

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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**SAN MATEO COUNTY HARBOR DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Years Ended June 30, 2019 and 2018**

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**BOARD OF COMMISSIONERS
FY 2018-19**

Sabrina Brennan - President
Edmundo Larenas - Vice President
Tom Mattusch - Treasurer
Nancy Reyerling - Secretary
Virginia Chang-Kiraly - Commissioner

**MANAGEMENT
FY 2018-2019**

John Moren – Interim 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, 2019 and June 30, 2018, 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, 2019 and 2018, 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.

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 December 26, 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
December 26, 2019

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, 2019. Please read it in conjunction with the District's basic financial statements (pages 14 - 16) and the footnotes (pages 17 - 33).

Financial Highlights

- The District's net position was \$41,990,703 at June 30, 2019. This was an increase of \$2,003,944 for the year. A large portion of the increase of \$1,092,198 was due to an investment of \$1,304,135 in a parcel of land in El Granada which is to be the future location of our Administrative office and Board Room.
- The District's operating revenues increased by \$37,784, or 0.9%. Operating revenues accounted for 33.8% of all revenues.
- The District's operating expenses decreased by \$419,758, or 3.9%, mainly due to decreased repairs and maintenance cost compared to last fiscal year. In fiscal year 2017/18 a large one-time expense was incurred for demolition of Romeo Pier at Pillar Point Harbor.
- Nonoperating revenues from taxes, interest, and investments was \$8,195,129, or 64.4% of all revenues. Revenues in the form of grants and miscellaneous non-operating revenue total \$237,828, or 1.8% of all revenues.
- Aggregate net pension liabilities are \$4,831,495 and net Other Post Employment Benefit (OPEB) liabilities are \$2,657,622.

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, 2019 as compared to fiscal year ended June 30, 2018.

Comparative Statement of Net Position (condensed) As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets and Deferred Outflows of Resources:				
Current assets	\$ 18,300,405	\$ 21,696,568	\$ (3,396,163)	(15.7)%
Non-current assets	32,003,221	30,911,023	1,092,198	3.5%
Deferred Outflows of Resources	3,803,211	1,628,502	2,174,709	133.5%
Total assets and deferred outflows of resources	<u>54,106,837</u>	<u>54,236,093</u>	<u>(129,256)</u>	<u>(0.2)%</u>
Liabilities and Deferred Inflows of Resources:				
Current liabilities	995,542	3,261,932	(2,266,390)	(69.5)%
Non-current liabilities	10,695,607	10,802,766	(107,159)	(1.0)%
Deferred Inflows of Resources	424,985	184,636	240,349	130.2%
Total liabilities and deferred inflows of resources	<u>12,116,134</u>	<u>14,249,334</u>	<u>(2,133,200)</u>	<u>(15.0)%</u>
Net position:				
Net investment in capital assets	32,003,221	30,911,023	1,092,198	3.5%
Restricted/Unrestricted net position:				
Unrestricted	<u>9,987,482</u>	<u>9,075,736</u>	<u>911,746</u>	<u>10.0%</u>
Total net position	<u>\$ 41,990,703</u>	<u>\$ 39,986,759</u>	<u>\$ 2,003,944</u>	<u>5.0%</u>

The above table is a condensed schedule of the District's Statement of Net Position (page 14). Additionally, the above table shows variance information to illustrate what items changed year over year.

Net position increased \$2,003,944, or 5.0%. Net investment in capital assets increased by 3.5% or \$1,092,198 primarily due the purchase of land in anticipation of building a permanent Administrative office. The unrestricted net position increased by 10.0% or \$911,746. The increase was primarily due to increased property tax of \$823,969 or 11.8%, while expenses remained stable.

Comparative Statement of Revenues, Expenses, and Changes in Net Position (condensed)
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 4,301,539	\$ 4,263,755	\$ 37,784	0.9%
Non-operating revenues	8,432,957	7,528,336	904,621	12.0%
Total revenues	<u>12,734,496</u>	<u>11,792,091</u>	942,405	8.0%
Operating expenses	10,261,431	10,681,189	(419,758)	(3.9)%
Non-operating expenses	469,121	103,668	365,453	352.5%
Total expenses	<u>10,730,552</u>	<u>10,784,857</u>	(54,305)	(0.5)%
Net income before contributions	2,003,944	1,007,234	996,710	99.0%
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	-
Increase (decrease) in net position	2,003,944	1,007,234	996,710	99.0%
Net position:				
Beginning of fiscal year	39,986,759	37,842,018	2,144,741	5.7%
Prior period adjustment	-	1,137,507	(1,137,507)	(100.0)%
Beginning of fiscal year, restated	<u>39,986,759</u>	<u>38,979,525</u>	<u>1,007,234</u>	2.6%
End of fiscal year	<u>\$ 41,990,703</u>	<u>\$ 39,986,759</u>	<u>\$ 2,003,944</u>	5.0%

The above table is a condensed schedule of the District's Statement of Revenues, Expenses, and Changes in Net Position (page 15). 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 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 claim settlements, loss on disposition of capital assets, and changes to termination benefit liabilities.

