

**SAN MATEO COUNTY HARBOR DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**SAN MATEO COUNTY HARBOR DISTRICT  
 BASIC FINANCIAL STATEMENTS  
 For the Years Ended June 30, 2016 and 2015**

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## **BOARD OF COMMISSIONERS**

Tom Mattusch - President  
Virginia Chang Kiraly - Vice President  
Robert Bernardo - Secretary  
Edmundo Larenas - Treasurer  
Sabrina Brennan - Commissioner

## **MANAGEMENT**

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 year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents. The prior year comparative totals have been derived from the District's 2015 financial statements, audited by other auditors, and the auditors' report dated May 19, 2016, in which they expressed an unmodified opinion.

### ***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.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of the District as of June 30, 2016, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

The District adjusted its beginning balance of net position as discussed in Note 1K to the financial statements.

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 72 - *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1D and 2E to the financial statements:

The emphasis of these matters does not constitute a modification to our opinions.

## ***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.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017, 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  
August 29, 2017

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**San Mateo County Harbor District**  
**Basic Financial Statements**  
**For the year ended June 30, 2016**

**Management's Discussion and Analysis**

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This section of San Mateo County Harbor District's basic financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Since this management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the District's basic financial statements (pages 16 - 18) and the footnotes (pages 19 - 36).

**Financial Highlights**

At June 30, 2016, the District's Net Position decreased \$8,378,949 to \$35,566,317 from \$43,945,266 in 2015. The District remains in a strong financial position as of June 30, 2016, with the main reason for the decline in Net Position coming from correcting previous reporting of Capital Assets. The adjustment reflects eliminating listed items that are not Capital Assets, Maintenance and Repair Items, or Engineering and Design for projects that did not go beyond the planning process (see Note 1K). The adjustment also included items that are below the \$10,000 capital asset threshold, certain Overvalued Assets, and items of long standing that no longer exist. Finally, the useful life of several listed assets has been amended to reflect a more accurate useful life. The cumulative effect of the adjustment to accurately state the District's capital asset balances resulted in a decrease in beginning net position of \$10,262,000.

The District's income before contributions increased \$852,270 (83%) from 2015 with total income before contributions of \$1,883,051 in 2016 compared to \$1,030,781 in 2015 mainly due to an increase in operating revenues, capital grants, and property taxes.

**Using This Report**

In December 1998, the Governmental Accounting Standards Board (GASB) released statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised the reporting of property tax revenue. In June 1999, GASB released statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole and capitalization of assets and depreciation for agencies not reporting on the accrual basis of accounting. Since the District has historically reported all activities in enterprise funds in a manner similar to business activities and followed the accrual basis of accounting, the District merely has been required to reclassify certain balances to utilize the new Statement No. 34 terminology. There were no major reconciling items necessary or elimination of balances due to the implementation of Statement No. 34.

The annual financial statements include the Independent Auditors' Report, this management's discussion and analysis, the basic financial statements, and notes to the basic financial statements.

**San Mateo County Harbor District**  
**Basic Financial Statements**  
**For the year ended June 30, 2016**

**Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole**

	Net Position		Increase (Decrease)	Percent Change
	As of June 30, 2016 and 2015			
	2016	2015		
<b>Assets and Deferred Outflows of Resources:</b>				
Current assets	\$ 15,012,514	\$ 17,803,927	\$ (2,791,413)	(15.7)%
Non-current assets	31,623,251	43,721,314	(12,098,063)	(27.7)%
Deferred Outflows of Resources	1,083,588	624,675	458,913	73.5%
<b>Total assets and deferred outflows of resources</b>	<u>47,719,353</u>	<u>62,149,916</u>	<u>(14,430,563)</u>	<u>(23.2)%</u>
<b>Liabilities and Deferred Inflows of Resources:</b>				
Current liabilities	952,869	2,464,561	(1,511,692)	(61.3)%
Non-current liabilities	10,812,284	14,971,287	(4,159,003)	(27.8)%
Deferred Inflows of Resources	387,883	768,802	(380,919)	(49.5)%
<b>Total liabilities and deferred inflows of resources</b>	<u>12,153,036</u>	<u>18,204,650</u>	<u>(6,051,614)</u>	<u>(33.2)%</u>
<b>Net position:</b>				
Net investment in capital assets	31,623,251	37,788,045	(6,164,794)	(16.3)%
Restricted/Unrestricted net position:				
Restricted for debt service	-	1,790,494	(1,790,494)	(100.0)%
Unrestricted	3,943,066	4,366,727	(423,661)	(9.7)%
<b>Total net position</b>	<u>\$ 35,566,317</u>	<u>\$ 43,945,266</u>	<u>\$ (8,378,949)</u>	<u>(19.1)%</u>

This schedule is prepared from the District's Statement of Net Position (page 16), which is presented on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the Statement of Activities are those revenues that are generated from the primary enterprise operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are all the expenses, enterprise and non-enterprise, that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

**San Mateo County Harbor District  
Basic Financial Statements  
For the year ended June 30, 2016**

**Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole, Continued**

Operating results are summarized as follows:

<b>Operating Results</b>				
<b>For the years ended June 30, 2016 and 2015</b>				
	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Operating revenues</b>	\$ 4,335,575	\$ 3,981,060	\$ 354,515	8.9%
<b>Non-operating revenues</b>	6,387,355	5,834,651	552,704	9.5%
<b>Total Revenues</b>	10,722,930	9,815,711	907,219	9.2%
<b>Operating expenses</b>	7,423,192	8,623,363	(1,200,171)	(13.9)%
<b>Non-operating expenses</b>	1,416,687	161,567	1,255,120	776.8%
<b>Total Expenses</b>	8,839,879	8,784,930	54,949	0.6%
<b>Net income before contributions</b>	1,883,051	1,030,781	852,270	82.7%
<b>Capital Contributions</b>	-	-	-	-
<b>Change in net position</b>	1,883,051	1,030,781	852,270	82.7%
<b>Net position:</b>				
Beginning of year	43,945,266	46,425,616	(2,480,350)	(5.3)%
Adjustment	(10,262,000)	(3,511,131)	(6,750,869)	192.3%
Beginning of year, as restated	33,683,266	42,914,485	(9,231,219)	(21.5)%
End of year	<u>\$ 35,566,317</u>	<u>\$ 43,945,266</u>	<u>\$ (8,378,949)</u>	<u>(19.1)%</u>

While the Statement of Net Position shows the change in financial position of Net Position, the operating results are reflected in the Statement of Revenues, Expenses, and Changes in Net Position (page 17). This statement provides answers to the nature and source of the change in financial position of Net Position. The increase in non-operating expenses in FY 2015-16 is primarily due to the capital asset adjustment (see Note 1K).

