

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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**SAN MATEO COUNTY HARBOR DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Years Ended June 30, 2018 and 2017**

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**BOARD OF COMMISSIONERS
FY 2017-18**

Virginia Chang-Kiraly - President

Robert Bernardo - Vice President

Tom Mattusch - Treasurer

Edmundo Larenas - Secretary

Sabrina Brennan - Commissioner

**MANAGEMENT
FY 2017-18**

Steve McGrath - 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), as of and for the years ended June 30, 2018 and June 30, 2017, 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 opinions.

Opinion

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, 2018 and 2017, and the changes in financial positions and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 1L and Note 8.

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 April 29, 2019, 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 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
April 29, 2019

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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 during the fiscal year that ended on June 30, 2018. 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 \$39,986,759 at June 30, 2018. This was an increase of \$2,144,741 for the year. \$1,137,507 of this increase was related to a prior period adjustment that was made to implement Government Accounting Standards Board (GASB) Statement 75, a new accounting standard that became effective this year.
- The District's operating revenues decreased by \$40,666, or 0.9%. Operating revenues accounted for 36% of all revenues.
- The District's operating expenses increased by \$1,878,598, or 21.3%, mainly due to increased repairs and maintenance cost at Pillar Point Harbor to demolish Romeo Pier.
- General Revenues from taxes, interest, and investments accounted for \$7,244,644 in revenues, or 62% of all revenues. Revenues in the form of grants and other non-operating revenue total \$180,024, or 2% of all revenues.
- Aggregate net pension liabilities are \$5,012,108 and net Other Post Employment Benefit (OPEB) liabilities are \$2,532,946.

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 the District's 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 the District's activities in fiscal year ended June 30, 2018 as compared to fiscal year ended June 30, 2017.

Comparative Statement of Net Position (condensed) As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets and Deferred Outflows of Resources:				
Current assets	\$ 21,696,568	\$ 17,775,391	\$ 3,921,177	22.1%
Non-current assets	30,911,023	31,191,191	(280,168)	(0.9)%
Deferred Outflows of Resources	<u>1,628,502</u>	<u>1,632,913</u>	<u>(4,411)</u>	<u>(0.3)%</u>
Total assets and deferred outflows of resources	<u>54,236,093</u>	<u>50,599,495</u>	<u>3,636,598</u>	<u>7.2%</u>
Liabilities and Deferred Inflows of Resources:				
Current liabilities	3,261,932	1,080,329	2,181,603	201.9%
Non-current liabilities	10,802,766	11,453,756	(650,990)	(5.7)%
Deferred Inflows of Resources	<u>184,636</u>	<u>223,392</u>	<u>(38,756)</u>	<u>(17.3)%</u>
Total liabilities and deferred inflows of resources	<u>14,249,334</u>	<u>12,757,477</u>	<u>1,491,857</u>	<u>11.7%</u>
Net position:				
Net investment in capital assets	30,911,023	31,191,191	(280,168)	(0.9)%
Restricted/Unrestricted net position:				
Unrestricted	<u>9,075,736</u>	<u>6,650,827</u>	<u>2,424,909</u>	<u>36.5%</u>
Total net position	<u>\$ 39,986,759</u>	<u>\$ 37,842,018</u>	<u>\$ 2,144,741</u>	<u>5.7%</u>

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 \$2,144,741, or 5.7%. This increase is primarily due to an increase in cash and investment balances increasing by \$3,730,771 offset by an increase in current liabilities of \$2,181,603. The current liability increase was primarily due to outstanding accounts payable balances for the demolition of Romeo Pier at Pillar Point Harbor at fiscal year ended June 30, 2018.

Comparative Statement of Revenues, Expenses, and Changes in Net Position (condensed)
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 4,263,755	\$ 4,304,421	\$ (40,666)	(0.9)%
Non-operating revenues	7,528,336	6,696,814	831,522	12.4%
Total Revenues	11,792,091	11,001,235	790,856	7.2%
Operating expenses	10,681,189	8,802,591	1,878,598	21.3%
Non-operating expenses	103,668	(77,057)	180,725	(234.5)%
Total Expenses	10,784,857	8,725,534	2,059,323	23.6%
Net income before contributions	1,007,234	2,275,701	(1,268,467)	(55.7)%
Capital Contributions	-	-	-	-
Increase (decrease) in net position	1,007,234	2,275,701	(1,268,467)	(55.7)%
Net position:				
Beginning of fiscal year	37,842,018	35,566,317	2,275,701	6.4%
Prior period adjustment	1,137,507	-	1,137,507	
Beginning of fiscal year, restated	38,979,525	35,566,317	3,413,208	9.6%
End of fiscal year	<u>\$ 39,986,759</u>	<u>\$ 37,842,018</u>	<u>\$ 2,144,741</u>	<u>5.7%</u>

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 or to use the boat launch ramp. All other revenues are reported as non-operating revenues, such as property taxes or grant revenue received. Operating expenses are all the expenses, enterprise and non-enterprise, that are essential to the primary operations of the District, such as salaries and wages or repairs and maintenance. All other expenses are reported as non-operating expenses.

Due to GASB 75 becoming effective this year, our OPEB liability must now be determined through an actuarial valuation, which the District completed in 2018. Implementing GASB Statement 75 required us to record a prior period adjustment (gain) of \$1,137,507, which was the difference in the way we previously estimated and recorded this liability internally, versus the external actuarial valuation that was done in 2018 (see Note 1L).

