

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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**SAN MATEO COUNTY HARBOR DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2021**

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**BOARD OF COMMISSIONERS
FY 2020-2021**

Virginia Chang-Kiraly - President

Nancy Reyering – Vice-President

Tom Mattusch - Treasurer

William Zemke - Secretary

Edmundo Larenas - Commissioner

**MANAGEMENT
FY 2020-2021**

James B. Pruett –General Manager

Prepared by the
Finance Department

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
San Mateo County Harbor District
El Granada, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo County Harbor District (District), California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of the District as of June 30, 2021, and the changes in financial positions and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and Supplemental Information Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental 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 Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
February 1, 2022

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Management's Discussion and Analysis

This section of San Mateo County Harbor District's annual financial report presents our discussion and analysis of the District's financial status during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's basic financial statements (pages 16 - 18) and the footnotes (pages 19 - 36).

Financial Highlights

- The District's net position was \$47,220,261 on June 30, 2021. This was an increase of \$2,013,359 for the year. The increase is due to an increase in cash and investments.
- The District's operating revenues decreased by \$55,730, or 1.3%. Operating revenues accounted for 31.2% of all revenues. The decrease was due to lower RV lot fees (the District ceased operating the RV lot in March 2020) and lower berth rental income.
- The District's operating expenses increased by \$967,136, or 9.6%, due to election costs in 2021, an increase in salaries and wages (more positions in Administration filled), and legal fees.
- Nonoperating revenues from taxes, interest, and investments was \$9,034,377, or 67.8% of all revenues. Revenues in the form of grants and miscellaneous non-operating revenue total \$137,498, or 1.0% of all revenues.
- Aggregate net pension liabilities are \$2,904,343 and net Other Post Employment Benefit (OPEB) liabilities are \$3,323,387. Net pension liability increased by \$205,949 or 7.6%. OPEB liability increased \$495,286 or 17.5%

Overview of the Financial Statements

This annual report consists of three parts- Management's Discussion and Analysis (this section), the basic financial statements including notes to the basic financial statements and required supplementary information. The basic financial statements include Proprietary (Enterprise) fund statements which offer short- and long-term financial information about the activities that the District operates like a business.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The basic financial statements consist of three statements:

- The Statement of Net Position presents information on all District assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that may result in cash flows in future periods.
- The Statement of Cash Flows presents information to show how the District's cash changed throughout the fiscal year. It shows the sources and uses of cash.

The accounting basis and measurement focus for Proprietary Funds is accrual accounting and economic resources focused. All assets and liabilities, both financial and capital, and short- and long-term are

included in the statements. All revenues and expenses are recorded regardless of when cash is received or paid.

Since the District is reported in one fund, an Enterprise Fund, which is one of the Proprietary Fund types, only one set of financial statements is necessary.

Financial Analysis of the District's Overall Financial Position and Results of Operations

The District's financial statements provide detailed information about the District's one fund:

Our analysis below focuses on the net position and the changes in net position of District activities in fiscal year ended June 30, 2021, as compared to fiscal year ended June 30, 2020.

Comparative Statement of Net Position (condensed) As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets and Deferred Outflows of Resources:				
Current assets	\$ 24,031,636	\$ 21,676,201	\$ 2,355,435	10.9%
Non-current assets	32,549,754	32,741,907	(192,153)	(0.6)%
Deferred Outflows of Resources	<u>2,433,641</u>	<u>2,792,372</u>	<u>(358,731)</u>	(12.8)%
Total assets and deferred outflows of resources	<u>59,015,031</u>	<u>57,210,480</u>	<u>1,804,551</u>	3.2%
Liabilities and Deferred Inflows of Resources:				
Current liabilities	1,151,521	1,519,891	(368,370)	(24.2)%
Non-current liabilities	9,499,175	8,761,757	737,418	8.4%
Deferred Inflows of Resources	<u>1,144,074</u>	<u>1,721,930</u>	<u>(577,856)</u>	(33.6)%
Total liabilities and deferred inflows of resources	<u>11,794,770</u>	<u>12,003,578</u>	<u>(208,808)</u>	(1.7)%
Net position:				
Net investment in capital assets	32,549,754	32,741,907	(192,153)	(0.6)%
Restricted/Unrestricted net position:				
Unrestricted	<u>14,670,507</u>	<u>12,464,995</u>	<u>2,205,512</u>	17.7%
Total net position	<u>\$ 47,220,261</u>	<u>\$ 45,206,902</u>	<u>\$ 2,013,359</u>	4.5%

The above table is a condensed schedule of the District's Statement of Net Position (page 16). Additionally, the above table shows variance information to illustrate what items changed year over year.

Net position increased \$2,013,359, or 4.5%. Net investment in capital assets decreased by \$192,153, or 0.6%. This decrease was primarily due to our annual depreciation and amortization being higher than our improvements in capital assets and construction in progress. The unrestricted net position increased by \$2,205,512, or 17.7%. This increase was due to an increase in cash and investments.

Comparative Statement of Revenues, Expenses, and Changes in Net Position (condensed)
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 4,154,823	\$ 4,210,553	\$ (55,730)	(1.3)%
Non-operating revenues	9,171,875	9,269,586	(97,711)	(1.1)%
Total revenues	13,326,698	13,480,139	(153,441)	(1.1)%
Operating expenses	11,076,751	10,109,615	967,136	9.6%
Non-operating expenses	236,588	154,325	82,263	53.3%
Total expenses	11,313,339	10,263,940	1,049,399	10.2%
Net income before contributions	2,013,359	3,216,199	(1,202,840)	(37.4)%
Capital contributions	-	-	-	-
Increase (decrease) in net position	2,013,359	3,216,199	(1,202,840)	(37.4)%
Net position:				
Beginning of fiscal year	<u>45,206,902</u>	<u>41,990,703</u>	<u>3,216,199</u>	7.7%
End of fiscal year	<u>\$ 47,220,261</u>	<u>\$ 45,206,902</u>	<u>\$ 2,013,359</u>	4.5%

The above table is a condensed schedule of the District's Statement of Revenues, Expenses, and Changes in Net Position (page 17). This table shows the nature and source of the changes in our Net Position. Additionally, the above table shows variance information to illustrate what items changed year over year.

Operating revenues are those revenues that are generated from the primary enterprise operations of the District, such as fees collected for berth rent, use of the boat launch ramp and leased property rents. All other revenues are reported as non-operating revenues, such as property taxes or grant revenue received. Operating expenses are all the expenses that are essential to the primary operations of the District, such as salaries and wages, repairs and maintenance, contract services, and utilities. Expenses that are reported as non-operating expenses include legal costs associated with claim settlements, loss on disposition of capital assets, and changes to termination benefit liabilities.

Non-operating revenues decreased by \$97,711 or 1.1%. This was primarily due to a decrease in grant revenue versus last year. Non-operating expenses increased by \$82,263 or 53.3%. The increase was due to an increase in our other postemployment benefits cost calculation.