**San Mateo County Harbor District  
Basic Financial Statements  
For the year ended June 30, 2016**

**Management’s Discussion and Analysis**

**Financial Analysis of the District as a Whole, Continued**

Net Position decreased by \$8,378,949 as detailed below:

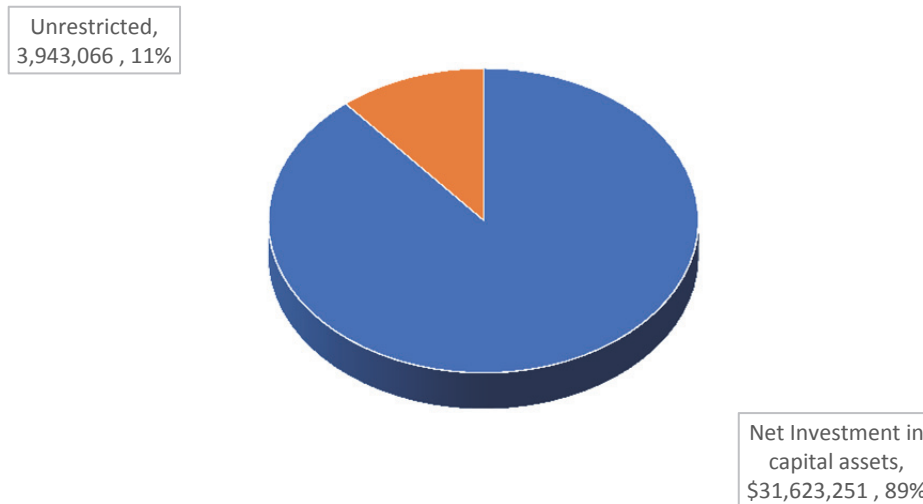
**Analysis of Net Position  
As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Net position:</b>				
Net Investment in capital assets	\$ 31,623,251	\$ 37,788,045	\$ (6,164,794)	(16.3)%
Restricted				
Debt service	-	1,790,494	(1,790,494)	(100.0)%
Unrestricted	<u>3,943,066</u>	<u>4,366,727</u>	<u>(423,661)</u>	<u>(9.7)%</u>
<b>Total</b>	<u>\$ 35,566,317</u>	<u>\$ 43,945,266</u>	<u>\$ (8,378,949)</u>	<u>(19.1)%</u>

The change in Net Position is primarily due to a prior period adjustment (see Note 1K) that was recorded in FY2015-16 which adjusted the District’s Beginning Net Position down a total of \$10,262,000. Without this adjustment the District’s Net Position would have seen an increase of \$1,883,051 for the year.

The following is a graphic illustration of Net Position:

**Analysis of \$35,566,317 in Net Position**



**San Mateo County Harbor District**  
**Basic Financial Statements**  
**For the year ended June 30, 2016**

**Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole, Continued**

Revenue Source	FY 2015-2016		FY 2014-2015		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)	\$ 3,118,852	32.0%	\$ 2,917,301	27.5%	\$ 201,551	6.9%
Rents and concessions	747,306	7.7%	782,837	7.4%	(35,531)	(4.5)%
Launching fees	106,722	1.1%	123,196	1.2%	(16,474)	(13.4)%
Other operating (dock box, RV, other)	362,695	3.7%	157,726	1.5%	204,969	130.0%
Property tax	6,017,160	61.7%	5,653,906	53.3%	363,254	6.4%
Gain (loss) on disposition of assets	(972,071)	(10.0)%	785,571	7.4%	(1,757,642)	(223.7)%
Investment earnings	123,968	1.3%	99,749	0.9%	24,219	24.3%
Capital Grants	244,658	2.5%	61,337	0.6%	183,321	298.9%
Reimbursements	1,569	0.0%	19,659	0.2%	(18,090)	(92.0)%
<b>Totals</b>	<b>\$ 9,750,859</b>	<b>100.0%</b>	<b>\$ 10,601,282</b>	<b>100.0%</b>	<b>\$ (850,423)</b>	<b>(8.0)%</b>