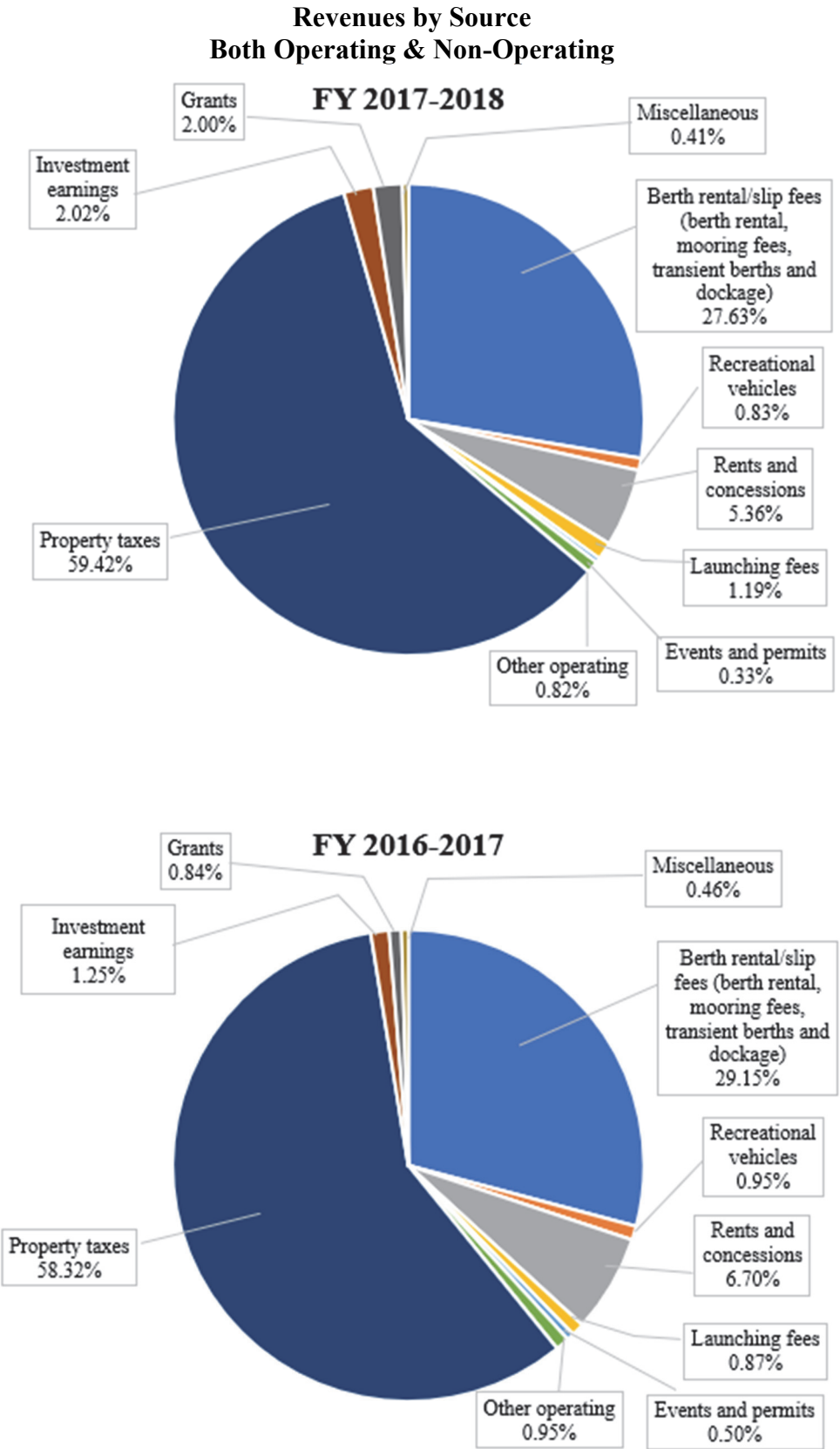
Summary of Revenues
For the Years Ended June 30, 2018 and 2017

Revenue Source	2018		2017		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)	\$ 3,257,846	27.6%	\$ 3,206,453	29.1%	\$ 51,393	1.6%
Recreational vehicles	98,135	0.8%	104,970	1.0%	(6,835)	(6.5)%
Rents and concessions	631,890	5.4%	737,383	6.7%	(105,493)	(14.3)%
Launching fees	139,950	1.2%	96,086	0.9%	43,864	45.7%
Events and permits	39,227	0.3%	55,507	0.5%	(16,280)	(29.3)%
Other operating	96,707	0.8%	104,022	0.9%	(7,315)	(7.0)%
Property taxes	7,006,800	59.4%	6,415,569	58.3%	591,231	9.2%
Investment earnings	237,844	2.0%	137,914	1.3%	99,930	72.5%
Grants	235,701	2.0%	92,955	0.8%	142,746	153.6%
Miscellaneous	47,991	0.4%	50,376	0.5%	(2,385)	(4.7)%
Total revenues	\$ 11,792,091	100.0%	\$ 11,001,235	100.0%	\$ 790,856	7.2%

The above table is a selected list of the District's major sources of revenue; operating revenues (enterprise harbor operations) are shown as well as 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 gains in our OPEB liability or 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.

Revenues from the District's harbor activities increased due to a slight increase in berth/transient rentals, and launching fees. These revenue streams make up 27.6% and 1.2% of the District's total revenues, respectively. Most other revenue streams did not change much year over year. The District saw an increase in property tax revenue from San Mateo County due to rising property values. Property taxes made up 59.4% of the District's total revenues. Investment earnings (2% of District total revenue) increased due to high cash balances that remained in our investment account throughout the year. Grant revenue (2% of District total revenue) increased this year due an increase in the District's participation in the State of California - Division of Boating and Waterways' Surrendered and Abandoned Vessel Exchange (SAVE) grant, which provides us funding to destroy derelict vessels at our harbors.