Due to GASB 75 becoming effective last fiscal year, our OPEB liability must now be determined through an actuarial valuation, which the District completed in 2018. An update was performed for 2019. Implementing GASB Statement 75 required us to record a prior period adjustment (gain) of \$1,137,507 in 2018, 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.

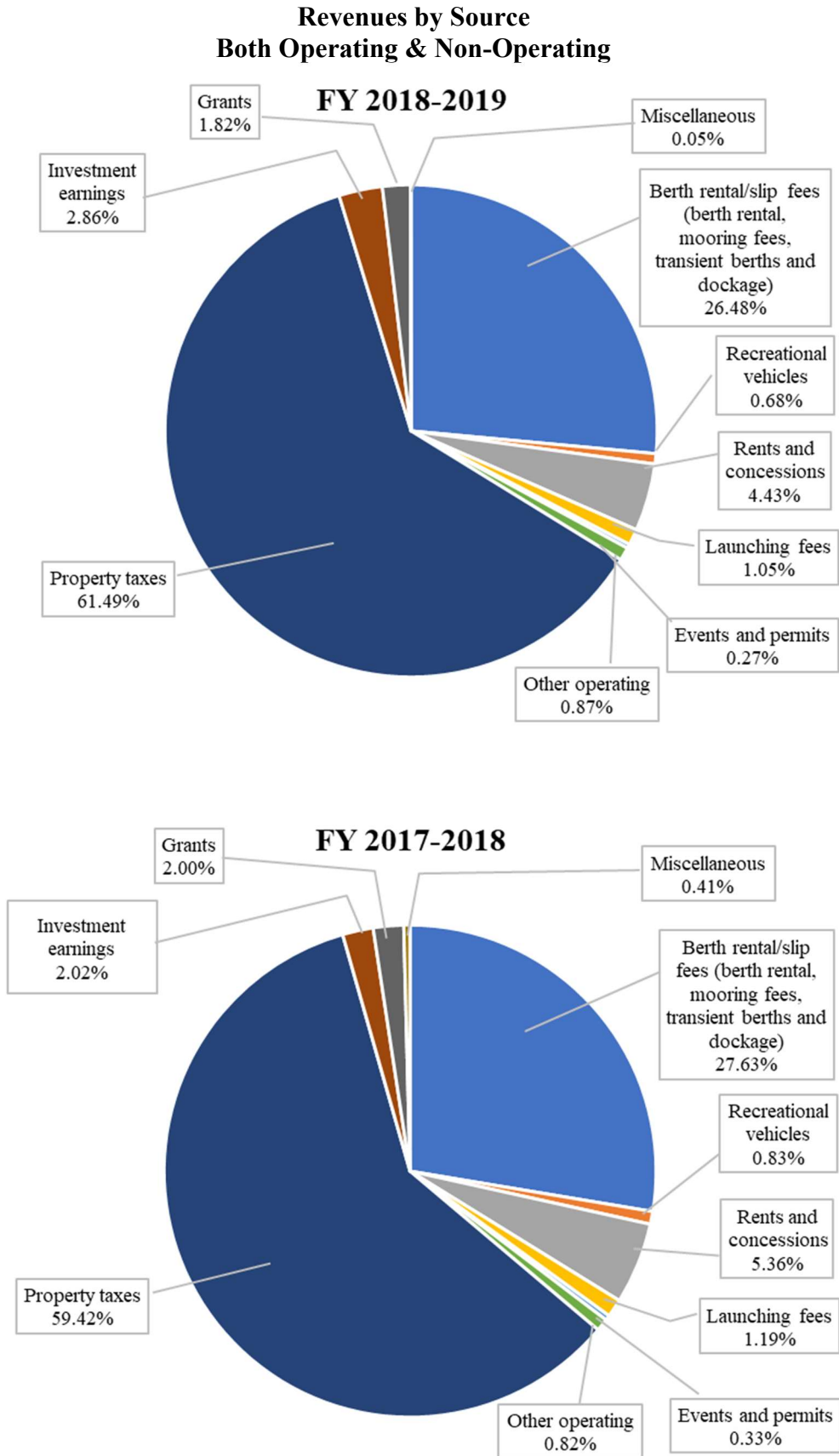
Summary of Revenues
For the Years Ended June 30, 2019 and 2018

Revenue Source	2019		2018		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)	\$ 3,371,484	26.5%	\$ 3,257,846	27.6%	\$ 113,638	3.5%
Recreational vehicles	86,193	0.7%	98,135	0.8%	(11,942)	(12.2)%
Rents and concessions	564,693	4.4%	631,890	5.4%	(67,197)	(10.6)%
Launching fees	133,420	1.0%	139,950	1.2%	(6,530)	(4.7)%
Events and permits	34,775	0.3%	39,227	0.3%	(4,452)	(11.3)%
Other operating	110,974	0.9%	96,707	0.8%	14,267	14.8%
Property taxes	7,830,769	61.5%	7,006,800	59.4%	823,969	11.8%
Investment earnings	364,360	2.9%	237,844	2.0%	126,516	53.2%
Grants	231,781	1.8%	235,701	2.0%	(3,920)	(1.7)%
Miscellaneous	6,047	0.0%	47,991	0.4%	(41,944)	(87.4)%
Total revenues	\$ 12,734,496	100.0%	\$ 11,792,091	100.0%	\$ 942,405	8.0%

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 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.