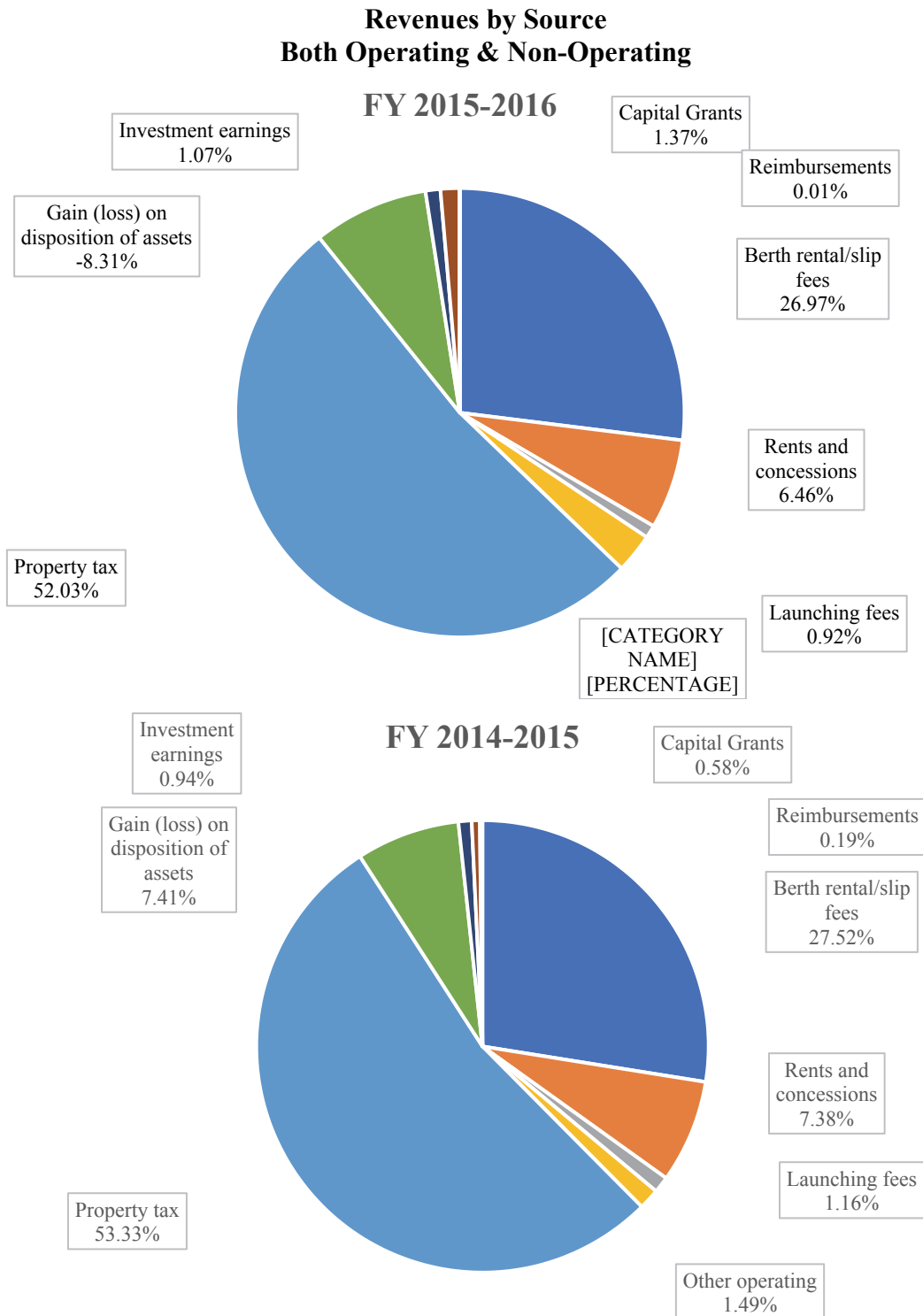
Enterprise revenues from the District's harbor activities increased due to an increase in berth rentals and transient rentals. The decrease in Gain (loss) on disposition in the chart above is primarily due to the current year portion of the capital asset adjustment (see Note 1K), a non-cash transaction in which the District eliminated and adjusted asset balances so that capital assets would be reported more accurately. In FY 2014-15 the District sold a parcel of property which resulted in a Gain on disposition of fixed assets. There were no sales of capital assets in FY 2015-16. The District did see increases in property tax revenue (same amount as prior year) and berth rental/slip fee rentals. Grant revenue increased as a whole due to a one time grant that was received in 2014 for the construction of Dock 8 at OPM from the Division of Boating and Waterways. Investment earnings increased about 24% due to increased cash reserves earning interest.

**San Mateo County Harbor District  
Basic Financial Statements  
For the year ended June 30, 2016**

**Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole, Continued**

The following is a graphic illustration of revenues by source:



**San Mateo County Harbor District  
Basic Financial Statements  
For the year ended June 30, 2016**

**Management’s Discussion and Analysis**

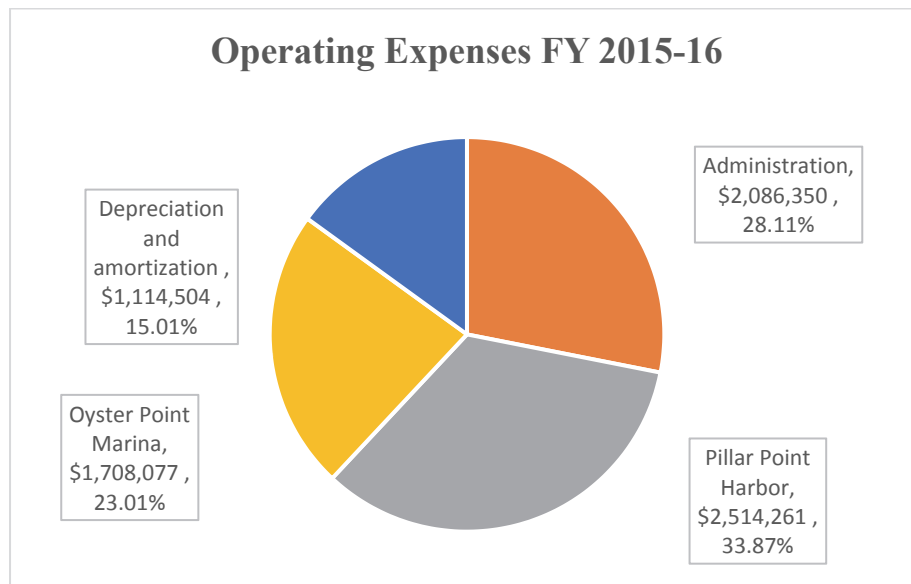
**Financial Analysis of the District as a Whole, Continued**

Operating expenses decreased by \$1,200,171 as detailed below:

<b>Operating Expenses</b>				
<b>For the years ended June 30, 2016 and 2015</b>				
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating expenses:</b>				
Administration	\$ 2,086,350	\$ 2,320,178	\$ (233,828)	(10.1)%
Pillar Point Harbor	2,514,261	2,861,351	(347,090)	(12.1)%
Oyster Point Marina	1,708,077	1,776,724	(68,647)	(3.9)%
Depreciation and amortization	1,114,504	1,665,110	(550,606)	(33.1)%
<b>Total</b>	<u>\$ 7,423,192</u>	<u>\$ 8,623,363</u>	<u>\$ (1,200,171)</u>	<u>(13.9)%</u>

In FY 2015-16 the District stopped reporting on Harbor Commissioners as a separate reporting entity. For comparative reporting purposes, Harbor Commissioners has been included in the Administration department above. Administration operating expenses decreased mostly due to not requiring an election in FY2015-16. Pillar Point Harbor operating expenses decreased due to decreases in repairs and maintenance, contractual services, and vessel destruction costs. Oyster Point Marina operating expenses mainly stayed consistent compared to last year but decreased slightly due to decreases in contractual services, salaries and benefits, and vessel destruction costs.