Summary of Revenues
For the Years Ended June 30, 2021 and 2020

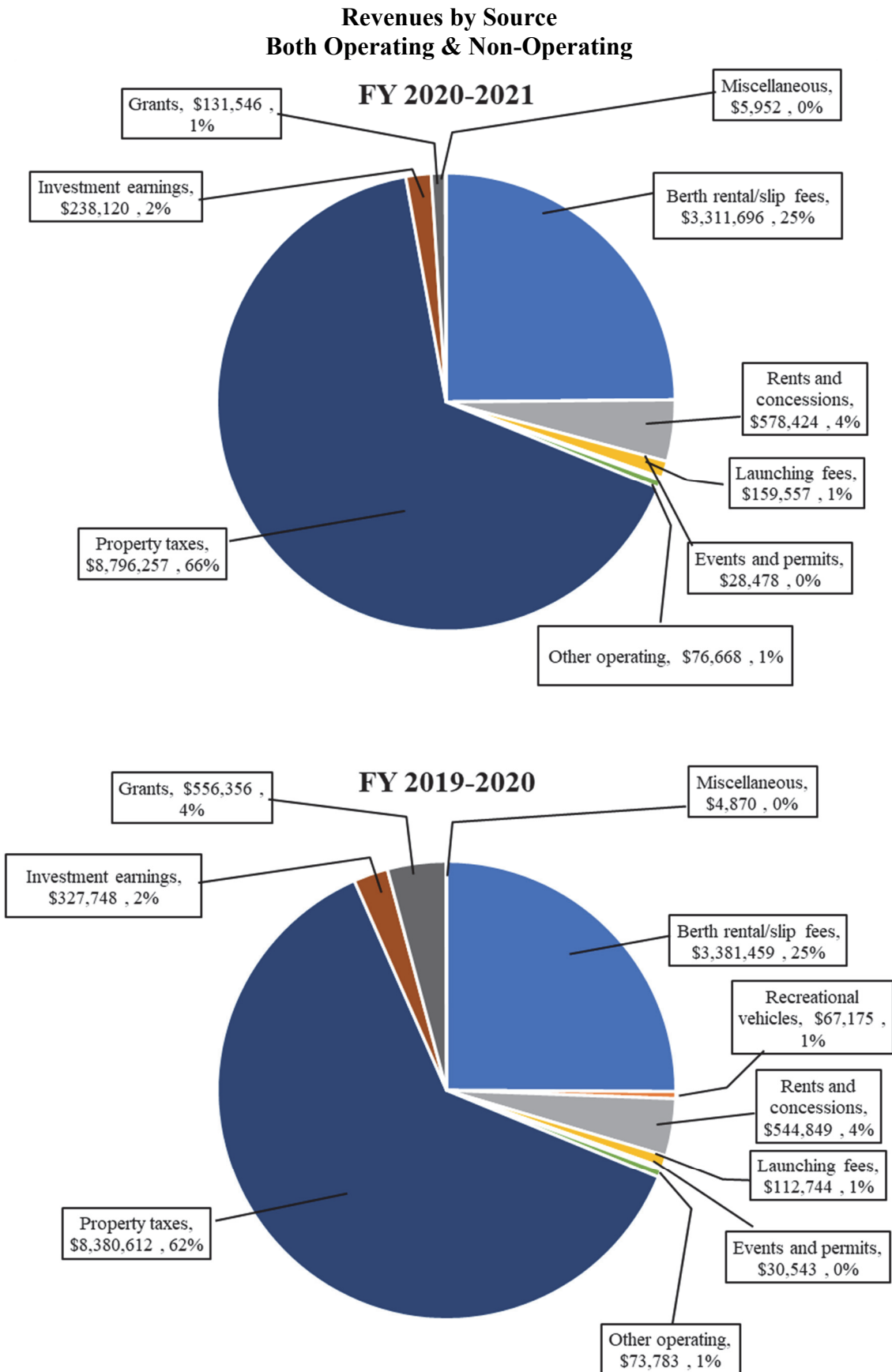
Revenue Source	2021		2020		Increase/ (Decrease)	Percentage Increase/ (Decrease)
	Total	Percentage of Total Revenue	Total	Percentage of Total Revenue		
Berth rental/slip fees (berth rental, mooring fees, transient berths and dockage)	\$ 3,311,696	24.9%	\$ 3,381,459	25.1%	\$ (69,763)	(2.1)%
Recreational vehicles	-	0.0%	67,175	0.5%	(67,175)	(100.0)%
Rents and concessions	578,424	4.3%	544,849	4.0%	33,575	6.2%
Launching fees	159,557	1.2%	112,744	0.8%	46,813	41.5%
Events and permits	28,478	0.2%	30,543	0.2%	(2,065)	(6.8)%
Other operating	76,668	0.6%	73,783	0.5%	2,885	3.9%
Property taxes	8,796,257	66.0%	8,380,612	62.2%	415,645	5.0%
Investment earnings	238,120	1.8%	327,748	2.4%	(89,628)	(27.3)%
Grants	131,546	1.0%	556,356	4.1%	(424,810)	(76.4)%
Miscellaneous	5,952	0.0%	4,870	0.0%	1,082	22.2%
Total revenues	\$ 13,326,698	100.0%	\$ 13,480,139	100.0%	\$ (153,441)	(1.1)%

The above table lists the District's major sources of revenue; operating revenues (harbor operations revenue) are shown as well as nonoperating revenue (grant, investment, and property tax revenue). All items above are cash transactions, meaning that the District received actual monies paid in the amounts above. Miscellaneous revenue and non-cash transactions, such as a gain/loss on disposition of assets are not shown above. Additionally, the above table shows variance information to illustrate what items changed year over year.

Berth rental/transient fees decreased slightly during the year, and as a whole Operating Revenues decreased slightly compared to last year. There was no Recreational Vehicles revenue during the year due to the District ceasing operations of its RV lot in March 2020 following receipt of a Notice of Violation from San Mateo County. An increase in Launching fee revenue is due to increased activity at both harbors following the reopening of the launch ramps in June 2020 which were closed for several months due to the COVID-19 pandemic.

Property taxes consist of 66.0% of the District's total revenues, and the District saw an increase in property tax revenue from San Mateo County due to rising property values. Investment earnings decreased due to lower interest rates during the year. Grant revenue decreased versus last year because the District received a large FEMA grant and a Law Enforcement Equipment grant (State of CA) last year.

