the city acquired both permanent and temporary easements, the City deposited $5,149,000 into an escrow account with First American Title Company. $345,818 is for the purchase of a permanent easement, with the remaining $4,803,182 to be used by the District for curative work to reconfigure the port as necessary to continue operations.

The District recorded the initial $4,803,182 as deferred revenue and will recognize revenue as the costs are incurred for the curative work. In the fiscal year ending March 31, 2025, the District received an additional $2,490,377 from the City of Santa Cruz for the Murray Street Bridge project, and recognized $266,140 in capital contributions related to the agreement.

NOTE 7 – COMPENSATED ABSENCES

As of March 31, 2025, the total liability for compensated absences was $489,023, of which $146,707 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of April 1, 2024, reflected an immaterial difference upon implementation of GASB Statement No. 101; therefore, no restatement was required.

Balance April 1, 2024	Additions	Deletions	Balance March 31, 2025	Due Within One Year	Due in More Than One Year
$ 171,454	$ 425,178	$ (107,609)	$ 489,023	$ 146,707	$ 342,316

NOTE 8 – LONG-TERM DEBT

Changes in long-term debt for the year ended March 31, 2025, were as follows:

Long-Term Debt	Balance April 1, 2024	Additions/ Adjustments	Payments/ Amortization	Balance March 31, 2025	Current Portion	Non-Current Portion
497 Lake avenue loan	$ 911,396	$ -	$ (18,303)	$ 893,093	$ 19,048	$ 874,045
PNC bank loan– taxable	360,966	-	(261,310)	99,656	84,893	14,763
PNC bank loan– non-taxable	6,007,483	-	(924,782)	5,082,701	953,580	4,129,121
Loans payable	7,279,845	-	(1,204,395)	6,075,450	1,057,521	5,017,929
Revenue obligation payable – 2018A	1,205,441	-	(109,003)	1,096,438	112,851	983,587
Revenue obligation payable – 2018B	1,102,115	-	(99,659)	1,002,456	103,177	899,279
Revenue obligations payable, net – 2018	2,307,556	-	(208,662)	2,098,894	216,028	1,882,866
Total long-term debt	$ 9,587,401	$ -	$ (1,413,057)	8,174,344	1,273,549	6,900,795

497 Lake Avenue Loan Payable

During the year ended March 31, 2022, the District purchased property at 497 Lake Ave. The purchase price was $1,200,000, of which $950,000 was financed with the seller. The terms of the finance agreement call for monthly payments of $4,535.45 beginning January 1, 2022, including interest at the rate of 4.00% per annum. A final balloon payment of $452,500 plus any accrued interest is due December 1, 2041.

Annual debt service requirements for loan payable are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 19,048	$ 35,377	$ 54,425
2027	19,824	34,601	54,425
2028	20,632	33,793	54,425
2029	21,473	32,953	54,426
2030	22,348	32,078	54,426
2031-2035	126,160	145,967	272,127
2036-2040	154,040	118,087	272,127
2041-2042	509,568	33,641	543,209
Total	893,093	$ 466,497	$ 1,359,590
Less: current	(19,048)		
Non-current	$ 874,045		

NOTE 8 – LONG-TERM DEBT (continued)

PNC Bank Loans – Taxable and Non-Taxable
During the fiscal year ended March 31, 2014, the District refinanced its outstanding debt with loans privately placed with PNC Bank (formerly BBVA Compass Bank). The financing package included $4,000,000 in new debt to be used to purchase a new dredge to replace the *Seabright*, which had reached the end of its useful life. The new dredge was placed in service in July 2016.

The loans also reduced the District's payback period, with payoff occurring in 2029 rather than 2042 under the prior loans. Through this combined financing and new debt, the District will realize cash flow savings of approximately $3.8 million over the 16-year life of the loans.