The following is a graphic illustration of 2015-16 operating expenses:



**San Mateo County Harbor District**  
**Basic Financial Statements**  
**For the year ended June 30, 2016**

**Management's Discussion and Analysis**

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**Cash Flows**

Cash flows have decreased \$3,005,634 of which a large majority is the result of the District paying off all of its long-term debt. In FY 2015-16 the District revised its debt payment schedule with the California Department of Boating and Waterways and made payments in December 2015 and April 2016 to pay off the entire \$5,933,269 balance.

**Long-term Debt**

No new debt was issued for the year. The District's Board of Commissioners decided to retire the debt due to the Department of Boating and Waterways during FY 2015-2016. The District has no future long-term debt payments that are due.

**Long-term Liabilities**

The San Mateo County Harbor District has deferred revenue from pre-payment of rent revenue from the WETA ferry terminal. It is a 55-year lease with an upfront rent payment of \$3,660,000 that was used to pay down the District's obligation to the Department of Boating and Waterways. The District has restructured the reporting of the deferred revenue to a current portion (within one year) and a long term portion (exceeding one year). Previously the entire amount was reported as a current liability. The District feels that this reporting is a better breakdown of reporting our current and long – term liabilities.

**Economic Factors and Potential Future Results**

The District's revenues are dependent on several factors including the strength of the fishing season and the strength of tourism. These cyclical and weather dependent factors are important trends for the District to look for in the economy, as changes could impact future revenue streams. The District is anticipating a decrease in lease revenue at Oyster Point Marina due to the pending development and lease terminations, as described in the 2011 MOU between the District and the City of South San Francisco. This decrease is reflected in the 2017/18 adopted budget. On execution of the 2011 MOU, the City paid the District \$2.6 million in anticipation of the lost revenue, which funds were used to improve the facilities. Since the District decided to pay off the outstanding debt, it has freed up nearly \$1.4 million per year in cash to spend on capital projects to improve the condition of the District's facilities.

**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 questions about this report, contact:



**San Mateo County Harbor District**  
**Basic Financial Statements**  
**For the year ended June 30, 2016**

**Management's Discussion and Analysis**

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

Steve McGrath, General Manager

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## **BASIC FINANCIAL STATEMENTS**

SAN MATEO COUNTY HARBOR DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments (Note 2)	\$ 14,595,362	\$ 15,810,502
Restricted cash and investments (Note 2)	-	1,790,494
Accounts receivables:		
Customers	202,504	136,528
Interest	29,743	27,025
Other	71	-
Prepaid expenses and deposits	184,834	39,378
Total current assets	15,012,514	17,803,927
<b>NON-CURRENT ASSETS</b>		
Capital assets (Note 3):		
Land	13,081,020	13,081,020
Construction in progress	83,971	789,742
Depreciable assets	44,799,581	60,497,425
Less accumulated depreciation	(26,341,321)	(30,646,873)
Total non-current assets	31,623,251	43,721,314
<b>TOTAL ASSETS</b>	<b>46,635,765</b>	<b>61,525,241</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related (Note 8)	1,083,588	624,675
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 47,719,353</b>	<b>\$ 62,149,916</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 290,711	\$ 472,506
Accrued payroll	47,314	121,157
Customer deposit	295,677	291,647
Unavailable revenue (Note 5)	319,167	327,105
Accrued interest payable	-	272,573
Current portion of long-term debt (Note 4)	-	979,573
Total current liabilities	952,869	2,464,561
<b>NON-CURRENT LIABILITIES</b>		
Unavailable revenue (Note 5)	3,127,636	3,194,183
Compensated absences	216,971	211,838
Long-term debt (Note 4)	-	4,953,696
Termination benefits payable (Note 9)	3,776,869	3,594,992
Net pension liability (Note 8)	3,690,808	3,016,578
Total non-current liabilities	10,812,284	14,971,287
<b>TOTAL LIABILITIES</b>	<b>11,765,153</b>	<b>17,435,848</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related (Note 8)	387,883	768,802
<b>NET POSITION (Note 6)</b>		
Net investment in capital assets	31,623,251	37,788,045
Restricted for debt service	-	1,790,494
Unrestricted	3,943,066	4,366,727
<b>TOTAL NET POSITION</b>	<b>35,566,317</b>	<b>43,945,266</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 47,719,353</b>	<b>\$ 62,149,916</b>

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, 2016 AND 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Berth Rental	\$ 2,808,590	\$ 2,718,883
Dock box fees	8,050	6,450
Launching fees	106,722	123,196
Mooring fees	32,256	37,541
Recreational vehicles	76,406	58,005
Rents and concessions	747,306	782,837
Transient berths and dockage	278,006	160,877
Other operating revenues	278,239	93,271
Total operating revenues	4,335,575	3,981,060
<b>OPERATING EXPENSES</b>		
Harbor Commissioners	-	978,871
Administration	2,086,350	1,341,307
Pillar Point Harbor	2,514,261	2,861,351
Oyster Point Marina	1,708,077	1,776,724
Depreciation and amortization	1,114,504	1,665,110
Total operating expenses	7,423,192	8,623,363
Operating income (loss)	(3,087,617)	(4,642,303)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Capital grants	244,658	61,337
Investment earnings	123,968	99,749
Reimbursements	1,569	19,659
Property taxes	6,017,160	5,653,906
County administrative fees	(51,634)	(46,437)
Gain (loss) on disposition of capital assets	(972,071)	785,571
Termination benefits	(181,877)	(621,945)
Interest expense	(205,049)	(272,574)
LAFCO fees	(6,056)	(6,182)
Total nonoperating revenues (expenses)	4,970,668	5,673,084
Net income	1,883,051	1,030,781
<b>CHANGES IN NET POSITION</b>		
NET POSITION, BEGINNING OF YEAR, AS RESTATED (NOTE 1K)	33,683,266	46,425,616
Prior period adjustment	-	(3,511,131)
NET POSITION, END OF YEAR	\$ 35,566,317	\$ 43,945,266