The following is a graphic illustration of District revenues by source for the current and previous fiscal years:



Summary of Expenses
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
Administration	\$ 2,793,336	\$ 2,313,719	\$ 479,617	20.7%
Pillar Point Harbor	4,724,217	4,416,832	307,385	7.0%
Oyster Point Marina	2,421,180	2,267,320	153,860	6.8%
Depreciation and amortization	<u>1,138,018</u>	<u>1,111,744</u>	<u>26,274</u>	2.4%
Total operating expenses	11,076,751	10,109,615	967,136	9.6%
Non-operating expenses:				
Claim settlements	-	30,000	(30,000)	(100.0)%
(Gain) loss on disposition of capital assets	(7,300)	(1,378)	(5,922)	429.8%
Termination benefits	155,307	53,988	101,319	187.7%
Payments to other agencies	<u>88,581</u>	<u>71,715</u>	<u>16,866</u>	23.5%
Total non-operating expenses	236,588	154,325	82,263	53.3%
Total expenses	<u>\$ 11,313,339</u>	<u>\$ 10,263,940</u>	<u>\$ 1,049,399</u>	10.2%

The District's operating expenses increased mainly because there was an election in fiscal year 2021 (Administration department 20.7% increase). Election expense continues to be one of the District's largest expense items that occur biennially.

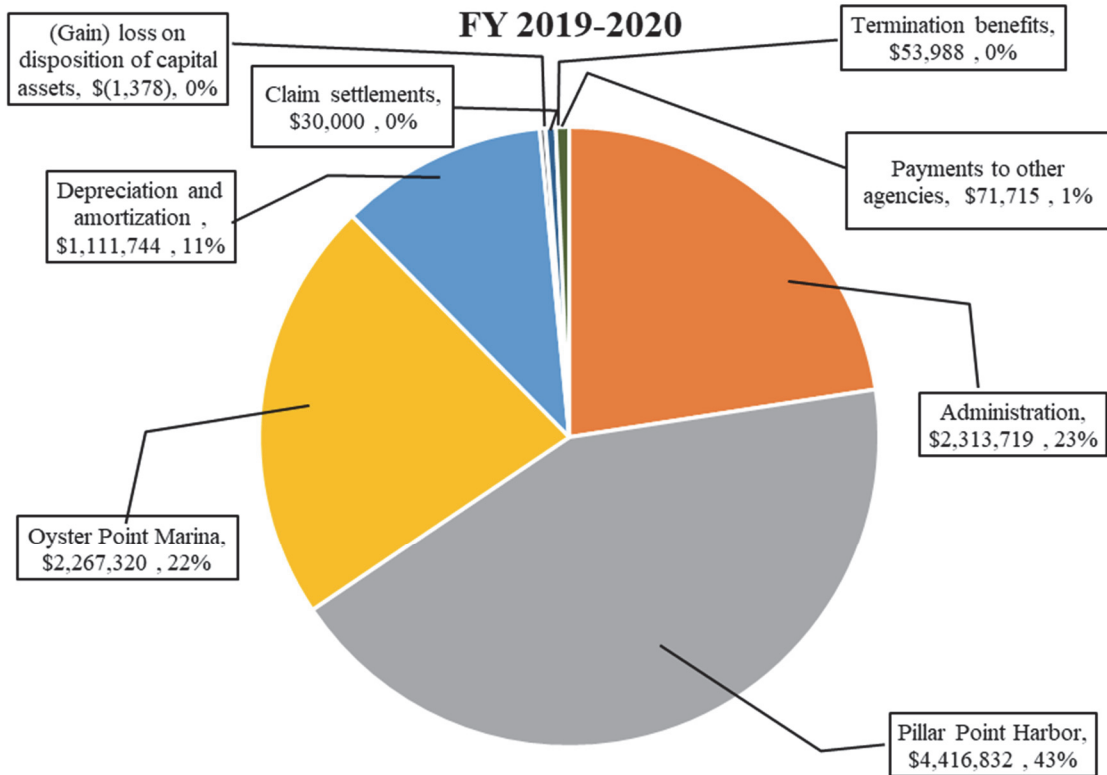
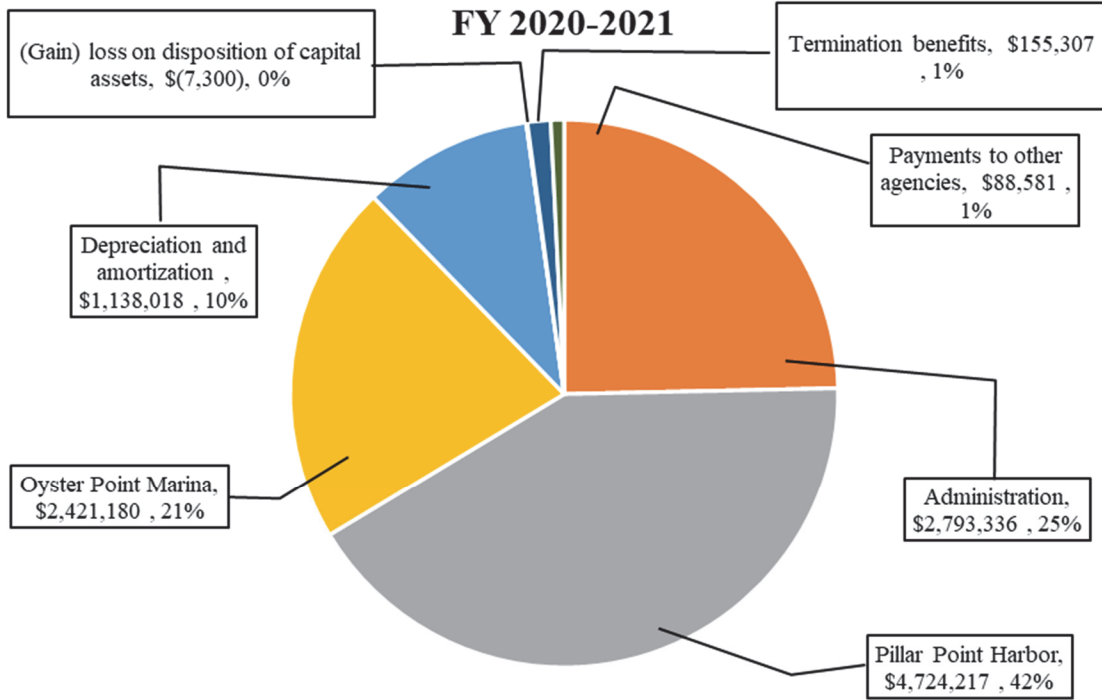
All three departments saw increases to Salaries and Wages. The increase was mainly due to the filling of vacant positions and contractual increases in salaries and benefits. However, each department also experienced decreases in other areas, such as Repairs and Maintenance (Pillar Point Harbor and Oyster Point Marina) and Contractual Services (Administration), which are being offset by the increase in election cost.

Legal costs related to settlements decreased. The District paid no settlement expenses in the fiscal year. In 2020, the District paid \$30,000 related to a California Voting Rights Act litigation.

A gain on disposition of assets was realized this year because the District was able to sell salvaged parts from two rescue watercrafts that were destroyed during a search and rescue incident that occurred last year.