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



San Mateo County Harbor District

Summary of Expenses
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
Administration	\$ 1,971,327	\$ 2,655,622	\$ (684,295)	(25.8)%
Pillar Point Harbor	5,393,957	2,979,984	\$ 2,413,973	81.0%
Oyster Point Marina	2,207,245	2,071,477	\$ 135,768	6.6%
Depreciation and amortization	1,108,660	1,095,508	\$ 13,152	1.2%
Total operating expenses	<u>\$ 10,681,189</u>	<u>\$ 8,802,591</u>	<u>\$ 1,878,598</u>	21.3%
Non-operating expenses:				
Gain (loss) on disposition of capital assets	18,563	\$ (4,240)	\$ 22,803	(537.8)%
Termination benefits	26,068	\$ (132,484)	\$ 158,552	(119.7)%
Payments to other agencies	59,037	\$ 59,667	\$ (630)	(1.1)%
Total non-operating expenses	<u>\$ 103,668</u>	<u>\$ (77,057)</u>	<u>\$ 180,725</u>	(234.5)%
Total expenses	<u><u>\$ 10,784,857</u></u>	<u><u>\$ 8,725,534</u></u>	<u><u>\$ 2,059,323</u></u>	23.6%

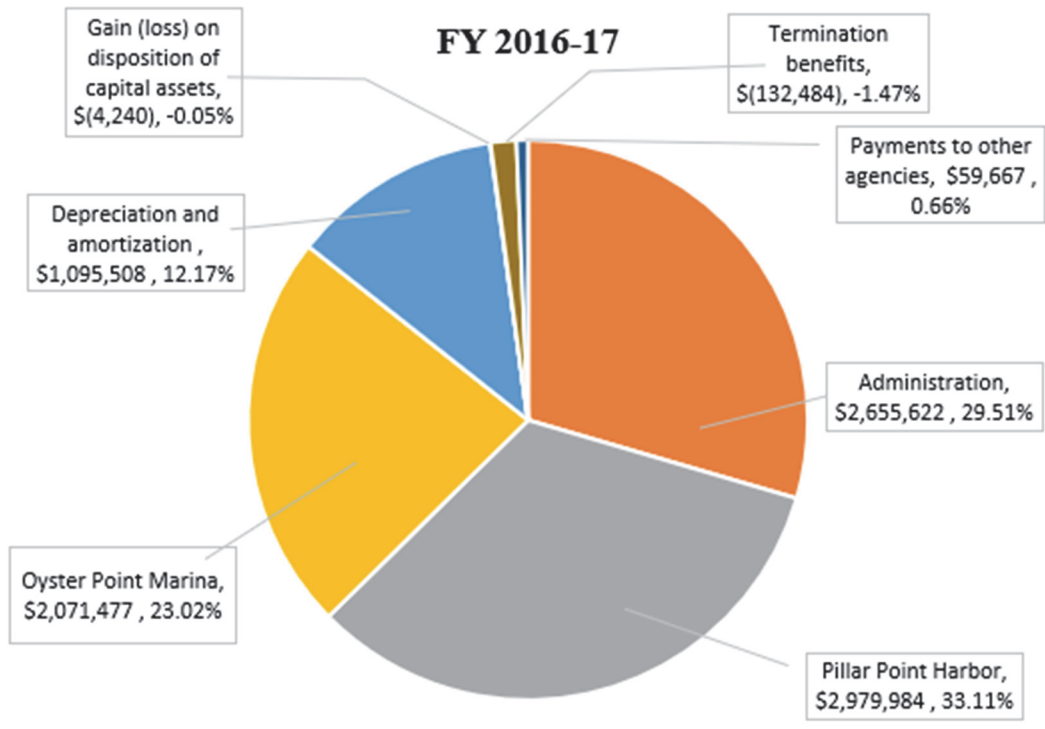
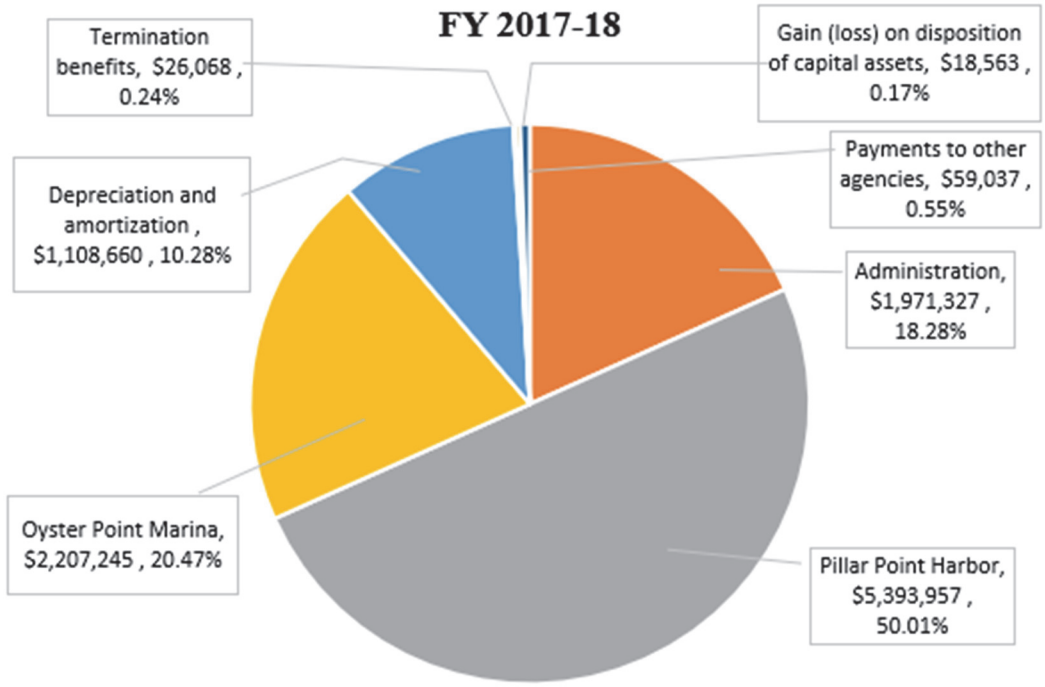
The District's operating expenses increased mainly due to repairs and maintenance costs at Pillar Point Harbor related to the destruction of Romeo Pier. The increase in non-operating expenses in fiscal year 2017/18 is primarily due to a loss on disposition of capital assets (related to the Oyster Point Development parcel conveyance which occurred in September 2017) and the implementation of GASB Statement 75, which adjusted our OPEB. An expense of \$26,068 for OPEB was recorded in the current year. See Note 8 in the Notes to the Basic Financial Statements for more information.