See accompanying notes to financial statements

**SAN MATEO COUNTY HARBOR DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 4,266,810	\$ 4,133,253
Payments to suppliers	(3,292,638)	(3,035,778)
Payments to or on behalf of employees	(3,466,191)	(4,065,443)
<b>Net cash provided (used) by operating activities</b>	<b>(2,492,019)</b>	<b>(2,967,968)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes net of collection fees	5,965,526	5,607,469
Receipts from capital grants	244,658	61,337
Receipts from reimbursements	1,569	19,659
Payments to LAFCO	(6,056)	(6,182)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>6,205,697</b>	<b>5,682,283</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(5,933,269)	-
Interest payments on long-term debt	(205,049)	-
Acquisitions and construction on capital assets	(250,504)	(233,882)
Proceeds from the sale of assets	(454,458)	1,046,558
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(6,843,280)</b>	<b>812,676</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	123,968	93,725
<b>Net cash provided (used) in investing activities</b>	<b>123,968</b>	<b>93,725</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,005,634)</b>	<b>3,620,716</b>
<b>CASH AND INVESTMENTS:</b>		
Beginning of year	17,600,996	13,980,280
End of year	<b>14,595,362</b>	<b>17,600,996</b>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and investments	14,595,362	15,810,502
Restricted cash and investments	-	1,790,494
<b>Total cash and investments</b>	<b>\$ 14,595,362</b>	<b>\$ 17,600,996</b>
<b>Reconciliation of operating income (loss) to net cash provided (used)</b>		
<b>by operating activities:</b>		
Operating loss	(\$3,087,617)	(\$4,642,303)
Adjustments to reconcile operating income (loss) to net cash provided (used)		
by operating activities:		
Depreciation and amortization expense	1,114,504	1,665,110
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources		
(Increase) in accounts receivable	(68,765)	146,562
(Increase) in prepaid expenses	(145,456)	(15,628)
(Decrease) in accounts payable and accrued liabilities	(181,795)	266,558
(Decrease) in accrued payroll	(73,843)	11,296
(Decrease) in deposits and unearned revenue	(70,455)	5,631
Increase in termination benefits payable	181,877	-
Increase in accrued vacation and sick leave	5,133	(54,768)
(Decrease) in net pension liability and related deferred inflows and outflows	(165,602)	(350,426)
<b>Net cash (used) by operating activities</b>	<b>\$ (2,492,019)</b>	<b>\$ (2,967,968)</b>

See accompanying notes to financial statements

**SAN MATEO COUNTY HARBOR DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016 and 2015**

**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 is located in the unincorporated area of Princeton along the Pacific Ocean in San Mateo County and South San Francisco, but encompasses the entire County.

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

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

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

**SAN MATEO COUNTY HARBOR DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016 and 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Fund Accounting Classification and Basis of Accounting***

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

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

***C. Cash and Investments***

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

***D. Fair Value Hierarchy***

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

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

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

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

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



**SAN MATEO COUNTY HARBOR DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2016 and 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Capital Assets***

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

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

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

***F. Property Taxes***

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

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

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

**SAN MATEO COUNTY HARBOR DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016 and 2015**

**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 Year Ended June 30, 2016 and 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***K. Restatement of Fund Balance***

In fiscal year 2016, the District reviewed its capital assets and determined certain assets which were previously classified as construction in progress and depreciable assets should not have been capitalized. As a result, the District adjusted its capital assets by reducing construction in progress and depreciable assets by \$287,028 and \$15,523,967, respectively. In addition, the District removed the related accumulated depreciation for \$5,549,002 and reduced its beginning balance by \$10,262,000.

***L. New Governmental Accounting Standards Board Statement Pronouncements***

Management adopted the provision of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – *Fair Value Measurement and Application*. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address for certain external investment pool and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. This statement is effective for the periods beginning after December 15, 2015, or the 2015-2016 fiscal year.

***M. Reclassification***

For the year ended June 30, 2016, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2016 presentation.

**NOTE 2 – CASH AND INVESTMENTS**

***A. Summary of Cash and Investments***

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

	2016	2015
Cash in bank	\$ 1,075,087	\$ 1,147,465
Investments	13,518,025	14,660,737
Cash on hand	2,250	2,300
Restricted cash	-	1,790,494
	\$ 14,595,362	\$ 17,600,996

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**A. Summary of Cash and Investments (continued)**

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.

**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.

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

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

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

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

***C. Investments Authorized by Debt Agreements***

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures, or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
State and Local Agency Bonds	5 years	A
U.S. Treasury Obligations	5 years	Aaa
U.S. Agency Securities	5 years	Aaa
Bankers' Acceptances	180 days	A-1
Commercial Paper	270 days	A-1+
Money Market Funds	N/A	Aam
Non-negotiable Certificates of Deposit	1 year	AAA
Repurchase Agreements	30 days	A
Medium Term Notes	5 years	AA
Negotiable Certificates of Deposit	5 years	AA
California Local Agency Investment Fund	N/A	None
San Francisco Public Utilities Commission (SFPUC)	N/A	None
San Mateo County Treasury	N/A	None

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**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, 2016		June 30, 2015
	12 Months or less	Total	
California Local Agency Investment Fund	\$ 6,927	\$ 6,927	\$ 6,902
San Mateo County Investment Fund	13,511,098	13,511,098	16,444,329
Total Investments	<u>\$ 13,518,025</u>	<u>13,518,025</u>	<u>16,451,231</u>
Cash in banks and on hand		1,077,337	1,149,765
Total Cash and Investments		<u>\$ 14,595,362</u>	<u>\$ 17,600,996</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, 2016 and 2015, respectively, these investments matured in an average of 167 and 191 days.

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

**SAN MATEO COUNTY HARBOR DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016 and 2015**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**E. Fair Value Hierarchy**

The Local Agency Investment Fund is classified as Level 2, and is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. The San Mateo County Investment Fund is classified as Level 2.