The PNC Bank taxable loan, in the amount of $2,384,445 was part of the refinance package noted above. The proceeds of the loan were used to pay off the existing Series 2004C revenue bonds, as well as to provide funding to pay off the OE3 pension liability. The terms of the note call for semi-annual principal and interest payments in May and November, ranging from $114,000 to $229,000, with an average payment of $140,000, including interest at 4.74% per annum. Final payment on the loan is due November 1, 2026.

Annual debt service requirements for loan payable are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 84,893	$ 3,718	$ 88,611
2027	14,763	525	15,288
Total	99,656	$ 4,243	$ 103,899
Less: current	(84,893)		
Non-current	$ 14,763		

NOTE 8 – LONG-TERM DEBT (continued)

PNC Bank Loans – Taxable and Non-Taxable (continued)

The PNC Bank tax-exempt loan, in the amount of $14,418,961 was part of the refinance package noted above. Proceeds of the loan were used to pay off the existing Series 2004A revenue bonds, all of the Department of Boating and Waterways loans, as well as providing funding for the new dredge. The terms of the note call for semi-annual principal and interest payments in February and August, ranging from $547,000 to $590,000, including interest at 3.09% per annum. Final payment on the loan is due August 1, 2029. Annual debt service requirements for loan payable are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 953,580	$ 149,689	$ 1,103,269
2027	983,275	119,994	1,103,269
2028	1,013,895	89,374	1,103,269
2029	1,045,468	57,801	1,103,269
2030	1,086,483	16,787	1,103,270
Total	5,082,701	$ 433,645	$ 5,516,346
Less: current	(953,580)		
Non-current	$ 4,129,121		

Revenue Obligations Payable – 2018A and 2018B

On September 1, 2018, the District entered into an installment sale agreement with PNC Bank for 2018A Revenue Obligations in the amount of $1,750,000, for the Santa Cruz Harbor Pile Replacement Project. Terms of the agreement call for semi-annual payments of $75,123 beginning February 1, 2019, including interest at the rate of 3.5% per annum. The final payment is due August 1, 2033. Annual debt service requirements for the 2018A Revenue Obligation payable are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 112,851	$ 37,396	$ 150,247
2027	116,835	33,412	150,247
2028	120,961	29,287	150,248
2029	125,231	25,016	150,247
2030	129,653	20,595	150,248
2031-2034	490,907	34,960	525,867
Total	1,096,438	$ 180,666	$ 1,277,104
Less: current	(112,851)		
Non-current	$ 983,587		

NOTE 8 – LONG-TERM DEBT (continued)

Revenue Obligations Payable – 2018A and 2018B (continued)
On September 1, 2018, the District entered into an installment sale agreement with PNC Bank for 2018B Revenue Obligations in the amount of $1,600,000, for the Santa Cruz Harbor Seawall Replacement Project. Terms of the agreement call for semi-annual payments of $68,684 beginning February 1, 2019, including interest at the rate of 3.5% per annum. The final payment is due August 1, 2033. Annual debt service requirements for the 2018B Revenue Obligation payable are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 103,177	$ 34,191	$ 137,368
2027	106,821	30,548	137,369
2028	110,592	26,777	137,369
2029	114,497	22,872	137,369
2030	118,540	18,830	137,370
2031-2034	448,829	31,963	480,792
Total	1,002,456	$ 165,181	$ 1,167,637
Less: current	(103,177)		
Non-current	$ 899,279		

The borrowing agreements with PNC Bank for the taxable and tax-exempt loans and the 2018A and 2018B revenue obligations include a restrictive covenant requiring net revenues for the fiscal year to be equal to at least 1.25 times the debt service. At March 31, 2025, the District was in compliance with the covenant.