District-wide, legal services decreased due to attempts to reduce legal costs. Administration operating expenses decreased due to there being no election for the District in the fiscal year. Pillar Point Harbor operating expenses increased mainly due to repairs and maintenance costs related to the demolition of Romeo Pier, for which final billing was completed in September 2018. Oyster Point Marina operating expenses increased slightly in salaries and wages due to the increased cost of labor and an increase in professional services (Dornbusch Financial Analysis and a topographical survey) that were needed throughout the year.

The increase in loss on disposition of assets in the chart above is due to the disposal of a Gatehouse at Oyster Point Marina. The asset was lost in the termination of several land leases related to executing the Implementation Agreement with the City of South San Francisco in September 2017. There were no sales of capital assets in fiscal year 2017/18. The increase in termination benefit expense is due to implementing the new GASB 75 standard which required us to record a more accurate OPEB expense based off an actuarial study that was completed during the 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, 2018 was \$30,911,023. The total decrease in net capital assets from the prior year was 0.9%. This decrease was due to asset acquisitions being offset by the annual depreciation expense, and due to the loss of certain assets at Oyster Point Marina. See below for more explanation. There were no sales or significant dispositions of capital assets 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, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Nondepreciable assets				
Land	\$ 13,081,020	\$ 13,081,020	\$ -	0.0%
Construction in progress	1,089,538	712,419	377,119	52.9%
Total nondepreciable assets	<u>\$ 14,170,558</u>	<u>13,793,439</u>	<u>377,119</u>	<u>2.7%</u>
Autos and trucks	195,351	94,733	100,618	106.2%
Boats and radar	864,398	537,775	326,623	60.7%
Breakwater	12,896,267	12,896,267	-	0.0%
Utilities	636,669	636,669	-	0.0%
Launch Ramps	3,957,424	3,957,424	-	0.0%
Piers	6,131,836	6,216,940	(85,104)	(1.4)%
Bulkheads	100,000	100,000	-	0.0%
Buildings and improvements	5,464,528	5,494,528	(30,000)	(0.5)%
Docks	11,271,880	11,271,880	-	0.0%
Parking lots	1,930,860	2,102,389	(171,529)	(8.2)%
Walkways/Paths	1,191,625	1,191,625	-	0.0%
Machinery and equipment	340,784	313,090	27,694	8.8%
Subtotal	<u>44,981,622</u>	<u>44,813,320</u>	<u>168,302</u>	<u>0.4%</u>
Less: Accumulated Depreciation	<u>(28,241,157)</u>	<u>(27,415,568)</u>	<u>(825,589)</u>	<u>3.0%</u>
Depreciable assets, net	<u>16,740,465</u>	<u>17,397,752</u>	<u>(657,287)</u>	<u>(3.8)%</u>
Total Capital Assets	<u>\$ 30,911,023</u>	<u>\$ 31,191,191</u>	<u>\$ (280,168)</u>	<u>(0.9)%</u>

Construction in progress increased due to various ongoing projects such as electric transformers on docks at both harbors, and the west trail shoreline protection project and Dock H replacement at projects at Pillar Point Harbor. Autos and trucks increased due to two 2017 Ford F250 Supercab's being placed into service at both harbors. Boats and radar increased due to a new 32-foot Radon boat being placed into service at Pillar Point Harbor. The decreases in Piers is due to the demolition of Romeo Pier, which was completed during the year. Buildings and improvements and Parking lots decreased due to the loss of certain assets at Oyster Point Marina which were part of a conveyance of land parcels associated with the Implementation Agreement with the City of South San Francisco.

Economic Factors and Next Year's Budgets and Rates

The District's Fiscal Year 2018/19 Operating and Capital Budget estimate Operating Revenues of \$4,815,000 and Non-Operating Revenues of \$8,336,245 for a total of \$13,151,245. This is a \$1,359,154 or 11.5% increase primarily due to \$1,000,000 in budgeted Federal Emergency Management Agency reimbursements for additional dredging costs caused by a 2017 storm and \$275,000 for expected reimbursement from the City of South San Francisco to offset the cost of the repair of a fuel system.

In the Original Budget the Expenditures, not including capital asset expenditures, are expected to be \$9,310,506. In October 2018 the District approved additional appropriations and made a one-time lump sum payment of \$2,300,000 to CalPERS in order to pay down part of the unfunded accrued liability for the District's employee pension plan.