**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, 2016.

**NOTE 3 – CAPITAL ASSETS**

Changes in capital assets and depreciation for the years ended June 30, 2016 and 2015 were as follows:

	Balance June 30, 2015, as Restated	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2016
<b>Capital assets</b>					
<b>Nondepreciable</b>					
Land	\$ 13,081,020	\$ -	\$ -	\$ -	\$ 13,081,020
Construction in progress	502,714	153,075	(369,075)	(202,743)	83,971
Total capital assets not being depreciated	13,583,734	153,075	(369,075)	(202,743)	13,164,991
<b>Depreciable</b>					
Autos and Trucks	115,994	-	-	-	115,994
Boats and radar	537,775	-	-	-	537,775
Signs	-	-	-	-	-
Breakwater	12,896,267	-	-	-	12,896,267
Utilities	636,669	-	-	-	636,669
Channels	-	-	-	-	-
Launch Ramps	3,957,424	-	-	-	3,957,424
Piers	6,216,940	-	-	-	6,216,940
Bulkheads	100,000	-	-	-	100,000
Buildings and improvements	5,890,528	-	-	(396,000)	5,494,528
Docks	11,271,880	-	-	-	11,271,880
Parking lots	2,102,389	-	-	-	2,102,389
Walkways/Paths	988,882	-	-	202,743	1,191,625
Machinery and equipment	258,710	97,429	(78,049)	-	278,090
Total capital assets being depreciated:	44,973,458	97,429	(78,049)	(193,257)	44,799,581
Accumulated depreciation	(25,097,871)	(1,114,503)	61,142	(190,089)	(26,341,321)
Total depreciable assets (net)	19,875,587	(1,017,074)	(16,907)	(383,346)	18,458,260
Total capital assets	\$ 33,459,321	\$ (863,999)	\$ (385,982)	\$ (586,089)	\$ 31,623,251

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, 2016.

**SAN MATEO COUNTY HARBOR DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016 and 2015**

**NOTE 3 – CAPITAL ASSETS (Continued)**

	Balance June 30, 2014	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2015
<b>Capital assets</b>					
<b>Nondepreciable</b>					
Land	\$ 13,108,381	\$ -	\$ (27,361)	\$ -	\$ 13,081,020
Construction in progress	790,124	233,882	(209,019)	(25,245)	789,742
Total capital assets not being depreciated	<u>13,898,505</u>	<u>233,882</u>	<u>(236,380)</u>	<u>(25,245)</u>	<u>13,870,762</u>
<b>Depreciable</b>					
Autos and Trucks	126,092	-	-	-	126,092
Boats and radar	572,944	-	-	-	572,944
Signs	74,519	-	-	-	74,519
Breakwater	20,482,765	-	-	-	20,482,765
Utilities	212,405	-	(38,957)	223,348	396,796
Channels	4,893,160	-	(27,397)	-	4,865,763
Launch Ramps	4,030,623	-	-	-	4,030,623
Piers	7,709,427	-	-	-	7,709,427
Bulkheads	747,397	-	-	-	747,397
Buildings and improvements	8,773,840	-	(35,134)	(67,267)	8,671,439
Docks	8,389,670	-	-	(156,081)	8,233,589
Parking lots	3,221,069	-	(38,164)	-	3,182,905
Walkways/Paths	1,096,199	-	(4,873)	-	1,091,326
Machinery and equipment	333,247	25,245	(46,652)	-	311,840
Total capital assets being depreciated:	<u>60,663,357</u>	<u>25,245</u>	<u>(191,177)</u>	<u>-</u>	<u>60,497,425</u>
Accumulated depreciation	(29,148,332)	(1,665,110)	166,569	-	(30,646,873)
Total depreciable assets (net)	<u>31,515,025</u>	<u>(1,639,865)</u>	<u>(24,608)</u>	<u>-</u>	<u>29,850,552</u>
Total capital assets	<u>\$ 45,413,530</u>	<u>\$ (1,405,983)</u>	<u>\$ (260,988)</u>	<u>\$ (25,245)</u>	<u>\$ 43,721,314</u>

**NOTE 4 – LONG-TERM DEBT**

**A. Long Term Debt Activity**

	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Current Portion
California Department of Boating and Waterways, 4.5%, due 12/31/19	\$ 19,777,000	\$ 5,933,269	\$ (5,933,269)	\$ -	\$ -
Total long-term debt		<u>5,933,269</u>	<u>(5,933,269)</u>	<u>-</u>	<u>-</u>
Amount due within one year		<u>(979,573)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term due after one year		<u>\$ 4,953,696</u>	<u>\$ (5,933,269)</u>	<u>\$ -</u>	<u>\$ -</u>

	Original Issue Amount	Balance June 30, 2014	Retirements	Balance June 30, 2015	Current Portion
California Department of Boating and Waterways, 4.5%, due 12/31/19	\$ 19,777,000	\$ 5,933,269	\$ -	\$ 5,933,269	\$ 979,573
Total long-term debt		<u>5,933,269</u>	<u>-</u>	<u>5,933,269</u>	<u>-</u>
Amount due within one year		<u>-</u>	<u>-</u>	<u>(979,573)</u>	<u>-</u>
Total long-term due after one year		<u>\$ 5,933,269</u>	<u>\$ -</u>	<u>\$ 4,953,696</u>	<u>\$ 979,573</u>



**SAN MATEO COUNTY HARBOR DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016 and 2015**

**NOTE 4 – LONG-TERM DEBT (Continued)**

***B. California Division of Boating and Waterways***

The District has thirteen loans outstanding from the California Division of Boating and Waterways (Division) for construction projects at Oyster Point Marina/Park and at Pillar Point Harbor. The interest rate for all fifteen loans was adjusted to 4.50 percent as of January 1, 1993. The total original loans and debt obligation of the District amounted to \$19,777,000.

On May 14, 1997 the District received a three-year loan deferral from the Division. There were no principal or interest payments due for three years. At the end of the deferral period, the loans and deferred interests were re-amortized over the remaining life of the loans.

On July 18, 2001, the District executed an "Approval of Concept" agreement with the Division in order to receive another live-year moratorium on the principal portions of the debt service payments for the years 2002 through 2005. The District made interest only payments from 2001 through 2005. Beginning 2006, the District made principal and interest payments on the outstanding loan balance.

Effective October 12, 2004 the District entered into a Consolidated Loan Agreement consolidating the seventeen previous separate loans into one loan with the Division. The collateral to secure payment of the consolidated loan, and any future loans, is all property tax revenues received by the District and a restricted account with the San Mateo County Treasury having a beginning balance of \$1,500,000.

The restricted cash is reported as a current asset and the current balance includes portfolio income earned. In addition, the District has assigned the rents and leases from Pillar and Oyster Point harbors to the Division to secure performance of the tenants leasing berths in the event of default on the consolidated loan agreement by the District.