NOTE 9 – PENSION PLAN

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

Description	2025
Pension related deferred outflows	$ 1,515,801
Net pension liability	5,724,260
Pension related deferred inflows	156,390

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

NOTE 9 – PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans		
	Classic Tier 1	**Classic Tier 2**	**PEPRA Tier 3**
Hire date	Prior to January 1, 2013	With prior service On or after January 1, 2013	Without prior service On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0 @ 60	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%	1.0% to 2.0%
Required member contribution rates	8.00%	7.000%	7.750%
Required employer contribution rates – FY 2024	13.340%	10.100%	7.680%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), 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, 2024 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2024, (Measurement Date) the following members were covered by the benefit terms:

	Miscellaneous Plans			
Plan Members	**Classic Tier 1**	**Classic Tier 2**	**PEPRA Tier 3**	**Total**
Active members	8	4	23	35
Transferred and terminated members	6	8	23	37
Retired members and beneficiaries	24	2	1	27
Total plan members	38	14	47	99

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

NOTE 9 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of March 31 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the fiscal year ended March 31, 2025, were as follows:

	Miscellaneous Plans			
Contribution Type	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	Total
Contributions – employer	$ 280,477	$ 80,208	$ 286,865	$ 647,550

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

Proportionate Share of Net Pension Liability and Pension Expense
The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

NOTE 9 – PENSION PLAN (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 following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2024 (MD):

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, 2023 (Measurement Date)	$ 19,988,269	$ 14,203,856	$ 5,784,413
Balance as of June 30, 2024 (Measurement Date)	$ 21,130,751	$ 15,406,491	$ 5,724,260
Change in Plan Net Pension Liability	$ 1,142,482	$ 1,202,635	$ (60,153)

The District's proportionate share percentage of the net pension liability for the June 30, 2024, measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending March 31, 2025	Fiscal Year Ending March 31, 2024	Change Increase/ (Decrease)
Measurement Date	June 30, 2024	June 30, 2023	
Percentage of Plan (PERF C) Net Pension Liability	0.047200%	0.046370%	0.000830%

For the year ended March 31, 2025, the District recognized pension expense of $1,053,122. At March 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 475,257	$ -
Difference between actual and proportionate share of employer contributions	62,497	(18,030)
Adjustment due to differences in proportions	6,468	(119,049)
Differences between expected and actual experience	494,915	(19,311)
Differences between projected and actual earnings on pension plan investments	329,539	-
Changes in assumptions	147,125	-
Total Deferred Outflows/(Inflows) of Resources	$ 1,515,801	$ (156,390)

NOTE 9 – PENSION PLAN (continued)

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of $475,257 was 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 ending March 31, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at March 31, 2025 will be recognized as a reduction to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2026	$ 257,060
2027	734,642
2028	5,381
2029	(112,929)
Total	$ 884,154

Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2024 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2023 total pension liability. The June 30, 2024 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

NOTE 9 – PENSION PLAN (continued)

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

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.

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 long-term expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

[1] An expected inflation of 2.30% is used for this period.
[2] 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.

NOTE 9 – PENSION PLAN (continued)

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

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

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:

For the year ended March 31, 2025, (Measurement Date June 30, 2024) were as follows:

	Plan's Net Pension Liability		
Plan Type	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	$ 8,575,652	$ 5,724,260	$ 3,377,145

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.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Description	2025
OPEB related deferred outflows	$ 138,991
Total other post-employment benefits obligation	707,562
OPEB related deferred inflows	326,938

A. General Information about the OPEB Plan

Plan description
The District provides other post-retirement health care, vision care, dental care and life insurance benefits, in accordance with the Board of Port Commissioners employee benefit resolutions, to all employees who retire from the District and meet the age and years of service requirements as specified in such resolutions. Retired Port Commissioners are subject to additional eligibility requirements as specified in Government Code Section 53201.

The District administers a multiple-employer defined benefit healthcare plan (the Plan). The Plan provides medical healthcare insurance for eligible retirees and their spouses through the CalPERS Health Benefits Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). No dental, vision, or life insurance benefits are provided by the Plan.

To be eligible for benefits the employee must retire directly from the District under CalPERS (age 50 with 5 years of service, or disability retirement). The plan provides for a $2,000 annual benefit, with the District providing the excess of $2,000 per year over the PEMHCA minimum unequal benefit for retirement at age 60 with 20 years of service, with the benefit stopping at age 65.