Operating revenues from the District's harbor operations increased due to a slight increase in berth/transient fees. This revenue stream is 26.5% of the District's total revenues. The District saw an increase in property tax revenue from San Mateo County due to rising property values. Property taxes are 61.5% of the District's total revenues. Investment earnings (2.9% of District's total revenue) increased due to high cash balances that remained in our investment account and an increase in rate of returns throughout the year. Rents and concessions (4.4% of District's total revenue) decreased due to the loss of rent income earned on leased property at Oyster Point Marina.

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
Administration	\$ 2,830,265	\$ 1,971,327	\$ 858,938	43.6%
Pillar Point Harbor	4,166,380	5,393,957	(1,227,577)	(22.8)%
Oyster Point Marina	2,153,763	2,207,245	(53,482)	(2.4)%
Depreciation and amortization	1,111,023	1,108,660	2,363	0.2%
Total operating expenses	<u>10,261,431</u>	<u>10,681,189</u>	<u>(419,758)</u>	<u>(3.9)%</u>
Non-operating expenses:				
Claim settlements	274,928	-	274,928	
(Gain) loss on disposition of capital assets	90,725	18,563	72,162	388.7%
Termination benefits	29,849	26,068	3,781	14.5%
Payments to other agencies	73,619	59,037	14,582	24.7%
Total non-operating expenses	<u>469,121</u>	<u>103,668</u>	<u>365,453</u>	<u>352.5%</u>
Total expenses	<u>\$ 10,730,552</u>	<u>\$ 10,784,857</u>	<u>\$ (54,305)</u>	<u>(0.5)%</u>

The District's operating expenses decreased mainly because of a large one-time repairs and maintenance expense at Pillar Point Harbor for the destruction of Romeo Pier, which occurred last fiscal year. The increase in non-operating expenses is primarily due to an arbitration award paid to one of the District's lessees. The increase in loss on disposition of capital assets is due to an impairment write-off of two dock gates at Oyster Point Marina (see capital asset section below).