The following is a graphic illustration of District expenses for the current and previous fiscal years:

Expenses Both Operating & Non-Operating



Capital Assets and Long-Term Debt Activity

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2021, was \$32,549,754. The total decrease in net assets from the prior year was 0.6%. This decrease was due to asset acquisitions being lower than the annual depreciation expense. There were no disposals during the year. The table below shows the ending balances of District capital assets, as well as variance information to illustrate what changed year over year.

Comparative Schedule of Capital Assets For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Nondepreciable assets				
Land	\$ 14,385,155	\$ 14,385,155	\$ -	0.0%
Construction in progress	2,439,389	2,040,225	399,164	19.6%
Total nondepreciable assets	16,824,544	16,425,380	399,164	2.4%
Autos and trucks	230,559	230,559	-	0.0%
Boats and radar	911,707	911,707	-	0.0%
Breakwater	12,896,267	12,896,267	-	0.0%
Utilities	1,155,521	1,155,521	-	0.0%
Launch Ramps	3,957,424	3,957,424	-	0.0%
Piers	6,131,836	6,131,836	-	0.0%
Bulkheads	100,000	100,000	-	0.0%
Buildings and improvements	6,711,217	6,164,516	546,701	8.9%
Docks	11,058,431	11,058,431	-	0.0%
Parking lots	1,930,860	1,930,860	-	0.0%
Walkways/Paths	1,772,709	1,772,709	-	0.0%
Machinery and equipment	340,784	340,784	-	0.0%
Subtotal	47,197,315	46,650,614	546,701	1.2%
Less: Accumulated Depreciation	(31,472,105)	(30,334,087)	(1,138,018)	3.8%
Depreciable assets, net	15,725,210	16,316,527	(591,317)	(3.6)%
Total Capital Assets	<u>\$ 32,549,754</u>	<u>\$ 32,741,907</u>	<u>\$ (192,153)</u>	(0.6)%

Construction in progress increased due to many projects progressing during the year, such as West Trail Shoreline Protection (Pillar Point Harbor), RV Lot Restroom Project (Pillar Point Harbor), East Dock Replacement (Oyster Point Marina), and Entrance Navigation Aids Project (Oyster Point Marina). Two projects were completed during the year - the Pillar Point Harbor Office Remodel (Buildings and improvements, above) and the Pillar Point Electronic Access Control (Buildings and improvements, above); and both were placed in service during the year.

Economic Factors and Next Year's Budgets and Rates

The District's Fiscal Year 2021/22 Operating Budget includes estimated Operating Revenues of \$4,439,000 and Non-Operating Revenues of \$8,414,000 for a total of \$12,853,000. The estimated total expenditures for fiscal year 2021/22 are \$9,812,000 (not including capital expenditures). Budgeted total revenues of \$12,853,000 less budgeted total expenditures of \$9,812,000 provide an estimated \$3,041,000 that may be used for funding of one-time costs including capital project costs.

The District's five-year Capital Improvement Program includes an estimate for 2021/22 of \$9,160,574 in Capital Improvement expenditures funded by \$28,644 in FEMA funding, \$800,000 funded by the Department of Boating and Waterways (State of CA), \$40,518 in an Ocean Protection Council Grant, \$298,000 in a Metropolitan Transportation Commission Grant, and \$7,993,412 from available Working Capital.

Contacting the District

This financial report is designed to provide our customers and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and is allocated to it. If you have any questions concerning any of the information provided in this report or requests for additional financial information, please contact:

San Mateo County Harbor District
PO Box 1449
El Granada, CA 94018

James Pruett, General Manager

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BASIC FINANCIAL STATEMENTS

SAN MATEO COUNTY HARBOR DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and investments (Note 2)	\$ 23,257,015	\$ 20,504,472
Accounts receivables:		
Customers	590,333	703,294
Interest	54,409	75,250
Other	108,842	-
Prepaid expenses and deposits	21,037	393,185
Total current assets	24,031,636	21,676,201
NON-CURRENT ASSETS		
Capital assets (Note 3):		
Land	14,385,155	14,385,155
Construction in progress	2,439,389	2,040,225
Depreciable assets	47,197,315	46,650,614
Less accumulated depreciation	(31,472,105)	(30,334,087)
Total non-current assets	32,549,754	32,741,907
TOTAL ASSETS	56,581,390	54,418,108
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 7)	1,882,344	2,581,054
OPEB related (Note 8)	551,297	211,318
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,433,641	2,792,372
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 59,015,031	\$ 57,210,480
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 402,854	\$ 807,400
Accrued payroll	102,188	86,183
Customer deposit	387,880	374,435
Unearned revenue (Note 4)	258,599	251,873
Total current liabilities	1,151,521	1,519,891
NON-CURRENT LIABILITIES		
Unearned revenue (Note 4)	2,794,909	2,861,454
Compensated absences	476,536	373,808
Net OPEB Liability (Note 8)	3,323,387	2,828,101
Net pension liability (Note 7)	2,904,343	2,698,394
Total non-current liabilities	9,499,175	8,761,757
TOTAL LIABILITIES	10,650,696	10,281,648
DEFERRED INFLOWS OF RESOURCES		
Pension related (Note 7)	1,144,074	1,721,930
NET POSITION (Note 5)		
Net investment in capital assets	32,549,754	32,741,907
Unrestricted	14,670,507	12,464,995
TOTAL NET POSITION	47,220,261	45,206,902
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 59,015,031	\$ 57,210,480

See accompanying notes to financial statements

SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Berth Rental	\$ 3,311,696	\$ 3,381,459
Launching fees	159,557	112,744
Recreational vehicles	-	67,175
Rents and concessions	578,424	544,849
Events and permits	28,478	30,543
Other operating revenues	76,668	73,783
Total operating revenues	4,154,823	4,210,553
OPERATING EXPENSES		
Administration	2,793,336	2,313,719
Pillar Point Harbor	4,724,217	4,416,832
Oyster Point Marina	2,421,180	2,267,320
Depreciation and amortization	1,138,018	1,111,744
Total operating expenses	11,076,751	10,109,615
Operating income (loss)	(6,921,928)	(5,899,062)
NONOPERATING REVENUES (EXPENSES)		
Grants	131,546	556,356
Investment earnings	238,120	327,748
Property taxes	8,796,257	8,380,612
Gain (loss) on disposition of capital assets	7,300	1,378
Termination benefits	(155,307)	(53,988)
Claim settlements	-	(30,000)
Payments to other agencies	(88,581)	(71,715)
Miscellaneous revenue	5,952	4,870
Total nonoperating revenues (expenses)	8,935,287	9,115,261
CHANGES IN NET POSITION	2,013,359	3,216,199
NET POSITION, BEGINNING OF YEAR	45,206,902	41,990,703
NET POSITION, END OF YEAR	\$ 47,220,261	\$ 45,206,902