Employees covered by benefit terms
As of March 31, 2024 measurement the following employees were covered by the benefit terms:

	2025
Inactive plan members or beneficiaries currently receiving benefit payments	4
Inactive plan members entitled to but not yet receiving benefit payments	16
Active plan members	32
Total	52

Funding Policy
There is no statutory requirement for the District to pre-fund its OPEB obligation. The District has currently chosen to pay Plan benefits on a pay-as-you-go basis and does not maintain a trust fund for its OPEB obligation. The District's fixed dollar benefit contribution cannot be less than the PEMHCA minimum for PEMHCA actives and retirees. The District accrued these benefits at the monthly statutory rate ($157 for 202) for each participant in the PEMCHA plan. The total amount paid directly by the District to CalPERS for the District's health premium contributions under PEMHCA for retiree medical health care plan postemployment benefits for the year ending March 31, 2025 was $4,208.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

A. General Information about the OPEB Plan (continued)

Contributions
Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended March 31, 2025, the measurement period, the District's contributions totaling 15,431, included $3,388 in premium payments and an implied subsidy of $11,953, and $90 in administrative expenses.

B. Total OPEB Liability
The District's Total OPEB liability was measured as of March 31, 2024, and 2023, and the total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions
The total OPEB liability in the March 31, 2024, and 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	April 1, 2023
Measurement Date	March 31, 2024
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	3.58%
Long-Term Expected Rate of Return on Investments	3.50%
Inflation	2.50%
Payroll increases	2.75%
Healthcare Trend Rates	Non-Medicare - 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076. Medicare - 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076.
Morbidity	CalPERS 2000-2019 Experience Study
Mortality	Projected fully generational with Scale MP-2021
Disability	CalPERS 2000-2019 Experience Study
Retirement	CalPERS 2000-2019 Experience Study
Percent Married	80% of future retirees would enroll a spouse

Discount Rate
For OPEB Plans That Are Not Administered through Trusts that meet the Criteria in Paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the District's Total OPEB liability is based on the Fidelity GO AA 20 Year Municipal Index. The discount rate was increased from 3.50% to 3.58% for the year ended March 31, 2025.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

B. Total OPEB Liability (continued)

Discount Rate (continued)
The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Assumed Gross Return
Global Equities	59.0%	5.500%
Global Debt Securities	25.0%	2.350%
Inflation Protected Securities	5.0%	1.500%
REITs	8.0%	3.650%
Commodities	3.0%	1.750%

Rolling periods of time for all asset classes were used in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually but reflect the return for the asset class for the portfolio average. Geometric means were used.

C. Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balance at March 31, 2024	$ 648,233	$ -	$ 648,233
Changes for the year:			
Service cost	58,944	-	58,944
Interest	24,483	-	24,483
Changes in assumptions	(8,757)	-	(8,757)
Changes in experience	-	-	-
Benefit payments	(15,341)	-	(15,341)
Net changes	59,329	-	59,329
Balance at March 31, 2025	$ 707,562	$ -	$ 707,562

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 March 31, 2025:

1% Decrease 2.5%	Discount Rate 3.5%	1% Increase 4.5%
$ 829,594	$ 707,562	$ 608,649

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Total OPEB Liability (continued)

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 trend rate for March 31, 2025:

1% Decrease 2.5%	Healthcare Cost Trend Rates 3.5%	1% Increase 4.5%
$ 580,380	$ 707,562	$ 873,642

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

For the year ended March 31, 2025, the District recognized OPEB expense of $63,483. At March 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made after the measurement date	$ 11,906	$ -
Changes in assumptions	97,568	(207,588)
Differences between expected and actual experience	29,517	(119,350)
Total Deferred Outflows/(Inflows) of Resources	$ 138,991	$ (326,938)