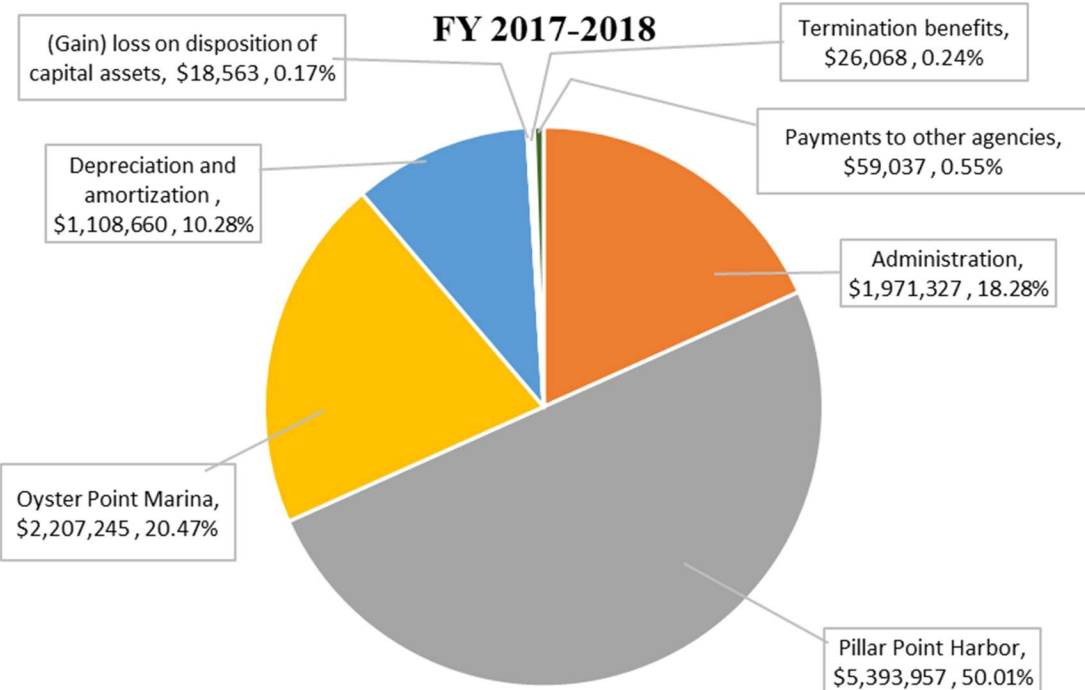
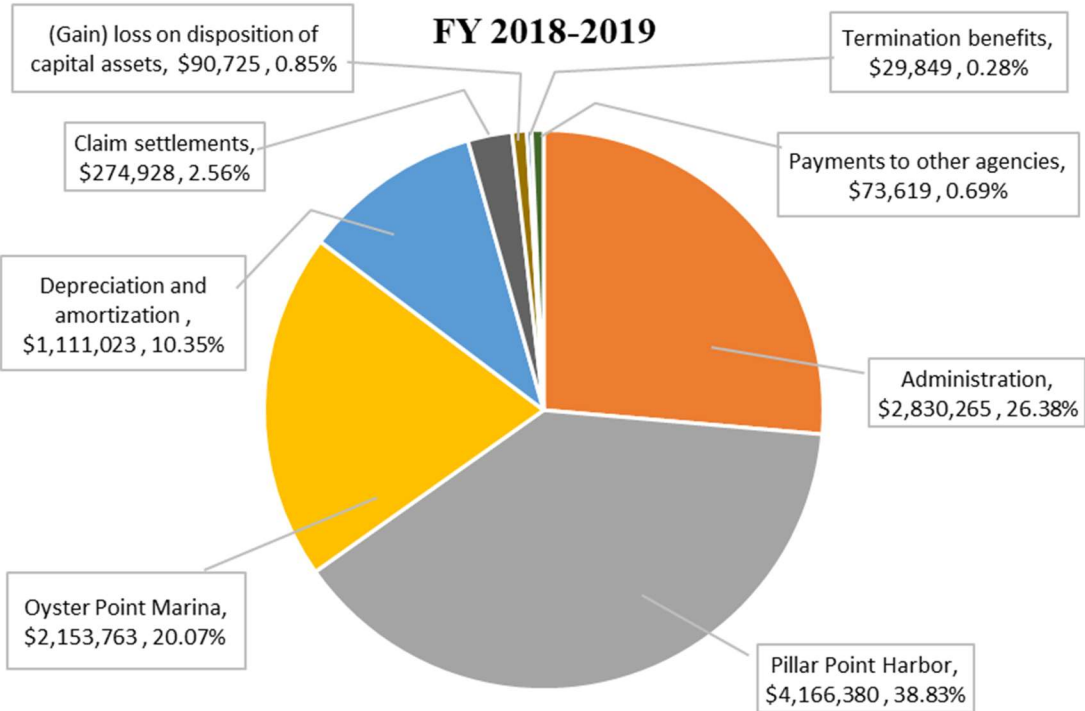
Legal services and claim settlements increased due to a tenant's dispute with the District in which the tenant received a settlement of \$270,000 plus reimbursement of attorney fees. In addition, the tenant was given the right to place an additional hoist at Pillar Point Harbor for commercial fishbuying purposes.

The Administration department operating expenses increased this year because it was an election year and \$859,313 was paid to San Mateo County Election Department to administer the election of two seats on our Board of Commissioners.

Oyster Point Marina operating expenses had a slight increase in repairs and maintenance but other than that stayed about the same as last fiscal 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, 2019 was \$32,003,221. The total increase in net depreciable assets from the prior year was 0.2%. This increase was due to asset acquisitions being higher than the annual depreciation expense. See the paragraph below for more detail. 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Nondepreciable assets				
Land	\$ 14,385,155	\$ 13,081,020	\$ 1,304,135	10.0%
Construction in progress	844,566	1,089,538	(244,972)	(22.5)%
Total nondepreciable assets	<u>\$ 15,229,721</u>	<u>14,170,558</u>	<u>1,059,163</u>	<u>7.5%</u>
Autos and trucks	195,351	195,351	-	0.0%
Boats and radar	891,891	864,398	27,493	3.2%
Breakwater	12,896,267	12,896,267	-	0.0%
Utilities	1,155,521	636,669	518,852	81.5%
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	5,571,872	5,464,528	107,344	2.0%
Docks	11,058,431	11,271,880	(213,449)	(1.9)%
Parking lots	1,930,860	1,930,860	-	0.0%
Walkways/Paths	1,772,709	1,191,625	581,084	48.8%
Machinery and equipment	340,784	340,784	-	0.0%
Subtotal	<u>46,002,946</u>	<u>44,981,622</u>	<u>1,021,324</u>	<u>2.3%</u>
Less: Accumulated Depreciation	<u>(29,229,446)</u>	<u>(28,241,157)</u>	<u>(988,289)</u>	<u>3.5%</u>
Depreciable assets, net	<u>16,773,500</u>	<u>16,740,465</u>	<u>33,035</u>	<u>0.2%</u>
Total Capital Assets	<u>\$ 32,003,221</u>	<u>\$ 30,911,023</u>	<u>\$ 1,092,198</u>	<u>3.5%</u>

Construction in progress decreased due to certain projects being completed during the year, such as electric transformers on several docks were installed at both harbors (Utilities), lessee sidewalk expansion project in front of tenant row at Pillar Point Harbor was completed (Walkways/Paths), and the roof of the Harbormaster building at Pillar Point Harbor was replaced (Buildings and improvements). Additionally, the District purchased a parcel of land in El Granada for \$1.3 million for what is to be the future location of our new Administration office. Two rescue watercrafts were purchased for Pillar Point Harbor to replace a few units that were past their useful life.