See accompanying notes to financial statements

**SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,179,783	\$ 3,813,279
Payments to suppliers	(3,767,529)	(3,073,172)
Payments to or on behalf of employees	(5,804,440)	(5,163,024)
Other receipts and payments	5,952	4,870
Net cash provided (used) by operating activities	(5,386,234)	(4,418,047)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	8,796,257	8,380,612
Receipts from grants	131,546	556,356
Claim settlements	-	(30,000)
Payments to other agencies	(88,581)	(71,715)
Net cash provided (used) by noncapital financing activities	8,839,222	8,835,253
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction on capital assets	(945,865)	(1,891,211)
Proceeds from the sale of assets	7,300	21,770
Net cash provided (used) by capital and related financing activities	(938,565)	(1,869,441)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	238,120	327,748
Net cash provided (used) in investing activities	238,120	327,748
Net increase (decrease) in cash and cash equivalents	2,752,543	2,875,513
CASH AND INVESTMENTS:		
Beginning of year	20,504,472	17,628,959
End of year	\$ 23,257,015	\$ 20,504,472
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ (6,921,928)	\$ (5,899,062)
Nonoperating income (loss), other than those from financing, capital related, or investing activities	(149,355)	(49,119)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,138,018	1,111,744
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
(Increase) in accounts receivable	24,960	(397,274)
(Increase) in prepaid expenses	372,148	(103,009)
(Decrease) in accounts payable and accrued liabilities	(404,546)	516,846
(Decrease) in accrued payroll	16,005	52,397
(Decrease) in deposits and unearned revenue	(46,374)	(91,050)
Increase in accrued vacation and sick leave	102,728	95,318
(Decrease) in net pension liability and related deferred inflows and outflows	326,803	291,174
(Decrease) in net OPEB liability and related deferred inflows and outflows	155,307	53,988
Net cash (used) by operating activities	\$ (5,386,234)	\$ (4,418,047)

See accompanying notes to financial statements

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Mateo County Harbor District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. The more significant of the District's accounting policies are described below.

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

A. Description of the Entity and its Programs

The District is organized under the Harbor and Navigation provisions of the general laws of the State of California and is governed by a five-member Board of Commissioners elected at large by the registered voters of the District. The District has three locations: Pillar Point Harbor, located in the unincorporated area of Princeton, Oyster Point Marina, located in South San Francisco, and an Administrative Office located in El Granada. The District serves the entire County of San Mateo.

Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the District's Board of Commissioners. The District is a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect the assets, liabilities, Net Position, revenues, and expenses of the District only.

As defined by GASB Statements No. 14 and 39, *The Financial Reporting Entity*, the District is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, the District is not aware of any entity which would be financially accountable for the District which would result in the District being considered a component of the entity.

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting Classification and Basis of Accounting

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position.

District funds are classified as enterprise funds, which account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, and cash flow from operations.

C. Cash and Investments

For the purposes of the Statement of Net Position and Statement of Cash Flows, “cash equivalents and investments” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months from operations.

D. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**SAN MATEO COUNTY HARBOR DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Capital assets are carried at cost or estimated cost if actual cost was not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Depreciation is calculated on a straight-line basis using the following useful life schedule:

Asset	Useful Life
Autos and trucks	3 to 10 years
Boats and radar	3 to 10 years
Signs	10 years
Breakwater	50 years
Utilities	20 years
Channels	20 years
Launch Ramps	20 years
Piers	25 to 50 years
Bulkheads	50 years
Buildings and improvements	10 to 40 years
Docks	20 to 30 years
Parking Lots	10 to 25 years
Walkways/Paths	25 to 30 years
Machinery and Equipment	3 to 20 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

F. Property Taxes

The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than two percent (2%) per year unless the property is sold, transferred, or improved. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among counties, cities, school districts, and other districts.

San Mateo County assesses, bills for, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	March 1	March 1
Levy dates	July 1	July 1
Due dates	50% on November 1 and 50% on March 1	July 1
Delinquent as of	December 10 (for November) and April 10 for (March)	August 31

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (continued)

The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue when received in the fiscal year of levy because of the adoption of the “alternate method of property tax distribution,” known as the Teeter Plan, by the District and the County of San Mateo (County). The Teeter Plan authorizes the Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the District in three installments, as follows:

50% remitted on December 15
40% remitted on April 15
10% remitted on June 15

G. Accrued Vacation and Sick Leave

The liability for vested vacation (PTO) is recorded as an expense when the hours are earned. When PTO is used it offsets the PTO liability account. For “represented” employees, unused balances of PTO are carried over from year to year but cannot exceed 480 hours. For “management” employees, unused balances of PTO are carried over from year to year but cannot exceed 540 hours. District employees’ sick leave accrues from year to year with no cap. Employees can use their sick leave upon 1) employee’s medical absence, 2) to care for a dependent minor with medical conditions, 3) employee qualifies for State Disability, or 4) employee is eligible for Worker’s Compensation. In addition, during the COVID-19 pandemic, employees may use sick leave for COVID-19 related issues.

H. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District’s financial position and operations.

I. Deferred Outflows of Resources

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

J. Deferred Inflows of Resources

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

**SAN MATEO COUNTY HARBOR DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

The District's cash and temporary investments are carried at market, and include:

	2021	2020
Cash in bank	\$ 4,641,519	\$ 1,873,792
Investments	18,613,246	18,628,430
Cash on hand	2,250	2,250
	\$ 23,257,015	\$ 20,504,472

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

B. Summary of Cash and Investments (continued)

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Authorized Investments

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded.

The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Authorized Limit (%)	Minimum Credit Quality
Local Agency Bonds	5 Years	None	N/A
U.S. Treasury Bills, Notes, or Bonds	5 Years	None	N/A
State Warrants	5 Years	None	N/A
Notes & Bonds of other Local Agencies	5 Years	None	N/A
U.S. Agencies	5 Years	None	N/A
Bankers Acceptance	180 Days	40%	N/A
Prime Commercial Paper	270 Days	25%	A1, P1
Negotiable Certificates of Deposit	5 Years	30%	N/A
Repurchase Agreement (A)	1 Year	20%	N/A
Medium Term Corporate Notes	5 Years	30%	A
Money Market Mutual Funds & Mutual Funds (B)	5 Years	20%	AAA
Collateralized Bank Deposits	5 Years	None	N/A
Mortgage Pass-Through Securities	5 Years	20%	AAA
Local Agency Investment Fund (LAIF)	N/A	None	N/A
County Pooled Investment Funds	N/A	None	N/A

(A) See California Government Code 53601 (I) for limits on the use of Reverse Repurchase Agreements

(B) Mutual Funds maturity may be defined as the weighted average maturity. Under SEC Regulations, Money Market Mutual funds must have an average maturity of 90 days or less

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity date:

Investment Type	12 Months or less	June 30, 2021	
		Total	June 30, 2020
California Local Agency Investment Fund	\$ 7,447	\$ 7,447	\$ 7,384
San Mateo County Investment Fund	18,605,799	18,605,799	18,621,046
Total Investments	<u>\$ 18,613,246</u>	<u>18,613,246</u>	<u>18,628,430</u>
Cash in banks and on hand		<u>4,643,769</u>	<u>1,876,042</u>
Total Cash and Investments		<u>\$ 23,257,015</u>	<u>\$ 20,504,472</u>

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2021 and 2020, respectively, these investments matured in an average of 291 and 191 days .