The District reported $11,906 in 2025 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending March 31, 2025.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in fiscal year 2025 as follows:

Amortization Period Fiscal Year Ended March 31	Deferred Outflows/(Inflows) of Resources
2026	$ (20,034)
2027	(20,034)
2028	(20,029)
2029	(19,763)
2030	(15,576)
Thereafter	(104,417)
Total	$ (199,853)

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of March 31:

Description	March 31, 2025
Net investment in capital assets:	
Capital assets – not being depreciated	$ 3,624,394
Capital assets, net – being depreciated	32,476,580
Loans payable – current	(1,057,521)
Loans payable – non-current	(5,017,929)
Revenue obligation payable – current	(216,028)
Revenue obligation payable – non-current	(1,882,866)
Total net investment in capital assets	$ 27,926,630

NOTE 12 – DREDGING REIMBURSEMENT

In November 2015, the District entered into an agreement with the Department of the Army Corps of Engineers (Corps) to reimburse the District for a portion of expected dredging costs, only if funds are specifically appropriated for that purpose. The agreement ended on April 1, 2025. Due to the uncertainty of the availability of funds, revenue will be recorded when the funds are ultimately received. During the year ended March 31, 2025, the District received $525,000 in payments from the Department of the Army Corps of Engineers for dredging operations.

NOTE 13 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, 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 administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and terrorism. The District has purchased various commercial and marine insurance policies to manage the potential liabilities that may occur from the previously named sources.

All coverage and limits are subject to the terms, conditions and exclusions provided in each insurance policy.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. While there were no reductions in the District's insurance coverage during the years ending March 31, 2024, and 2023, a reduction in marine general liability coverage limits was required in fiscal year 2025 due to increasingly high renewal rates. 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 March 31, 2025, 2024 and 2023.

NOTE 15 – RISK DISCLOSURE: CONCENTRATION OF REVENUE SOURCE (GASB STATEMENT No. 102)

The District's operations are significantly dependent on revenue generated from berthing fees, rental agreements, and concession contracts. For the fiscal year ended March 31, 2025, approximately 100% of the District's operating revenue was derived from these three sources combined.

This revenue concentration subjects the District to a risk of loss due to external economic or environmental factors that could adversely affect maritime commerce, tourism, and related port activity. Events such as shipping industry downturns, natural disasters, global trade disruptions, or regulatory changes may have a material impact on berthing activity. Similarly, rental and concession revenues are sensitive to fluctuations in tenant occupancy, retail/tourism activity, and overall economic conditions.

NOTE 15 – RISK DISCLOSURE: CONCENTRATION OF REVENUE SOURCE (GASB STATEMENT No. 102) (continued)

The District continuously monitors these risk exposures and maintains reserve policies and diversified lease agreements to mitigate the potential impacts. However, management recognizes that the reliance on a limited number of revenue streams may pose a financial risk should there be a significant decline in any one category.

This disclosure is provided in accordance with GASB Statement No. 102, Risk Disclosures, to inform users of the financial statements of the potential financial impact associated with the District's reliance on certain revenue sources.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Construction Contracts
The District has a variety of agreements with private parties relating to the installation, improvement, or modification of harbor and port facilities as well as buildings and land improvements. The financing of such construction contracts is being provided by a combination of debt, the District's replacement reserves and advances for construction. The District has committed approximately $357,041 to complete the open construction contracts as of March 31, 2025.

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, d*e 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 an audit could lead to requests for reimbursements from the grantor agencies for expenditures disallowed under the terms of the grant. The 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

In accordance with the provisions surrounding subsequent events, the District's management has evaluated events and transactions for potential recognition or disclosure through August 26, 2025, the date the financial statements were available to be issued.