The decrease in Docks is due to a write-off of two dock gates at Oyster Point Marina. While reviewing our fixed asset ledger at year end, it was discovered that the carrying value on our accounting records were significantly higher than the fair market value of the two dock gates. Because of this, the District wrote-off both assets because the actual value was determined to be less than our \$10,000 asset capitalization policy.

Economic Factors and Next Year's Budgets and Rates

The District's Fiscal Year 2019/20 Operating Budget includes estimated Operating Revenues of \$4,441,000 and Non-Operating Revenues of \$7,564,000 for a total of \$12,005,000. This is a \$179,000 or 1.5% increase primarily due to projected inflationary increases in lease income, property tax revenue and increase in the District's rates and fee schedule. The estimated total expenditures of \$8,350,000 is a \$285,300 or 3.54% increase from the 2018/19 Budget. This increase is primarily due to the anticipated filling of vacant positions and salary/wage and benefit cost increases.

Estimated Operating Revenues of \$12,005,000 less estimated expenditures of \$8,350,000 provide an estimated \$3,655,000 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 2019/20 of \$8,506,800 in Capital Improvement expenditures funded by \$427,000 in FEMA funding, \$800,000 in the California State Division of Boating & Waterway Grants, and \$7,279,800 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, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and investments (Note 2)	\$ 17,628,959	\$ 21,178,216
Accounts receivables:		
Customers	217,516	179,500
Interest	101,836	79,151
Other	61,918	2,647
Prepaid expenses and deposits	290,176	257,054
Total current assets	18,300,405	21,696,568
NON-CURRENT ASSETS		
Capital assets (Note 3):		
Land	14,385,155	13,081,020
Construction in progress	844,566	1,089,538
Depreciable assets	46,002,946	44,981,622
Less accumulated depreciation	(29,229,446)	(28,241,157)
Total non-current assets	32,003,221	30,911,023
TOTAL ASSETS	50,303,626	52,607,591
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 7)	3,708,384	1,628,502
OPEB related (Note 8)	94,827	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,803,211	1,628,502
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 54,106,837	\$ 54,236,093
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 310,944	\$ 2,575,824
Accrued payroll	33,786	65,948
Customer deposit	385,326	365,881
Unearned revenue (Note 4)	265,486	254,279
Total current liabilities	995,542	3,261,932
NON-CURRENT LIABILITIES		
Unearned revenue (Note 4)	2,928,000	2,994,545
Compensated absences	278,490	263,167
Net OPEB Liability (Note 8)	2,657,622	2,532,946
Net pension liability (Note 7)	4,831,495	5,012,108
Total non-current liabilities	10,695,607	10,802,766
TOTAL LIABILITIES	11,691,149	14,064,698
DEFERRED INFLOWS OF RESOURCES		
Pension related (Note 7)	424,985	184,636
NET POSITION (Note 5)		
Net investment in capital assets	32,003,221	30,911,023
Unrestricted	9,987,482	9,075,736
TOTAL NET POSITION	41,990,703	39,986,759
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 54,106,837	\$ 54,236,093

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, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Berth Rental	\$ 3,371,484	\$ 3,257,846
Launching fees	133,420	139,950
Recreational vehicles	86,193	98,135
Rents and concessions	564,693	631,890
Events and permits	34,775	39,227
Other operating revenues	110,974	96,707
Total operating revenues	4,301,539	4,263,755
OPERATING EXPENSES		
Administration	2,830,265	1,971,327
Pillar Point Harbor	4,166,380	5,393,957
Oyster Point Marina	2,153,763	2,207,245
Depreciation and amortization	1,111,023	1,108,660
Total operating expenses	10,261,431	10,681,189
Operating income (loss)	(5,959,892)	(6,417,434)
NONOPERATING REVENUES (EXPENSES)		
Grants	231,781	238,193
Investment earnings	364,360	235,352
Property taxes	7,830,769	7,006,800
Gain (loss) on disposition of capital assets	(90,725)	(18,563)
Termination benefits	(29,849)	(26,068)
Claim settlements	(274,928)	
Payments to other agencies	(73,619)	(59,037)
Miscellaneous revenue	6,047	47,991
Total nonoperating revenues (expenses)	7,963,836	7,424,668
CHANGES IN NET POSITION	2,003,944	1,007,234
NET POSITION, BEGINNING OF YEAR	39,986,759	38,979,525
NET POSITION, END OF YEAR	\$ 41,990,703	\$ 39,986,759