The District invests in the San Mateo County Treasury (County), which sponsors an investment pool to invest funds of the County and external public entities, such as the District. The County's pool activity is governed by California Government Code Sections 27000.1 and 53607 as well as the County's Investment Policy, which delegate the County Treasurer to invest in securities issued by the United States, certain corporate bonds and notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, the State of California Local Agency Investment Fund, and securities lending transactions. Participants' equity in the County's investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter.

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Fair Value Hierarchy

The San Mateo County Investment Fund and the Local Agency Investment Fund are exempt from fair value hierarchy.

F. Credit Rate 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. The District's only investments are in the California Local Agency Investment Fund and San Mateo County Investment Fund which are not rated at June 30, 2021 and 2020.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2021 and 2020 were as follows:

	Balance June 30, 2020	Additions	Transfers and Adjustments	Balance June 30, 2021
Capital assets				
Nondepreciable				
Land	\$ 14,385,155	\$ -	\$ -	\$ 14,385,155
Construction in progress	2,040,225	837,704	(438,540)	2,439,389
Total capital assets not being depreciated	<u>16,425,380</u>	<u>837,704</u>	<u>(438,540)</u>	<u>16,824,544</u>
Depreciable				
Autos and Trucks	230,559	-	-	230,559
Boats and radar	911,707	-	-	911,707
Breakwater	12,896,267	-	-	12,896,267
Utilities	1,155,521	-	-	1,155,521
Launch Ramps	3,957,424	-	-	3,957,424
Piers	6,131,836	-	-	6,131,836
Bulkheads	100,000	-	-	100,000
Buildings and improvements	6,164,516	108,161	438,540	6,711,217
Docks	11,058,431	-	-	11,058,431
Parking lots	1,930,860	-	-	1,930,860
Walkways/Paths	1,772,709	-	-	1,772,709
Machinery and equipment	340,784	-	-	340,784
Total capital assets being depreciated:	<u>46,650,614</u>	<u>108,161</u>	<u>438,540</u>	<u>47,197,315</u>
Accumulated depreciation	<u>(30,334,087)</u>	<u>(1,138,018)</u>	<u>-</u>	<u>(31,472,105)</u>
Total depreciable assets (net)	<u>16,316,527</u>	<u>(1,029,857)</u>	<u>438,540</u>	<u>15,725,210</u>
Total capital assets	<u>\$ 32,741,907</u>	<u>\$ (192,153)</u>	<u>\$ -</u>	<u>\$ 32,549,754</u>

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CAPITAL ASSETS (Continued)

	Balance June 30, 2019	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2020
Capital assets					
Nondepreciable					
Land	\$ 14,385,155	\$ -	\$ -	\$ -	\$ 14,385,155
Construction in progress	844,566	1,200,760	-	(5,101)	2,040,225
Total capital assets not being depreciated	<u>15,229,721</u>	<u>1,200,760</u>	<u>-</u>	<u>(5,101)</u>	<u>16,425,380</u>
Depreciable					
Autos and Trucks	195,351	35,208	-	-	230,559
Boats and radar	891,891	47,310	(27,494)	-	911,707
Breakwater	12,896,267	-	-	-	12,896,267
Utilities	1,155,521	-	-	-	1,155,521
Launch Ramps	3,957,424	-	-	-	3,957,424
Piers	6,131,836	-	-	-	6,131,836
Bulkheads	100,000	-	-	-	100,000
Buildings and improvements	5,571,872	587,543	-	5,101	6,164,516
Docks	11,058,431	-	-	-	11,058,431
Parking lots	1,930,860	-	-	-	1,930,860
Walkways/Paths	1,772,709	-	-	-	1,772,709
Machinery and equipment	340,784	-	-	-	340,784
Total capital assets being depreciated:	<u>46,002,946</u>	<u>670,061</u>	<u>(27,494)</u>	<u>5,101</u>	<u>46,650,614</u>
Accumulated depreciation	<u>(29,229,446)</u>	<u>(1,111,744)</u>	<u>7,103</u>	<u>-</u>	<u>(30,334,087)</u>
Total depreciable assets (net)	<u>16,773,500</u>	<u>(441,683)</u>	<u>(20,391)</u>	<u>5,101</u>	<u>16,316,527</u>
Total capital assets	<u>\$ 32,003,221</u>	<u>\$ 759,077</u>	<u>\$ (20,391)</u>	<u>\$ -</u>	<u>\$ 32,741,907</u>

NOTE 4 – UNEARNED REVENUE

On September 10, 2009, the District entered into an Oyster Point Marina lease agreement with Department of Boating and Waterways (DBW) for a period of fifty-five (55) years. Conditionally, the DBW received a payment in the amount of \$3,660,000 from California Emergency Management Agency on the Water Emergency Transportation Authority's (WETA) behalf. This payment was allocated to the District's outstanding debt principal of the consolidated loan agreement between the District and DBW. The District recognizes income for this payment proportionally over the life of the lease and on an annual basis. As of June 30, 2021, the District's total unearned revenues was \$3,053,508, of which \$2,794,909 was related to WETA.

NOTE 5 – NET POSITION

The District's Reserve Policy requires minimum reserves to equal at least 25% of the Operating Budget Appropriations adjusted to include 50% of biennial appropriations (e.g. election costs) and not include non-recurring appropriations.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 6 – RISK MANAGEMENT

The District insurance, workers’ compensation, and employer’s liability through the Special District Risk Management Authority risk pool (SDRMA). SDRMA is a risk pooling self-insurance authority, created under the provisions of California Government Code Section 6500, et. seq. The purpose of SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Maximum coverage and deductible amounts are as follows:

Type of Coverage	Coverage Limit	Retention/Deductible
Property	\$ 800,000,000	\$ 1,000
Boiler & Machinery	100,000,000	1,000
Pollution	2,000,000	1,000
Cyber	Limits on File	1,000
Mobile Equipment	800,000,000	No deductible
General Liability	10,000,000	500
Employee/Public Officials Dishonesty	1,000,000	No deductible
Auto Liability	10,000,000	1,000
Trailer	Limits on File	No deductible
Employers' Liability	5,000,000	No deductible
Workers' Compensation	Statutory	No deductible

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS)

General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Rate Plan. The District’s Miscellaneous Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

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 the plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA) Assembly Bill 340 is applicable to employees new to CalPERS hired after December 31, 2012.