On June 24, 2009 the District entered into an agreement with the Water Emergency Transit Authority (WETA) and the City of South San Francisco to build a commuter ferry terminal at Oyster Point Marina. The construction of the ferry terminal required the removal of 134 of the 589 berths at Oyster Point Marina. In return for the loss of the physical docks and future revenue stream of those docks, WETA agreed to pay \$3.66 million to the District to pay down the loan with the Division. Accordingly, the loan with the Division was re-amortized on December 31, 2008.

On June 2, 2014, the District revised their payment schedule and made a one-time early payment. The District did not make a payment in fiscal year 2014-15 as a result of the early payment.

In fiscal year 2016, as authorized by the Board of Commissioners, the District made a lump sum payment, which included \$5,933,269 in principal. The debt was paid off in full in fiscal year 2016.

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 5 – UNAVAILABLE 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, 2016, the District's total unavailable revenues related to this payment were \$3,446,803 of which \$3,199,766 related to WETA.

**NOTE 6 – NET POSITION**

Net Position was restricted for debt service for the California Division of Boating and Waterways in fiscal year 2014-2015. The District repaid its outstanding debt during fiscal year 2015-2016 and does not have restricted net position as of June 30, 2016.

**NOTE 7 – RISK MANAGEMENT**

The District purchases commercially available insurance with the following maximum coverage and deductibles:

Type of Coverage	Coverage Limit	Retention/Deductible
Auto	\$ 1,000,000	No deductible
General Liability	2,000,000	No deductible
Docks and Piers	64,504,341	150,000
Property	6,376,281	5,000
Equipment Floater	261,828	1,000
Crime	100,000	1,000
Hull & Machinery	1,000,000	2,500-5000
Workers' Compensation	1,000,000	No deductible
Pollution	1,000,000	25,000-50,000
Employers' Liability	1,000,000	10,000-25,000
Commercial Umbrella - Excess	10,000,000	25,000

The District also purchased additional workers' compensation and employer's liability through the Special District Risk Management Authority risk pool. Maximum coverage and deductible amounts are as follows:

Type of Coverage	Coverage Limit	Retention/Deductible
Workers' Compensation	Statutory	No deductible
Employers' Liability	5,000,000	No deductible

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

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 8 – 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. 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 hires after December 31, 2012.

The Plan’s provisions and benefits in effect at June 30, 2016, 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	2.5%	2%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	9.067%	6.237%

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 \$254,779 in fiscal year 2016.

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 8 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)**

**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, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous
Contributions - employer	\$ 409,949

As of June 30, 2016, the funded ratio of the District’s Miscellaneous Classic and PEPR Plan was 73.5% and 94.9%, respectively.

**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.

As of June 30, 2016, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 3,690,808

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	0.04848%
Proportion - June 30, 2015	0.13453%
Change - Increase (Decrease)	0.08605%

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 8 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$165,602. At June 30, 2016, 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	\$ 409,949	\$ -
Differences between actual and expected experience	27,308	-
Changes in assumptions	-	(258,363)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	646,331	-
Net differences between projected and actual earnings on plan investments	-	(129,520)
Total	\$ 1,083,588	\$ (387,883)

\$409,949 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, 2017. 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
2017	\$ 56,014
2018	52,621
2019	11,563
2020	165,558
2021	-
Thereafter	-

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 8 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)**

**Actuarial Assumptions** - For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The total pension liability for the measurement date June 30, 2015 was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50% (1)
Mortality	Derived using CalPERS' Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Net of pension plan investment expenses, including inflation

(2) 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 of Assumptions** - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65% 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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.

**SAN MATEO COUNTY HARBOR DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015**

**NOTE 8 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)**

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	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
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.

***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	6.65%
Net Pension Liability	\$ 5,723,713
Current Discount Rate	7.65%
Net Pension Liability	\$ 3,690,808
1% Increase	8.65%
Net Pension Liability	\$ 2,012,408

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

**SAN MATEO COUNTY HARBOR DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2016 and 2015**

**NOTE 9 – TERMINATION BENEFITS**

*A. Plan Description*

Employees hired prior to July 1, 2009 that were employed with the District after January 1, 1981, are entitled to continue to receive health, dental, life insurance and vision benefits upon leaving District employment if they were not terminated for good cause and had a minimum of twelve years of service to the District at time of termination. These benefits may only be collected for a period of time that is equal to half of the time the employee was employed with the District.

The following table shows the components of the District’s annual termination benefits payable, the amount actually benefits paid, and changes in the District’s Net obligation as of June 30, 2016 and 2015, respectively:

	2016	2015
Annual required contribution (ARC)	\$ 369,010	\$ 757,653
Annual cost (Expense)	369,010	757,653
Benefits paid	(187,133)	(135,708)
Increase in net obligation	181,877	621,945
Net obligation beginning of year	3,594,992	2,973,047
Net obligation (asset) - end of year	\$ 3,776,869	\$ 3,594,992

**NOTE 10 – 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  
 Cost-Sharing Multiple-Employer Defined Pension Plan - Miscellaneous Plans  
 As of June 30, 2016**

**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>
Plan's Proportion of the Net Pension Liability (Asset)	0.04848%	0.13453%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,016,578	\$ 3,690,808
Plan's Covered Employee Payroll	\$ 2,064,270	\$ 2,000,338
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	146.13%	184.51%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.77%	75.27%

\* - 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, 2016**

**Schedule of Contributions  
 Last 10 Years\***

	<b>2015</b>	<b>2016</b>
Actuarially determined contribution	\$ 376,892	\$ 409,949
Contributions in relation to the actuarially determined contributions	(376,892)	(409,949)
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 2,000,338	 \$ 2,022,481
 Contributions as a percentage of covered-employee payroll	 18.84%	 20.27%