See accompanying notes to financial statements

**SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,181,567	\$ 4,232,229
Payments to suppliers	(6,481,015)	(2,556,793)
Payments to or on behalf of employees	(6,949,568)	(4,548,347)
Other receipts and payments	6,047	47,991
Net cash provided (used) by operating activities	(9,242,969)	(2,824,920)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	7,830,769	7,006,800
Receipts from grants	231,781	238,193
Claim settlements	(274,928)	
Payments to other agencies	(73,619)	(59,037)
Net cash provided (used) by noncapital financing activities	7,714,003	7,185,956
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction on capital assets	(2,384,651)	(865,617)
Net cash provided (used) by capital and related financing activities	(2,384,651)	(865,617)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	364,360	235,352
Net cash provided (used) in investing activities	364,360	235,352
Net increase (decrease) in cash and cash equivalents	(3,549,257)	3,730,771
CASH AND INVESTMENTS:		
Beginning of year	21,178,216	17,447,445
End of year	\$ 17,628,959	\$ 21,178,216
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ (5,959,892)	\$ (6,417,434)
Nonoperating income (loss), other than those from financing, capital related, or investing activities	(23,802)	1,159,430
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,111,023	1,108,660
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
(Increase) in accounts receivable	(119,972)	(31,526)
(Increase) in prepaid expenses	(33,122)	(158,880)
(Decrease) in accounts payable and accrued liabilities	(2,174,175)	2,163,922
(Decrease) in accrued payroll	(32,162)	14,496
(Decrease) in deposits and unearned revenue	(35,893)	(44,799)
(Decrease) in termination benefits payable		(3,644,385)
Increase in accrued vacation and sick leave	15,323	12,700
(Decrease) in net pension liability and related deferred inflows and outflows	(2,020,146)	479,950
(Decrease) in net OPEB liability and related deferred inflows and outflows	29,849	2,532,946
Net cash (used) by operating activities	\$ (9,242,969)	\$ (2,824,920)

See accompanying notes to financial statements

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018**

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, 2019 and 2018**

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, 2019 and 2018**

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:

Governmental Accounting Standards Board (GASB) Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement is effective for the 2018-2019 fiscal year and had no effect on the District’s financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for the 2018-2019 fiscal year and had no impact on the District’s financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	2019	2018
Cash in bank	\$ 666,436	\$ 2,310,593
Investments	16,960,273	18,865,373
Cash on hand	2,250	2,250
	\$ 17,628,959	\$ 21,178,216

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.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

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 Years Ended June 30, 2019 and 2018**

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	June 30, 2019		June 30, 2018
	12 Months or less	Total	
Fund	\$ 7,214	\$ 7,214	\$ 7,054
San Mateo County Investment Fund	16,953,059	16,953,059	18,858,319
Total Investments	<u>\$ 16,960,273</u>	<u>16,960,273</u>	<u>18,865,373</u>
Cash in banks and on hand		<u>668,686</u>	<u>2,312,843</u>
Total Cash and Investments		<u>\$ 17,628,959</u>	<u>\$ 21,178,216</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, 2019 and 2018, respectively, these investments matured in an average of 173 and 193 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, 2019 and 2018

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, 2019 and 2018.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2019 and 2018 were as follows:

	Balance June 30, 2018	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2019
Capital assets					
Nondepreciable					
Land	\$ 13,081,020	\$ 1,304,135	\$ -	\$ -	\$ 14,385,155
Construction in progress	1,089,538	962,308	-	(1,207,280)	844,566
Total capital assets not being depreciated	<u>14,170,558</u>	<u>2,266,443</u>	<u>-</u>	<u>(1,207,280)</u>	<u>15,229,721</u>
Depreciable					
Autos and Trucks	195,351	-	-	-	195,351
Boats and radar	864,398	27,493	-	-	891,891
Breakwater	12,896,267	-	-	-	12,896,267
Utilities	636,669	-	-	518,852	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	5,464,528	-	-	107,344	5,571,872
Docks	11,271,880	-	(213,449)	-	11,058,431
Parking lots	1,930,860	-	-	-	1,930,860
Walkways/Paths	1,191,625	-	-	581,084	1,772,709
Machinery and equipment	340,784	-	-	-	340,784
Total capital assets being depreciated:	<u>44,981,622</u>	<u>27,493</u>	<u>(213,449)</u>	<u>1,207,280</u>	<u>46,002,946</u>
Accumulated depreciation	(28,241,157)	(1,111,023)	122,734	-	(29,229,446)
Total depreciable assets (net)	<u>16,740,465</u>	<u>(1,083,530)</u>	<u>(90,715)</u>	<u>1,207,280</u>	<u>16,773,500</u>
Total capital assets	<u>\$ 30,911,023</u>	<u>\$ 1,182,913</u>	<u>\$ (90,715)</u>	<u>\$ -</u>	<u>\$ 32,003,221</u>

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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, 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	(27,415,568)	(1,108,660)	283,071	-	(28,241,157)
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>

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, 2019, the District's total unearned revenues was \$3,193,486 of which \$2,928,000 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, 2019 and 2018**

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, 2019 and 2018**

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, 2019, 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	10.022%	6.842%

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 \$2,670,195 in fiscal year 2019.

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, 2019, the contributions recognized as part of pension expense for the Plan were \$2,898,183.