The Plan’s provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous</u>
	Prior to	PEPRA
	January 1, 2013	On or after
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.0-2.5%	1.0-2.0%
Required employee contribution rates	8.000%	6.750%
Required employer contribution rates	11.742%	7.732%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability was \$222,163 in fiscal year 2021.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability – 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 CalPERS Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

As of June 30, 2021, and 2020, the District reported a net pension liability of \$2,904,343 and \$2,698,394, respectively, for its proportionate share of the net pension liability of the Plan as follows:

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District’s proportion of the net pension liability was based on projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.06738%
Proportion - June 30, 2020	0.06885%
Change - Increase (Decrease)	0.00147%

For the year ended June 30, 2021, the District recognized pension expense of \$864,562. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 537,760	\$ -
Differences between actual and expected experience	149,669	-
Changes in assumptions	-	(20,715)
Change in employer’s proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions	1,108,637	(1,123,359)
Net differences between projected and actual earnings on plan investments	86,278	-
Total	\$ 1,882,344	\$ (1,144,074)

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

The \$537,760 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2022	\$ 24,602
2023	94,940
2024	39,588
2025	41,380
Total	<u>\$ 200,510</u>

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP2016 (based on CalPERS demographic data from 1997 to 2015). For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in both valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, 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.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years)) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rates of return by asset class.

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

- (a) In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.00% used for this period.
- (c) An expected inflation of 2.92% used for this period.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the next pension liability for the Plan calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate at June 30, 2021:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 5,517,366
Current Discount Rate	7.15%
Net Pension Liability	\$ 2,904,343
1% Increase	8.15%
Net Pension Liability	\$ 745,284

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

A. General Information about the District’s Post Employment Benefit Plan

Plan Description – Eligible District employees receive Post Employment Benefits through a single employer defined benefit plan upon termination. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Benefits Provided – The following is a summary of Plan benefits by employee group as of June 30, 2021:

All San Mateo County Harbor District Employees	
<i>Eligibility</i>	Employees hired after January 1, 1981 but prior to July 1, 2009, with no less than 12 years of service at the time of termination. Employee must not have been terminated for good cause.
<i>Benefit</i>	At the time of termination, the individual and their dependents may continue their then existing health, dental, and vision benefits, and life insurance, at the District's expense. These benefits may only be collected for a period that is equal to half of the time the individual was employed with the District.

For the year ended June 30, 2021, the District’s contributions to the Plan were \$223,283.

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Employee Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2021:

Active employees	11
Inactive employees or beneficiaries currently receiving benefit payments	9
Total	20

B. Total OPEB Liability

Actuarial Methods and Assumptions – The District’s total OPEB liability was measured as of June 30, 2021 and the total OPEB liability was determined by an actuarial valuation dated July 1, 2020 that was rolled forward using standard update procedures to determine the total liability as of June 30, 2021, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	1.92%
Long-Term Expected Return of Plan Investments	4.00%
Payroll Growth	3.00%
Healthcare Trend Rates	3.00% for 2021-2023; 4.00% for 2024-2069, and 3.00% for 2070 and

The discount rate was based on the Municipal Bond 20-Year High Grade Rate Index.

The underlying mortality assumptions and all other actuarial assumptions used in the July 1, 2020 valuation were based on the results of a plan experience from the 2017 CalPERS Experience Study.

C. Changes in Net OPEB Liability

The changes in the Net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at 6/30/20	\$ 2,828,101	\$ -	\$ 2,828,101
Changes Recognized for the Measurement Period:			
Service costs	93,557	-	93,557
Interest on the total OPEB liability	78,587	-	78,587
Difference between expected and actual experience	204,026	-	204,026
Changes of assumptions	342,399	-	342,399
Employer contributions	-	223,283	(223,283)
Benefit payments	(223,283)	(223,283)	-
Net Changes	495,286	-	495,286
Balance at 6/30/21	\$ 3,323,387	\$ -	\$ 3,323,387

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$155,308. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ -	\$ -
Differences between actual and expected experience	150,335	-
Changes of assumptions	400,961	-
Differences between projected and actual return on investments	-	-
Total	\$ 551,296	\$ -

Other amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2022	\$ 206,447
2023	206,446
2024	138,403
2025	-
Total	\$ 551,296

E. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and 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 a discount rate that is 1-percentage-point lower (0.92%) or 1-percentage-point higher (2.92%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1% (0.92%)	Current Discount Rate (1.92%)	Discount Rate +1% (2.92%)
\$3,637,404	\$3,323,387	\$3,050,159

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 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
Current Healthcare Cost Trend Rates		
1% Decrease (2.00%)	Rates (3.00%)	1% Increase (4.00%)
\$2,958,428	\$3,323,387	\$3,763,842

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The District is subject to general risk and exposure due to normal operations in the course of business. These risks involve various claims against the District, both asserted and unasserted, all of which management considers to be immaterial to these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**San Mateo County Harbor District
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2021
Last 10 Years***

**Schedule of the Plan's Proportionate Share of
the Net Pension Liability
and Related Ratios as of the Measurement Date
Last 10 Years***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Plan's proportion of the Net Pension Liability	0.04848%	0.13453%	0.10624%	0.12714%	0.12820%	0.06738%	0.06885%
Plan's proportionate share of the Net Pension Liability	\$ 3,016,578	\$ 3,690,808	\$ 4,497,813	\$ 5,012,109	\$ 4,831,494	\$ 2,698,394	\$ 2,904,343
Plan's Covered Payroll	\$ 2,064,270	\$ 2,000,338	\$ 2,022,481	\$ 2,361,865	\$ 2,814,510	\$ 2,749,582	\$ 3,074,857
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	146.13%	184.51%	222.39%	212.21%	171.66%	98.14%	94.45%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%	79.89%	75.87%	75.39%	75.26%	75.26%	75.10%

* Fiscal year 2015 was the 1st year of implementation.

**San Mateo County Harbor District
 Cost-Sharing Multiple Employer Defined Pension Plan - Miscellaneous Plans
 For the Fiscal Year Ended June 30, 2021**

**Schedule of Contributions
 Last 10 Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019**</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$ 376,892	\$ 409,949	\$ 474,656	\$ 543,875	\$ 598,183	\$ 587,323	\$ 537,760
Contributions in relation to the actuarially determined contributions	<u>(376,892)</u>	<u>(409,949)</u>	<u>(464,656)</u>	<u>(543,875)</u>	<u>(2,898,183)</u>	<u>(587,323)</u>	<u>(537,760)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,300,000)</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 <u>\$ 2,000,338</u>	 <u>\$ 2,361,865</u>	 <u>\$ 2,361,865</u>	 <u>\$ 2,814,510</u>	 <u>\$ 2,749,582</u>	 <u>\$ 3,074,857</u>	 <u>\$ 3,592,149</u>
 Contributions as a percentage of covered payroll	 18.84%	 17.36%	 20.10%	 19.32%	 21.76%	 19.10%	 14.97%

* Fiscal year 2015 was the 1st year of implementation.

** In Fiscal year 2019, the District made a one-time payment of \$2,300,000 to pay down its unfunded accrued liability (UAL).