Required Supplementary Information

SANTA CRUZ PORT DISTRICT

Schedule of the District's Proportionate Share of the Plan's (PERF C) Net Pension Liability
For the Year Ended March 31, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2015	0.040000%	$ 2,745,051	$ 1,680,148	163.38%	78.40%
June 30, 2016	0.040600%	3,509,957	1,730,361	202.85%	74.06%
June 30, 2017	0.040900%	4,052,992	1,995,472	203.11%	73.31%
June 30, 2018	0.041400%	3,990,879	2,174,449	183.54%	75.26%
June 30, 2019	0.042300%	4,338,392	2,239,940	193.68%	75.26%
June 30, 2020	0.043000%	4,674,819	2,222,678	210.32%	75.10%
June 30, 2021	0.053800%	2,908,996	2,211,919	131.51%	88.29%
June 30, 2022	0.046900%	5,417,181	2,167,772	249.90%	76.68%
June 30, 2023	0.046370%	5,784,413	2,437,310	237.33%	71.06%
June 30, 2024	0.047200%	5,724,260	2,581,495	221.74%	72.91%

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 year 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 inflation from 2.50% to 2.30%.

From fiscal year June 30, 2023 to June 30, 2024:
There were no significant changes in assumptions.

SANTA CRUZ PORT DISTRICT

Schedule of the District's Contributions to the Pension Plan
For the Year Ended March 31, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
March 31, 2016	$ 188,042	$ (188,042)	$ -	$ 1,692,156	11.11%
March 31, 2017	309,357	(309,357)	-	1,912,027	16.18%
March 31, 2018	332,430	(332,430)	-	2,160,998	15.38%
March 31, 2019	397,547	(397,547)	-	2,227,398	17.85%
March 31, 2020	465,337	(465,337)	-	2,267,137	20.53%
March 31, 2021	528,402	(528,402)	-	2,182,330	24.21%
March 31, 2022	578,577	(578,577)	-	2,141,686	27.02%
March 31, 2023	608,408	(622,001)	(13,593)	2,367,608	26.27%
March 31, 2024	625,908	(647,550)	(21,642)	2,564,315	25.25%
March 31, 2025	613,814	(633,814)	(20,000)	2,581,495	24.55%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
March 31, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
March 31, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
March 31, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
March 31, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
March 31, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
March 31, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
March 31, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
March 31, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
March 31, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%
March 31, 2025	June 30, 2023	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 (2.0%@55), 52 years (2.0%@60), 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.

SANTA CRUZ PORT DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Year Ended March 31, 2025

	Last Ten Fiscal Years*				
Fiscal Year Ended	**March 31, 2025**	**March 31, 2024**	**March 31, 2023**	**March 31, 2022**	**March 31, 2021**
Measurement Date	**March 31, 2024**	**March 31, 2023**	**March 31, 2022**	**March 31, 2021**	**March 31, 2020**
Total OPEB liability:					
Service cost	$ 58,944	$ 72,711	$ 76,692	$ 79,892	$ 53,462
Interest	24,483	23,735	20,274	18,250	20,235
Changes in assumptions	(8,757)	(129,336)	(48,735)	(87,155)	177,131
Differences between expected and actual experience	-	(104,487)	-	45,917	-
Benefit payments	(15,341)	(22,181)	(16,946)	(8,916)	(5,538)
Net change in total OPEB liability	59,329	(159,558)	31,285	47,988	245,290
Total OPEB liability - beginning	648,233	807,791	776,506	728,518	-
Total OPEB liability - ending	707,562	648,233	807,791	776,506	245,290
District's total OPEB liability	$ 707,562	$ 648,233	$ 807,791	$ 776,506	$ 245,290
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 2,917,053	$ 2,609,237	$ 2,384,186	$ 2,430,838	$ 2,458,539
District's total OPEB liability as a percentage of covered payroll	24.26%	24.84%	33.88%	31.94%	9.98%

Notes to Schedule:

Benefit Changes:

Measurement Date March 31, 2020 – There were no changes of benefits terms.
Measurement Date March 31, 2021 – There were no changes of benefits terms.
Measurement Date March 31, 2022 – There were no changes of benefits terms.
Measurement Date March 31, 2023 – There were no changes of benefits terms.
Measurement Date March 31, 2024 – There were no changes of benefits terms.