Estimated revenues of \$13,151,245 less estimated expenditures of \$11,610,506 provide an estimated \$1,540,739 that may be used for funding of one-time costs including capital project costs

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

John Moren, Interim General Manager

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BASIC FINANCIAL STATEMENTS

SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017*
ASSETS		
CURRENT ASSETS		
Cash and investments (Note 2)	\$ 21,178,216	\$ 17,447,445
Accounts receivables:		
Customers	179,500	131,288
Interest	79,151	43,484
Other	2,647	55,000
Prepaid expenses and deposits	257,054	98,174
Total current assets	21,696,568	17,775,391
NON-CURRENT ASSETS		
Capital assets (Note 3):		
Land	13,081,020	13,081,020
Construction in progress	1,089,538	712,419
Depreciable assets	44,981,622	44,813,320
Less accumulated depreciation	(28,241,157)	(27,415,568)
Total non-current assets	30,911,023	31,191,191
TOTAL ASSETS	52,607,591	48,966,582
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 7)	1,628,502	1,632,913
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 54,236,093	\$ 50,599,495
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,575,824	\$ 430,464
Accrued payroll	65,948	51,452
Customer deposit	365,881	335,672
Unearned revenue (Note 4)	254,279	262,741
Total current liabilities	3,261,932	1,080,329
NON-CURRENT LIABILITIES		
Unearned revenue (Note 4)	2,994,545	3,061,091
Compensated absences	263,167	250,467
Termination benefits payable (Note 8)		3,644,385
Net OPEB Liability (Note 8)	2,532,946	
Net pension liability (Note 7)	5,012,108	4,497,813
Total non-current liabilities	10,802,766	11,453,756
TOTAL LIABILITIES	14,064,698	12,534,085
DEFERRED INFLOWS OF RESOURCES		
Pension related (Note 7)	184,636	223,392
NET POSITION (Note 5)		
Net investment in capital assets	30,911,023	31,191,191
Unrestricted	9,075,736	6,650,827
Total net position	39,986,759	37,842,018
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 54,236,093	\$ 50,599,495

See accompanying notes to financial statements

* Not restated for the provisions of GASB Statement No. 75 discussed in Note 8

SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017*</u>
OPERATING REVENUES		
Berth Rental	\$ 3,257,846	\$ 3,206,453
Launching fees	139,950	96,086
Recreational vehicles	98,135	104,970
Rents and concessions	631,890	737,383
Events and permits	39,227	55,507
Other operating revenues	96,707	104,022
Total operating revenues	<u>4,263,755</u>	<u>4,304,421</u>
OPERATING EXPENSES		
Administration	1,971,327	2,655,622
Pillar Point Harbor	5,393,957	2,979,984
Oyster Point Marina	2,207,245	2,071,477
Depreciation and amortization	1,108,660	1,095,508
Total operating expenses	<u>10,681,189</u>	<u>8,802,591</u>
Operating income (loss)	<u>(6,417,434)</u>	<u>(4,498,170)</u>
NONOPERATING REVENUES (EXPENSES)		
Grants	238,193	92,955
Investment earnings	235,352	137,914
Property taxes	7,006,800	6,415,569
Gain (loss) on disposition of capital assets	(18,563)	4,240
Termination benefits	(26,068)	132,484
Payments to other agencies	(59,037)	(59,667)
Miscellaneous revenue	47,991	50,376
Total nonoperating revenues (expenses)	<u>7,424,668</u>	<u>6,773,871</u>
CHANGES IN NET POSITION	<u>1,007,234</u>	<u>2,275,701</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED (NOTE 1L)	<u>38,979,525</u>	<u>35,566,317</u>
NET POSITION, END OF YEAR	<u>\$ 39,986,759</u>	<u>\$ 37,842,018</u>

See accompanying notes to financial statements

* Not restated for the provisions of GASB Statement No. 75 discussed in Note 8

**SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,232,229	\$ 4,306,967
Payments to suppliers	(2,556,793)	(3,430,579)
Payments to or on behalf of employees	(4,548,347)	(4,002,244)
Other receipts and payments	47,991	50,376
Net cash provided (used) by operating activities	(2,824,920)	(3,075,480)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	7,006,800	6,415,569
Receipts from grants	238,193	92,955
Payments to other agencies	(59,037)	(59,667)
Net cash provided (used) by noncapital financing activities	7,185,956	6,448,857
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction on capital assets	(865,617)	(663,448)
Proceeds from the sale of assets	-	4,240
Net cash provided (used) by capital and related financing activities	(865,617)	(659,208)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	235,352	137,914
Net cash provided (used) in investing activities	235,352	137,914
Net increase (decrease) in cash and cash equivalents	3,730,771	2,852,083
CASH AND INVESTMENTS:		
Beginning of year	17,447,445	14,595,362
End of year	\$ 21,178,216	\$ 17,447,445
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ (6,417,434)	\$ (4,498,170)
Nonoperating income (loss), other than those from financing, capital related, or investing activities	1,159,430	182,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,108,660	1,095,508
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
(Increase) in accounts receivable	(31,526)	2,546
(Increase) in prepaid expenses	(158,880)	86,660
(Decrease) in accounts payable and accrued liabilities	2,163,922	139,753
(Decrease) in accrued payroll	14,496	4,138
(Decrease) in deposits and unearned revenue	(44,799)	(82,976)
(Decrease) in termination benefits payable	(3,644,385)	(132,484)
Increase in accrued vacation and sick leave	12,700	33,496
(Decrease) in net pension liability and related deferred inflows and outflows	479,950	93,189
(Decrease) in net OPEB liability and related deferred inflows and outflows	2,532,946	
Net cash (used) by operating activities	\$ (2,824,920)	\$ (3,075,480)

See accompanying notes to financial statements

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

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 Half Moon Bay. 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 Years Ended June 30, 2018 and 2017

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 Years Ended June 30, 2018 and 2017**

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 Years Ended June 30, 2018 and 2017

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:

55% remitted on December 15
40% remitted on April 15
5% 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 the approval of a physician’s note or documented FMLA supporting information.