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, 2019 and 2018**

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

As of June 30, 2019, and 2018, the District reported a net pension liability of \$4,831,495 and \$5,012,108 , 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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.12714%
Proportion - June 30, 2018	0.12820%
Change - Increase (Decrease)	0.00106%

For the year ended June 30, 2019, the District recognized pension expense of \$878,036. At June 30, 2019, 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	\$ 2,898,182	\$ -
Differences between actual and expected experience	185,376	(63,082)
Changes in assumptions	550,805	(134,992)
Change in employer’s proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions	50,135	(226,911)
Net differences between projected and actual earnings on plan investments	23,886	-
Total	\$ 3,708,384	\$ (424,985)

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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

The \$2,898,182 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, 2020. 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
2020	\$ 392,937
2021	216,514
2022	(180,778)
2023	(43,456)

Actuarial Assumptions – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The total pension liability for the measurement date June 30, 2018 was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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 2.75% 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 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP2016. For more details on this table, please refer to the CalPERS 2017 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 – For the measurement date of June 30, 2018, the inflation rate reduced from 2.75 percent to 2.50 percent.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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 (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 CAFR, 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 Years Ended June 30, 2019 and 2018**

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	\$ 7,232,452
Current Discount Rate	7.15%
Net Pension Liability	\$ 4,831,495
1% Increase	8.15%
Net Pension Liability	\$ 2,849,542

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, 2019:

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, 2019, the District’s contributions to the Plan were \$164,137.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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, 2019:

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, 2019 and the total OPEB liability was determined by an actuarial valuation dated July 1, 2018 that was rolled forward using standard update procedures to determine the total liability as of June 30, 2019, based on the following actuarial methods and assumptions:

	<u>Actuarial Assumptions</u>
Valuation Date	July 01, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.13%
Long-Term Expected Return of Plan Investment	4.00%
Payroll Growth	3.00%
Healthcare Trend Rates	5.50%

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 July 1, 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 6/30/18	\$ 2,532,946	\$ -	\$ 2,532,946
Changes Recognized for the Measurement Period:			
Service costs	81,531	-	81,531
Interest on the total OPEB liability	88,748	-	88,748
Changes of assumptions	118,534	-	118,534
Employer contributions	-	164,137	(164,137)
Benefit payments	(164,137)	(164,137)	-
Net Changes	124,676	-	124,676
Balance at 6/30/19	\$ 2,657,622	\$ -	\$ 2,657,622

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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, 2019, the District recognized OPEB expense of \$193,986. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made subsequent to the measurement date		
Differences between actual and expected experience		
Changes of assumptions	\$ 94,827	\$ -
Differences between projects and actual return investments		
Total	<u>\$ 94,827</u>	<u>\$ -</u>

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 (2.13%) or 1-percentage-point higher (4.13%) than the current discount rate:

<u>Total OPEB Liability/(Asset)</u>		
<u>Discount Rate -1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate +1%</u>
(2.13%)	(3.13%)	(4.13%)
\$2,928,700	\$2,657,622	\$2,424,591

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:

<u>Total OPEB Liability/(Asset)</u>		
<u>Current Healthcare Cost</u>		
1% Decrease	Trend Rates	1% Increase
(5.00% decreasing to 4.00%)	(6.00% decreasing to 5.00%)	(7.00% decreasing to 6.00%)
\$2,342,274	\$2,657,622	\$3,040,177

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.

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REQUIRED SUPPLEMENTARY INFORMATION

**San Mateo County Harbor District
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2019
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>
Plan's proportion of the Net Pension Liability	0.04848%	0.13453%	0.10624%	0.12714%	0.12820%
Plan's proportionate share of the Net Pension Liability	\$ 3,016,578	\$ 3,690,808	\$ 4,497,813	\$ 5,012,109	\$ 4,831,494
Plan's Covered Payroll	\$ 2,064,270	\$ 2,000,338	\$ 2,022,481	\$ 2,361,865	\$ 2,814,510
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%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%	79.89%	75.87%	75.39%	75.26%

* 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, 2019**

**Schedule of Contributions
 Last 10 Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 376,892	\$ 409,949	\$ 474,656	\$ 543,875	\$ 2,898,183
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>
Contribution deficiency (excess)	<u>\$ -</u>	<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>	 <u>\$ 2,749,582</u>
 Contributions as a percentage of covered payroll	 18.84%	 17.36%	 20.10%	 19.32%	 105.40%

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

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	<u>6/30/18</u>	<u>6/30/19</u>
Total OPEB Liability (1)		
Service Cost	\$ 79,156	\$ 81,531
Interest	88,214	88,748
Changes of assumptions		118,534
Benefit payments	<u>(141,302)</u>	<u>(164,137)</u>
Net change in total OPEB liability	26,068	124,676
Total OPEB liability - beginning	<u>2,506,878</u>	<u>2,532,946</u>
Total OPEB liability - ending (a)	<u><u>\$ 2,532,946</u></u>	<u><u>\$ 2,657,622</u></u>
Covered-employee payroll	<u>\$ 3,007,506</u>	<u>\$ 3,173,696</u>
Total OPEB liability as a percentage of covered-employee payroll	-84.22%	-83.74%

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.