San Mateo County Harbor District
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Single Employer Longevity Health Insurance Premium Payment Program
Last 10 fiscal years*

Measurement Date	6/30/18	6/30/19	6/30/20	6/30/21
Total OPEB Liability (1)				
Service Cost	\$ 79,156	\$ 81,531	\$ 89,084	\$ 93,557
Interest	88,214	88,748	83,162	78,587
Difference between expected and actual experience	-	-	-	204,026
Changes of assumptions	-	118,534	179,142	342,399
Benefit payments	<u>(141,302)</u>	<u>(164,137)</u>	<u>(180,909)</u>	<u>(223,283)</u>
Net change in total OPEB liability	26,068	124,676	170,479	495,286
Total OPEB liability - beginning	<u>2,506,878</u>	<u>2,532,946</u>	<u>2,657,622</u>	<u>2,828,101</u>
Total OPEB liability - ending (a)	<u>\$ 2,532,946</u>	<u>\$ 2,657,622</u>	<u>\$ 2,828,101</u>	<u>\$ 3,323,387</u>
 Covered-employee payroll	 <u>\$ 1,126,238</u>	 <u>\$ 1,221,622</u>	 <u>\$ 1,212,882</u>	 <u>\$ 1,011,382</u>
 Total OPEB liability as a percentage of covered-employee payroll	 -224.90%	 -217.55%	 -233.17%	 -328.60%

Notes to Schedule:

- (1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

San Mateo County Harbor District
SCHEDULE OF CONTRIBUTIONS
 Single Employer Longevity Health Insurance Premium Payment Program
 Last 10 fiscal years*

Fiscal Year Ended June 30,	2018	2019	2020	2021
Actuarially required contribution	\$ 141,302	\$ 164,137	\$ 180,909	\$ 223,283
Contributions in relation to the actuarially required contributions	<u>141,302</u>	<u>164,137</u>	<u>180,909</u>	<u>223,283</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 1,126,238</u>	<u>\$ 1,221,622</u>	<u>\$ 1,212,882</u>	<u>\$ 1,011,382</u>
Contributions as a percentage of covered-employee payroll	12.55%	13.44%	14.92%	22.08%

Notes to Schedule:

Valuation Date : July 1, 2020

* Fiscal year 2018 was the first year of implementation.

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SUPPLEMENTAL INFORMATION

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Administration
For the year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
OPERATING EXPENSES:		
Advertising and promotion	\$ 9,043	\$ 18,730
Bank charges	460	374
Contractual services	49,717	298,889
Dues and subscriptions	17,748	12,660
Insurance	76,635	53,981
IT	90,381	107,288
Legal fees	197,022	212,191
Personnel expenses	133	6,028
Operating expenses	16,315	28,143
Rent	111,100	98,700
Repairs and maintenance	482	237
Salaries and benefits	1,776,713	1,406,581
Training, seminars and professional development	9,989	69,369
Elections	437,598	-
Miscellaneous expense	-	548
Depreciation and amortization	2,769	2,769
Total operating expenses	<u>2,796,105</u>	<u>2,316,488</u>
Operating income (loss)	<u>(2,796,105)</u>	<u>(2,316,488)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	238,120	327,748
Property taxes	8,796,257	8,380,612
Termination benefits	3,597	4,894
Claim settlements	-	(30,000)
Payments to other agencies	(88,581)	(71,715)
Miscellaneous revenue	4,944	3,729
Total nonoperating revenues (expenses)	<u>8,954,337</u>	<u>8,615,268</u>
Net Income	<u>\$ 6,158,232</u>	<u>\$ 6,298,780</u>

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Pillar Point Harbor
For the year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	2021	2020
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 2,082,393	\$ 2,130,420
Launching fees	129,492	88,312
Recreational vehicles	-	67,175
Rents and concessions	460,754	420,686
Events and permits	28,478	29,417
Other operating revenues	49,465	47,166
Total operating revenues	2,750,582	2,783,176
OPERATING EXPENSES:		
Advertising and promotion	5,304	13,804
Bad debts (recoveries)	44,464	100,441
Bank charges	45,994	42,774
Contractual services	216,887	140,230
Dues and subscriptions	80	338
Insurance	53,451	39,084
IT	73,497	57,074
Legal Fees	427,846	109,126
Personnel expenses	1,104	11,936
Operating expenses	243,623	224,532
Repairs and maintenance	334,570	698,995
Salaries and benefits	2,710,678	2,569,960
Travel, training, seminars and professional development	17,634	39,393
Utilities	371,426	285,435
Vessel destruction	168,341	77,690
Miscellaneous expenses	9,318	6,020
Depreciation and amortization	506,782	478,019
Total operating expenses	5,230,999	4,894,851
Operating income (loss)	(2,480,417)	(2,111,675)
NONOPERATING REVENUES (EXPENSES):		
Grants	123,509	504,052
Gain (loss) on disposition of capital assets	7,300	1,378
Termination benefits	(114,896)	(41,368)
Total nonoperating revenues (expenses)	15,913	464,062
Net Income	\$ (2,464,504)	\$ (1,647,613)

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Oyster Point Marina
For the year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	2021	2020
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 1,229,303	\$ 1,251,039
Launching fees	30,065	24,432
Rents and concessions	117,670	124,163
Events and permits	-	1,126
Other operating revenues	27,203	26,617
Total operating revenues	1,404,241	1,427,377
OPERATING EXPENSES:		
Advertising and promotion	5,650	2,435
Bad debts	60,195	34,075
Bank charges	30,241	26,363
Contractual services	91,852	86,779
Dues and subscriptions	-	338
Insurance	57,204	43,244
IT	53,583	44,479
Legal fees	-	6,814
Personnel expenses	3,356	2,912
Miscellaneous expenses	427	1,237
Repairs and maintenance	73,631	119,230
Operating expenses	98,486	86,992
Salaries and benefits	1,762,585	1,625,371
Travel, training, seminars and professional development	8,169	1,633
Utilities	165,826	145,178
Vessel destruction	9,975	40,240
Depreciation and amortization	628,467	630,956
Total operating expenses	3,049,647	2,898,276
Operating income (loss)	(1,645,406)	(1,470,899)
NONOPERATING REVENUES (EXPENSES):		
Grants	8,037	52,304
Termination benefits	(44,008)	(17,514)
Miscellaneous revenue	1,008	1,141
Total nonoperating revenues (expenses)	(34,963)	35,931
Net Income	\$ (1,680,369)	\$ (1,434,968)

**INDEPENDENT AUDITOR'S 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***

To the Board of Commissioners of the
San Mateo County Harbor District
El Granada, 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 basic financial statements of the San Mateo County Harbor District (District), El Granada, California, as of and for the year ended June 30, 2021 and the related notes to the financial statements, and have issued our report thereon dated February 1, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 may exist that have not been identified.

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control date February 1, 2022 which is an integral part of our audit and should be read in conjunction with this report.

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 result 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.

Maze + Associates

Pleasant Hill, California
February 1, 2022