Changes in Assumptions:

Measurement Date March 31, 2020– The discount rate rate decreased from 3.79% to 2.27%.
Measurement Date March 31, 2021– The discount rate rate increased from 2.27% to 2.40%.
Measurement Date March 31, 2022– The discount rate rate increased from 2.40% to 2.73%.
Measurement Date March 31, 2023– The discount rate rate increased from 2.73% to 3.50%.
Measurement Date March 31, 2024– The discount rate rate increased from 3.50% to 3.58%.

* Fiscal year 2019 was the first year of implementation; therefore, only seven years are shown.

SANTA CRUZ PORT DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios (continued)
For the Year Ended March 31, 2025

Last Ten Fiscal Years*

Fiscal Year Ended	**March 31, 2020**	**March 31, 2019**
Measurement Date	**March 31, 2019**	**March 31, 2018**
Total OPEB liability:		
Service cost	$ 54,348	$ 53,126
Interest	20,887	18,141
Changes in assumptions	5,778	(2,705)
Differences between expected and actual experience	(78,459)	-
Benefit payments	(3,883)	(1,705)
Net change in total OPEB liability	(1,329)	66,857
Total OPEB liability - beginning	484,557	417,700
Total OPEB liability - ending	483,228	484,557
District's total OPEB liability	$ 483,228	$ 484,557
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	$ 2,411,907	$ 2,127,435
District's total OPEB liability as a percentage of covered payroll	20.04%	22.78%

Notes to Schedule:

Benefit Changes:

Measurement Date March 31, 2018 – There were no changes of benefits terms.
Measurement Date March 31, 2019 – There were no changes of benefits terms.

Changes in Assumptions:

Measurement Date March 31, 2018 – There were no changes in assumptions.
Measurement Date March 31, 2019– There were no changes in assumptions.

* Fiscal year 2019 was the first year of implementation; therefore, only seven years are shown.

Supplementary Information

SANTA CRUZ PORT DISTRICT
Schedule of Operating Expenses
For the Years Ended March 31, 2025

	March 31, 2025	March 31, 2024
Operating Expenses		
Dredging operations	$ 1,685,197	$ 1,710,055
Administrative services	1,014,110	838,406
Grounds	1,171,496	908,044
Harbor patrol	845,520	829,967
Fuel services	454,957	476,215
Property management	1,121,498	951,436
Marina management	684,284	591,788
Parking services	425,709	391,668
Buildings	491,360	482,824
Boatyard operations	396,430	366,652
Docks, piers, marine structures	873,297	739,233
Finance and purchasing	236,270	236,889
Environmental services	83,371	144,352
Rescue services	124,960	132,091
Utilities	117,745	97,409
Port commission support	60,756	79,674
Aeration	111,743	54,938
Events	21,468	19,874
Minor projects	196	386
Fishery support	6,856	8,855
Winter Storm expense	1,446,900	22,913
CalPERS pension expense/(credit)	419,306	214,231
Other post-employment benefits expense	59,122	73,822
Total operating expenses before depreciation	11,852,551	9,371,722
Depreciation	2,100,035	2,111,480
Total operating expenses	$ 13,952,586	$ 11,483,202

Other Independent Auditors' Reports

NIGRO & NIGRO PC

A Professional Accountancy Corporation

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 Port Commissioners
Santa Cruz Port District
Santa Cruz, 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 Santa Cruz Port District as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise Santa Cruz Port District's basic financial statements, and have issued our report thereon dated August 26, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Cruz Port District's internal control over financial reporting (internal control) as a basis for designing audit procedures 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 Santa Cruz Port District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Santa Cruz Port 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.

Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Cruz Port 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 financial statements. 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.

Nigro & Nigro, PC

Walnut Creek, California
August 26, 2025