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,	<u>2018</u>	<u>2019</u>
Actuarially required contribution	\$ 141,302	\$ 164,137
Contributions in relation to the actuarially required contributions	<u>141,302</u>	<u>164,137</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 3,007,506</u>	<u>\$ 3,173,696</u>
Contributions as a percentage of covered-employee payroll	4.70%	5.17%

Notes to Schedule:

Valuation Date : July 1, 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, 2019
(with comparative totals for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
OPERATING EXPENSES:		
Advertising and promotion	\$ 11,471	\$ 3,824
Bank charges	380	505
Contractual services	273,466	125,476
Dues and subscriptions	17,221	16,353
Insurance	47,482	40,673
IT	65,041	62,080
Legal fees	101,625	169,526
Personnel expenses	5,241	1,295
Operating expenses	27,700	31,669
Rent	95,100	91,500
Repairs and maintenance	907	3,032
Salaries and benefits	1,300,145	1,395,320
Training, seminars and professional development	25,169	29,784
Elections	859,313	-
Miscellaneous expense	4	290
Depreciation and amortization	2,769	808
Total operating expenses	<u>2,833,034</u>	<u>1,972,135</u>
Operating income (loss)	<u>(2,833,034)</u>	<u>(1,972,135)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	364,360	235,352
Property taxes	7,830,769	7,006,800
Termination benefits	3,086	62
Claim settlements	(274,928)	-
Payments to other agencies	(73,619)	(59,037)
Miscellaneous revenue	5,090	39,031
Total nonoperating revenues (expenses)	<u>7,854,758</u>	<u>7,222,208</u>
Net Income	<u>\$ 5,021,724</u>	<u>\$ 5,250,073</u>

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Pillar Point Harbor
For the year ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	2019	2018
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 2,064,800	\$ 1,931,592
Launching fees	104,201	117,461
Recreational vehicles	86,193	98,135
Rents and concessions	444,055	461,373
Events and permits	34,775	39,977
Other operating revenues	77,225	64,993
Total operating revenues	2,811,249	2,713,531
OPERATING EXPENSES:		
Advertising and promotion	20,997	8,214
Bad debts (recoveries)	43,186	52,066
Bank charges	44,443	34,461
Contractual services	173,010	246,615
Dues and subscriptions	788	338
Insurance	28,058	23,377
IT	34,279	34,241
Legal Fees	325,792	95,655
Personnel expenses	4,445	222
Operating expenses	154,101	106,956
Repairs and maintenance	745,988	2,261,800
Salaries and benefits	2,187,699	2,147,822
Travel, training, seminars and professional development	13,329	10,979
Utilities	279,916	268,515
Vessel destruction	108,076	96,691
Miscellaneous expenses	2,273	6,005
Depreciation and amortization	482,866	475,899
Total operating expenses	4,649,246	5,869,856
Operating income (loss)	(1,837,997)	(3,156,325)
NONOPERATING REVENUES (EXPENSES):		
Grants	118,730	193,200
Termination benefits	(22,758)	(19,873)
Miscellaneous revenue	-	3,150
Total nonoperating revenues (expenses)	95,972	176,477
Net Income	\$ (1,742,025)	\$ (2,979,848)

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Oyster Point Marina
For the year ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 1,306,684	\$ 1,326,254
Launching fees	29,219	22,489
Rents and concessions	120,638	170,517
Events and permits	-	(750)
Other operating revenues	33,749	31,714
Total operating revenues	<u>1,490,290</u>	<u>1,550,224</u>
OPERATING EXPENSES:		
Advertising and promotion	4,023	3,515
Bad debts	37,142	27,052
Bank charges	25,592	28,019
Contractual services	223,443	193,556
Dues and subscriptions	304	850
Insurance	31,535	28,887
IT	32,495	31,928
Legal fees	48,103	68,278
Personnel expenses	2,127	1,436
Miscellaneous expenses	2,864	7,957
Repairs and maintenance	101,845	41,177
Operating expenses	78,003	52,536
Salaries and benefits	1,424,739	1,512,351
Travel, training, seminars and professional development	11,230	12,691
Utilities	78,974	146,842
Vessel destruction	51,344	50,170
Depreciation and amortization	625,388	631,953
Total operating expenses	<u>2,779,151</u>	<u>2,839,198</u>
Operating income (loss)	<u>(1,288,861)</u>	<u>(1,288,974)</u>
NONOPERATING REVENUES (EXPENSES):		
Grants	113,051	44,993
Gain (loss) on disposition of capital assets	(90,725)	(18,563)
Termination benefits	(10,177)	(6,257)
Miscellaneous revenue	957	5,810
Total nonoperating revenues (expenses)	<u>13,106</u>	<u>25,983</u>
Net Income	<u>\$ (1,275,755)</u>	<u>\$ (1,262,991)</u>

**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, 2019 and the related notes to the financial statements, and have issued our report thereon dated December 26, 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 December 26, 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
December 26, 2019