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 Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Governmental Accounting Standards Board Statement Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. New standards which may impact the District include the following:

GASB Statement No. 75 – Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This statement is effective for the 2017-2018 fiscal year and required a prior period adjustment as discussed in Note 1L.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement is effective for the 2017-2018 fiscal year and had no effect on the District's financial statements.

GASB Statement No. 85 – Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This statement is effective for the 2017-2018 fiscal year and reflected in Notes 7 and 8.

GASB Statement No. 86 – Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement is effective for the 2017-2018 fiscal year and had no impact on the District's financial statements.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance and Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the District to make prior period adjustments. As a result, the beginning net position was restated and increased by \$1,137,507. See Note 8.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	2018	2017
Cash in bank	\$ 2,310,593	\$ 1,191,118
Investments	18,865,373	16,254,077
Cash on hand	2,250	2,250
	\$ 21,178,216	\$ 17,447,445

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.

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 Years Ended June 30, 2018 and 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Authorized Limit (%)</u>	<u>Minimum Credit Quality</u>
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	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 Years Ended June 30, 2018 and 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. 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	June 30, 2018		June 30, 2017
	12 Months or less	Total	
California Local Agency Investment Fund	\$ 7,054	\$ 7,054	\$ 6,972
San Mateo County Investment Fund	18,858,319	18,858,319	16,247,105
Total Investments	<u>\$ 18,865,373</u>	<u>18,865,373</u>	<u>16,254,077</u>
Cash in banks and on hand		<u>2,312,843</u>	<u>1,193,368</u>
Total Cash and Investments		<u>\$ 21,178,216</u>	<u>\$ 17,447,445</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, 2018 and 2017, respectively, these investments matured in an average of 193 and 194 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 Years Ended June 30, 2018 and 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Fair Value Hierarchy

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

E. 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, 2018 and 2017.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2018 and 2017 were as follows:

	Balance June 30, 2017,	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2018
Capital assets					
Nondepreciable					
Land	\$ 13,081,020	\$ -	\$ -	\$ -	\$ 13,081,020
Construction in progress	712,419	819,360	-	(442,241)	1,089,538
Total capital assets not being depreciated	<u>13,793,439</u>	<u>819,360</u>	<u>-</u>	<u>(442,241)</u>	<u>14,170,558</u>
Depreciable					
Autos and Trucks	94,733	-	-	100,618	195,351
Boats and radar	537,775	-	(15,000)	341,623	864,398
Breakwater	12,896,267	-	-	-	12,896,267
Utilities	636,669	-	-	-	636,669
Launch Ramps	3,957,424	-	-	-	3,957,424
Piers	6,216,940	-	(85,104)	-	6,131,836
Bulkheads	100,000	-	-	-	100,000
Buildings and improvements	5,494,528	-	(30,000)	-	5,464,528
Docks	11,271,880	-	-	-	11,271,880
Parking lots	2,102,389	-	(171,529)	-	1,930,860
Walkways/Paths	1,191,625	-	-	-	1,191,625
Machinery and equipment	313,090	27,694	-	-	340,784
Total capital assets being depreciated:	<u>44,813,320</u>	<u>27,694</u>	<u>(301,633)</u>	<u>442,241</u>	<u>44,981,622</u>
Accumulated depreciation	<u>(27,415,568)</u>	<u>(1,108,660)</u>	<u>283,071</u>	<u>-</u>	<u>(28,241,157)</u>
Total depreciable assets (net)	<u>17,397,752</u>	<u>(1,080,966)</u>	<u>(18,562)</u>	<u>442,241</u>	<u>16,740,465</u>
Total capital assets	<u>\$ 31,191,191</u>	<u>\$ (261,606)</u>	<u>\$ (18,562)</u>	<u>\$ -</u>	<u>\$ 30,911,023</u>

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 3 – CAPITAL ASSETS (Continued)

Beginning values reflects amounts as valued on a consolidated basis. The total valuation amounts are presented in representative categories and have been redistributed to reflect balances at June 30, 2018.

	Balance June 30, 2016,	Additions	Retirements	Balance June 30, 2017
Capital assets				
Nondepreciable				
Land	\$ 13,081,020	\$ -	\$ -	\$ 13,081,020
Construction in progress	83,971	628,448	-	712,419
Total capital assets not being depreciated	<u>13,164,991</u>	<u>628,448</u>	<u>-</u>	<u>13,793,439</u>
Depreciable				
Autos and Trucks	115,994	-	(21,261)	94,733
Boats and radar	537,775	-	-	537,775
Breakwater	12,896,267	-	-	12,896,267
Utilities	636,669	-	-	636,669
Launch Ramps	3,957,424	-	-	3,957,424
Piers	6,216,940	-	-	6,216,940
Bulkheads	100,000	-	-	100,000
Buildings and improvements	5,494,528	-	-	5,494,528
Docks	11,271,880	-	-	11,271,880
Parking lots	2,102,389	-	-	2,102,389
Walkways/Paths	1,191,625	-	-	1,191,625
Machinery and equipment	278,090	35,000	-	313,090
Total capital assets being depreciated:	<u>44,799,581</u>	<u>35,000</u>	<u>(21,261)</u>	<u>44,813,320</u>
Accumulated depreciation	(26,341,321)	(1,095,508)	21,261	(27,415,568)
Total depreciable assets (net)	<u>18,458,260</u>	<u>(1,060,508)</u>	<u>-</u>	<u>17,397,752</u>
Total capital assets	<u>\$ 31,623,251</u>	<u>\$ (432,060)</u>	<u>\$ -</u>	<u>\$ 31,191,191</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, 2018, the District's total unearned revenues was \$3,248,824 of which \$2,994,545 was related to WETA.