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

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**ADDITIONAL INFORMATION**

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**San Mateo County Harbor District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Administration**  
**For the year ended June 30, 2016**  
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>OPERATING EXPENSES:</b>		
Advertising and promotion	\$ 9,700	\$ 7,634
Auto expenses	527	1,562
Bank charges	523	596
Contractual services	949,072	535,922
Claims settlement	97,750	-
Dues and subscriptions	12,874	17,280
Insurance	19,460	28,152
Office expense	26,588	19,321
Personnel expenses	17,819	40,893
Postage	2,547	1,911
Rent	91,016	97,392
Repairs and maintenance	3,636	1,931
Salaries and benefits	826,300	1,024,179
Telephone and communications	16,644	10,770
Training, seminars and professional development	2,557	7,309
Travel, conferences and meetings	9,337	11,948
Elections	-	513,378
Depreciation and amortization	-	299
<b>Total operating expenses</b>	<u>2,086,350</u>	<u>2,320,477</u>
<b>Operating income (loss)</b>	<u>(2,086,350)</u>	<u>(2,320,477)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Capital grants	101,272	34,739
Investment earnings	123,968	99,749
Reimbursements	1,569	1,756
Property taxes	6,017,160	5,653,906
County administrative fees	(51,634)	(46,437)
Gain (loss) on disposition of capital assets	-	18,924
Termination benefits	68,142	(54,547)
Shared revenues	(2,285,020)	(3,329,521)
LAFCO fees	(6,056)	(6,182)
<b>Total nonoperating revenues (expenses)</b>	<u>3,969,401</u>	<u>2,372,387</u>
<b>Net Income</b>	1,883,051	51,910
<b>CHANGE IN NET POSITION:</b>		
Beginning of year	<u>46,477,526</u>	<u>46,425,616</u>
End of year	<u>\$ 48,360,577</u>	<u>\$ 46,477,526</u>

**San Mateo County Harbor District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Pillar Point Harbor**  
**For the year ended June 30, 2016**  
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES:</b>		
Berth rental	\$ 1,703,621	\$ 1,648,279
Launching fees	87,765	100,589
Mooring fees	32,256	37,541
Recreational vehicles	76,406	58,005
Rents and concessions	438,670	471,529
Transient berths and dockage	87,182	81,022
Other operating revenues	259,122	76,465
<b>Total operating revenues</b>	<u>2,685,022</u>	<u>2,473,430</u>
<b>OPERATING EXPENSES:</b>		
Advertising and promotion	5,742	6,865
Auto expenses	816	401
Bad debts (recoveries)	48,948	10,903
Bank charges	25,981	20,863
Contractual services	181,563	239,242
Dues and subscriptions	-	262
Insurance	115,461	123,565
Office expense	10,882	8,776
Personnel expenses	1,409	114
Postage	4,641	3,979
Rent	7,216	14,867
Repairs and maintenance	102,821	346,805
Operating expenses	65,258	66,218
Salaries and benefits	1,560,141	1,579,281
Sewer fees	39,107	46,687
Telephone and communications	29,134	27,599
Training, seminars and professional development	2,646	6,045
Travel, conferences and meetings	960	730
Uniforms	8,961	8,665
Utilities	278,470	287,286
Vessel destruction	24,104	62,198
Depreciation and amortization	467,146	601,962
<b>Total operating expenses</b>	<u>2,981,407</u>	<u>3,463,313</u>
<b>Operating income (loss)</b>	<u>(296,385)</u>	<u>(989,883)</u>



	<b>2016</b>	<b>2015</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Capital grants	86,006	-
Reimbursements	-	17,733
Gain (loss) on disposition of capital assets	(620,195)	766,647
Termination benefits	(233,318)	(343,328)
Shared revenues	1,168,889	688,496
Interest expense	(104,997)	(139,665)
<b>Total nonoperating revenues (expenses)</b>	<b>296,385</b>	<b>989,883</b>
<b>Net Income</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION:</b>		
Beginning of year, as restated, (Note 1K)	(2,712,992)	-
End of year	<u>\$ (2,712,992)</u>	<u>\$ -</u>

**San Mateo County Harbor District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Oyster Point Marina**  
**For the year ended June 30, 2016**  
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES:</b>		
Berth rental	\$ 1,104,969	\$ 1,070,604
Dock box fees	8,050	6,450
Launching fees	18,957	22,607
Rents and concessions	308,636	311,308
Transient berths and dockage	190,824	79,855
Other operating revenues	19,117	16,806
<b>Total operating revenues</b>	<u>1,650,553</u>	<u>1,507,630</u>
<b>OPERATING EXPENSES:</b>		
Advertising and promotion	4,328	5,383
Auto expenses	911	262
Bad debts	63,645	32,133
Bank charges	16,262	15,433
Contractual services	200,980	211,049
Dues and subscriptions	-	183
Insurance	115,461	123,565
Office expense	4,633	5,093
Personnel expenses	684	242
Postage	1,835	2,903
Equipment rental	3,054	2,558
Repairs and maintenance	40,707	54,701
Operating expenses	28,361	30,550
Salaries and benefits	1,027,315	1,068,085
Telephone and communications	21,230	18,267
Training, seminars and professional development	3,779	4,605
Travel, conferences and meetings	905	444
Uniforms	6,332	7,246
Utilities	106,866	108,492
Vessel destruction	60,789	85,530
Depreciation and amortization	647,358	1,062,849
<b>Total operating expenses</b>	<u>2,355,435</u>	<u>2,839,573</u>
<b>Operating income (loss)</b>	<u>(704,882)</u>	<u>(1,331,943)</u>

	<b>2016</b>	<b>2015</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Capital grants	57,380	26,598
Reimbursements	-	170
Gain (loss) on disposition of capital assets	(351,876)	-
Termination benefits	(16,701)	(215,540)
Shared revenues	1,116,131	1,653,624
Interest expense	(100,052)	(132,909)
<b>Total nonoperating revenues (expenses)</b>	<b>704,882</b>	<b>1,331,943</b>
<b>Net Income</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION:</b>		
Beginning of year, as restated, (Note 1K)	(7,549,008)	-
End of year	<u>\$ (7,549,008)</u>	<u>\$ -</u>

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**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  
South San Francisco, 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, 2016, and have issued our report thereon dated August 29, 2017. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated August 29, 2017, which is an integral part of our audit and should be read in conjunction with this report, to be material weaknesses.

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. We consider the deficiencies listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated August 29, 2017, which is an integral part of our audit and should be read in conjunction with this report, to be significant deficiencies.

### ***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*.

### ***District's Response to Findings***

The District's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated August 29, 2017, which is an integral part of our audit and should be read in conjunction with this report. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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  
August 29, 2017