NOTE 5 – NET POSITION

The District's Reserve Policy requires minimum reserves to equal at least 20% of annual revenue projections, 50% of which shall be unassigned.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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	\$ 1,000,000,000	\$ 1,000
Boiler & Machinery	100,000,000	1,000
Pollution	2,000,000	1,000
Cyber	Limits on File	1,000
Mobile Equipment	1,000,000,000	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 Years Ended June 30, 2018 and 2017**

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, 2018, are summarized as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>
	Prior to January 1, 2013	On or after 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%	6.250%
Required employer contribution rates	9.539%	6.533%

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 and side fund. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability and side fund was \$317,048 in fiscal year 2018.

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.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were \$543,950.

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 Years Ended June 30, 2018 and 2017**

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

As of June 30, 2018, and 2017, the District reported a net pension liability of \$5,012,108 and \$4,497,813, 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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	Miscellaneous
Proportion - June 30, 2016	0.12480%
Proportion - June 30, 2017	0.12714%
Change - Increase (Decrease)	0.00234%

For the year ended June 30, 2018, the District recognized pension expense of \$557,463. At June 30, 2018, 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	\$ 543,950	\$ -
Differences between actual and expected experience	5,684	(81,432)
Changes in assumptions	705,228	(53,774)
Change in employer's proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions	214,146	(49,430)
Net differences between projected and actual earnings on plan investments	159,494	-
Total	\$ 1,628,502	\$ (184,636)

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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

The \$543,875 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, 2019. 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
2019	\$ 331,535
2020	404,991
2021	258,084
2022	(94,694)

Actuarial Assumptions - For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The total pension liability for the measurement date June 30, 2017 was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on 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.

Change in Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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 returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.01%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for these periods.

(b) An expected inflation of 3.0% used for these periods.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 7,336,742
Current Discount Rate	7.15%
Net Pension Liability	\$ 5,012,108
1% Increase	8.15%
Net Pension Liability	\$ 3,086,806

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, 2018:

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, 2018, the District’s contributions to the Plan were \$141,302.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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, 2018:

Active employees	12
Inactive employees or beneficiaries currently receiving benefit payments	9
Total	21

B. Total OPEB Liability

Actuarial Methods and Assumptions – The District’s total OPEB liability was measured as of June 30, 2018 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.62%
Long-Term Expected Return of Plan Investm	4.00%
Payroll Growth	3.00%
Healthcare Trend Rates	6.00%

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

The underlying mortality assumptions were based on the RP-2014 Employee Mortality Table for Males or Females and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a plan experience during the period July 1, 2016 to June 30, 2018.

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 6/30/17	\$ 2,506,878	\$ -	\$ 2,506,878
Changes Recognized for the Measurement Period:			
Service costs	79,156	-	79,156
Interest on the total OPEB liability	88,214	-	88,214
Employer contributions	-	141,302	(141,302)
Benefit payments	(141,302)	(141,302)	-
Net Changes	26,068	-	26,068
Balance at 6/30/18	\$ 2,532,946	\$ -	\$ 2,532,946

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

The District did not have any deferred inflows/outflows in the first year of implementation. Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in total OPEB liability due to plan changes; all adjusted for deferred inflows and outflows. San Mateo County Harbor District determined that it was not reasonable to rerun prior valuations under GASB 75, therefore, the District used the transition approach provided in GASB 75, Paragraph 244.

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 (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(2.62 %)	(3.62%)	(4.62%)
\$2,785,891	\$2,532,946	\$2,315,164

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 (5% decreasing to 4%) or 1-percentage-point higher (7% decreasing to 6%) than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
(5.00% decreasing to 4.00%)	(6.00% decreasing to 5.00%)	(7.00% decreasing to 6.00%)
\$2,260,679	\$2,532,946	\$2,861,314

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, 2018
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>
Plan's proportion of the Net Pension Liability	0.04848%	0.13453%	0.10624%	0.12714%
Plan's proportionate share of the Net Pension Liability	\$ 3,016,578	\$ 3,690,808	\$ 4,497,813	\$ 5,012,109
Plan's Covered Payroll	\$ 2,064,270	\$ 2,000,338	\$ 2,022,481	\$ 2,361,865
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%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%	79.89%	75.87%	75.39%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**San Mateo County Harbor District
 Cost-Sharing Multiple Employer Defined Pension Plan - Miscellaneous Plans
 For the Fiscal Year Ended June 30, 2018**

**Schedule of Contributions
 Last 10 Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 376,892	\$ 409,949	\$ 474,656	\$ 543,875
Contributions in relation to the actuarially determined contributions	<u>(376,892)</u>	<u>(409,949)</u>	<u>(464,656)</u>	<u>(543,875)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</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>
 Contributions as a percentage of covered payroll	 18.84%	 17.36%	 20.10%	 19.32%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

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	<u>6/30/18</u>
Total OPEB Liability (1)	
Service Cost	\$79,156
Interest	88,214
Benefit payments	<u>(141,302)</u>
Net change in total OPEB liability	26,068
Total OPEB liability - beginning	<u>2,506,878</u>
Total OPEB liability - ending (a)	<u><u>\$2,532,946</u></u>
Covered-employee payroll	<u><u>\$3,007,506</u></u>
Total OPEB liability as a percentage of covered-employee payroll	-84.22%

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.

* Fiscal year 2018 was the first year of implementation.

SCHEDULE OF CONTRIBUTIONS

Single Employer Longevity Health Insurance Premium Payment Program
Last 10 fiscal years*

Fiscal Year Ended June 30,	<u>2018</u>
Actuarially required contribution	\$141,302
Contributions in relation to the actuarially required contributions	<u>141,302</u>
Contribution deficiency (excess)	<u>\$0</u>
Covered-employee payroll	<u>\$3,007,506</u>
Contributions as a percentage of covered-employee payroll	4.70%

Notes to Schedule:

Valuation Date : June 30, 2018

* 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, 2018
(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
OPERATING EXPENSES:		
Advertising and promotion	\$ 3,824	\$ 3,085
Bank charges	505	509
Contractual services	125,476	510,509
Dues and subscriptions	16,353	15,565
Insurance	40,673	21,770
IT	62,080	79,937
Legal fees	169,526	214,956
Personnel expenses	1,295	2,401
Operating expenses	31,669	36,937
Rent	91,500	87,900
Repairs and maintenance	3,032	3,408
Salaries and benefits	1,395,320	900,016
Training, seminars and professional development	29,784	25,606
Elections	-	752,490
Miscellaneous expense	290	533
Depreciation and amortization	808	-
Total operating expenses	<u>1,972,135</u>	<u>2,655,622</u>
Operating income (loss)	<u>(1,972,135)</u>	<u>(2,655,622)</u>
NONOPERATING REVENUES (EXPENSES):		
Grants	-	-
Investment earnings	235,352	137,914
Property taxes	894,350	1,709,562
Termination benefits	62	146,703
Shared revenues	716,433	708,570
Payments to other agencies	(59,037)	(59,667)
Miscellaneous revenue	39,031	5,667
Total nonoperating revenues (expenses)	<u>1,826,191</u>	<u>2,648,749</u>
Net Income	<u>\$ (145,944)</u>	<u>\$ (6,873)</u>

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Pillar Point Harbor
For the year ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 1,931,592	\$ 1,856,832
Launching fees	117,461	74,250
Recreational vehicles	98,135	104,970
Rents and concessions	461,373	422,549
Events and permits	39,977	53,867
Other operating revenues	64,993	72,266
Total operating revenues	<u>2,713,531</u>	<u>2,584,734</u>
OPERATING EXPENSES:		
Advertising and promotion	8,214	5,243
Bad debts (recoveries)	52,066	52,903
Bank charges	34,461	32,958
Contractual services	246,615	139,023
Claim settlements	-	4,140
Dues and subscriptions	338	200
Insurance	23,377	53,208
IT	34,241	48,527
Legal Fees	95,655	154,309
Personnel expenses	222	1,966
Operating expenses	106,956	101,387
Repairs and maintenance	2,261,800	194,218
Salaries and benefits	2,147,822	1,897,233
Travel, training, seminars and professional development	10,979	10,683
Utilities	268,515	275,604
Vessel destruction	96,691	-
Miscellaneous expenses	6,005	8,382
Depreciation and amortization	475,899	456,578
Total operating expenses	<u>5,869,856</u>	<u>3,436,562</u>
Operating income (loss)	<u>(3,156,325)</u>	<u>(851,828)</u>
NONOPERATING REVENUES (EXPENSES):		
Grants	193,200	44,379
Property Taxes	4,587,564	2,837,074
Gain (loss) on disposition of capital assets	-	4,240
Termination benefits	(19,873)	(45,209)
Shared revenues	(425,063)	(416,972)
Interest expense	-	-
Miscellaneous revenue	3,150	40,085
Total nonoperating revenues (expenses)	<u>4,338,978</u>	<u>2,463,597</u>
Net Income	<u>\$ 1,182,653</u>	<u>\$ 1,611,769</u>

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Oyster Point Marina
For the year ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	2018	2017
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 1,326,254	\$ 1,349,621
Launching fees	22,489	21,836
Rents and concessions	170,517	314,834
Events and permits	(750)	1,640
Other operating revenues	31,714	31,756
Total operating revenues	1,550,224	1,719,687
OPERATING EXPENSES:		
Advertising and promotion	3,515	3,323
Bad debts	27,052	33,201
Bank charges	28,019	20,450
Contractual services	193,556	139,682
Dues and subscriptions	850	200
Insurance	28,887	34,903
IT	31,928	31,389
Legal fees	68,278	49,094
Personnel expenses	1,436	2,199
Miscellaneous expenses	7,957	110
Repairs and maintenance	41,177	156,826
Operating expenses	52,536	53,338
Salaries and benefits	1,512,351	1,335,818
Travel, training, seminars and professional development	12,691	13,150
Utilities	146,842	145,494
Vessel destruction	50,170	52,300
Depreciation and amortization	631,953	638,930
Total operating expenses	2,839,198	2,710,407
Operating income (loss)	(1,288,974)	(990,720)
NONOPERATING REVENUES (EXPENSES):		
Grants	44,993	48,576
Property taxes	1,524,886	1,868,933
Gain (loss) on disposition of capital assets	(18,563)	-
Termination benefits	(6,257)	30,990
Shared revenues	(291,370)	(291,598)
Interest expense	-	-
Miscellaneous revenue	5,810	4,624
Total nonoperating revenues (expenses)	1,259,499	1,661,525
Net Income	\$ (29,475)	\$ 670,805

**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), South San Francisco, California, as of and for the year ended June 30, 2018 and the related notes to the financial statements, and have issued our report thereon dated April 29, 2019. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

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 dated April 29, 2019 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
April 29, 2019