

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

This Page Left Intentionally Blank

**SAN MATEO COUNTY HARBOR DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022**

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Table of Contents i

Elected Officials and Administrative Personnel ii

FINANCIAL SECTION:

Independent Auditor's Report 1

Management's Discussion and Analysis 5

Basic Financial Statements:

Statements of Net Position 16

Statements of Revenues, Expenses, and Changes in Net Position 17

Statements of Cash Flows 18

Notes to the Basic Financial Statements 19

Required Supplementary Information:

Schedule of Plan's Proportionate Share of the Net Pension Liability and
 Related Ratios as of the Measurement Date 42

Schedule of Contributions 43

Schedule of Changes in the Total OPEB Liability and Related Ratios – Single Employer
 Longevity Health Insurance Premium Payment Program 44

Schedule of Contributions 45

Supplementary Information:

Schedule of Revenues, Expenses, and Changes in Net Position
 Administration 48

Schedule of Revenues, Expenses, and Changes in Net Position
 Pillar Point Harbor 49

Schedule of Revenues, Expenses, and Changes in Net Position
 Oyster Point Marina 50

***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*** 51

**BOARD OF COMMISSIONERS
FY 2021-2022**

Virginia Chang-Kiraly - President
Nancy Reyering – Vice-President
Tom Mattusch - Treasurer
William Zemke - Secretary
Edmundo Larenas - Commissioner

**MANAGEMENT
FY 2021-2022**

James B. Pruett –General Manager

Prepared by the
Finance Department

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the San Mateo County Harbor District (District), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of the District as of June 30, 2022, and the changes in financial positions and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of a Matter - Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement 87, *Leases*, which became effective during the year ended June 30, 2022 and required restatement of certain governmental activities lease-related balances as discussed in Note 9 to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 Supplementary 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 March 3, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pleasant Hill, California
March 3, 2023

This Page Left Intentionally Blank

Management's Discussion and Analysis

This section of San Mateo County Harbor District's annual financial report presents our discussion and analysis of the District's financial status during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's basic financial statements (pages 16 - 18) and the footnotes (pages 19 - 39).

Financial Highlights

- The District's net position was \$53,811,196 on June 30, 2022. This was an increase of \$6,590,935 for the year. The increase is due to an increase in Capital Assets and Construction in Progress and a decrease in Net Pension Liability.
- The District's operating revenues increased by \$170,404, or 4.1%. Operating revenues accounted for 30.47% of all revenues. The increase was due to an increase in berth rental and rent/concession revenue.
- The District's operating expenses decreased by \$3,472,158, or 31.3%, due to no election costs in the fiscal year, a decrease in legal fees, and a decrease in salaries and benefits. See Summary of Expenses section for more information.
- Nonoperating revenues from taxes and investment income was \$9,764,296, or 68.5% of all revenues. Revenues in the form of grants and miscellaneous non-operating revenue total \$159,477 or 1.1% of all revenues.
- Net pension liabilities are \$285,821 and net Other Post Employment Benefit (OPEB) liabilities are \$2,764,384. Net pension liability decreased by \$2,618,522 or 90.2%. OPEB liability decreased \$559,003 or 16.8%. The reason for the pension liability changes were due to favorable market conditions that occurred in fiscal year 2020-2021. See Summary of Expenses section for more information.
- The District implemented GASB 87 in Fiscal Year 2021-2022, which required us to evaluate the leases we manage and record a lease receivable and related Deferred Inflow of Resources, like our pension and OPEB liabilities. The resulting entries also required us to record additional rental income of \$23,000 for the year.

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 as a business.

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

The basic financial statements consist of three statements:

- The Statement of Net Position presents information on all District assets/deferred outflows, and liabilities/deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that may result in cash flows in future periods.
- The Statement of Cash Flows presents information to show how the District’s cash changed throughout the fiscal year. It shows the sources and uses of cash.

The accounting basis and measurement focus for Proprietary Funds is accrual accounting and economic resources focused. All assets and liabilities, both financial and capital, and short- and long-term are included in the statements. All revenues and expenses are recorded regardless of when cash is received or paid.

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

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

The District’s financial statements provide detailed information about the District’s one fund. Our analysis below focuses on the net position and the changes in net position of District activities in fiscal year ended June 30, 2022, as compared to fiscal year ended June 30, 2021.

Comparative Statement of Net Position (condensed)				
As of June 30, 2022 and 2021				
	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets and Deferred Outflows of Resources:				
Current assets	\$ 21,654,361	\$ 24,031,636	\$ (2,377,275)	(9.9)%
Non-current assets	41,123,913	32,549,754	8,574,159	26.3%
Deferred Outflows of Resources	<u>1,609,914</u>	<u>2,433,641</u>	<u>(823,727)</u>	(33.8)%
Total assets and deferred outflows of resources	<u>64,388,188</u>	<u>59,015,031</u>	<u>5,373,157</u>	9.1%
Liabilities and Deferred Inflows of Resources:				
Current liabilities	987,973	1,151,521	(163,548)	(14.2)%
Non-current liabilities	6,250,624	9,499,175	(3,248,551)	(34.2)%
Deferred Inflows of Resources	<u>3,338,395</u>	<u>1,144,074</u>	<u>2,194,321</u>	191.8%
Total liabilities and deferred inflows of resources	<u>10,576,992</u>	<u>11,794,770</u>	<u>(1,217,778)</u>	(10.3)%
Net position:				
Net investment in capital assets	39,020,317	32,549,754	6,470,563	19.9%
Unrestricted	<u>14,790,879</u>	<u>14,670,507</u>	<u>120,372</u>	0.8%
Total net position	<u>\$ 53,811,196</u>	<u>\$ 47,220,261</u>	<u>\$ 6,590,935</u>	14.0%

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

Net position increased \$6,590,935, or 14.0%. Net investment in capital assets increased by \$8,574,159, or 26.3%. This increase was primarily due to our purchase of the Admin office building for \$2.99 million, a \$4.52 million increase in construction in progress during the year and adding a lease receivable of \$2.10 million resulting from the implementation of GASB 87. Non-current liabilities decreased by \$3,248,551 or 34.2% due to decreases in Net pension liability and Other post-employment benefits.

Comparative Statement of Revenues, Expenses, and Changes in Net Position (condensed)
For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 4,325,227	\$ 4,154,823	\$ 170,404	4.1%
Non-operating revenues	9,923,773	9,171,875	751,898	8.2%
Total revenues	14,249,000	13,326,698	922,302	6.9%
Operating expenses	7,604,593	11,076,751	(3,472,158)	(31.3)%
Non-operating expenses	53,472	236,588	(183,116)	(77.4)%
Total expenses	7,658,065	11,313,339	(3,655,274)	(32.3)%
Net income before contributions	6,590,935	2,013,359	4,577,576	227.4%
Capital contributions	-	-	-	-
Increase (decrease) in net position	6,590,935	2,013,359	4,577,576	227.4%
Net position:				
Beginning of fiscal year	47,220,261	45,206,902	2,013,359	4.5%
Prior period adjustment	-	-	-	
Beginning of fiscal year	47,220,261	45,206,902	2,013,359	4.5%
End of fiscal year	<u>\$ 53,811,196</u>	<u>\$ 47,220,261</u>	<u>\$ 6,590,935</u>	14.0%

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

Operating revenues are those revenues that are generated from the primary enterprise operations of the District, such as fees collected for berth rent, use of the boat launch ramp and leased property rents. All other revenues are reported as non-operating revenues, such as property taxes or grant revenue received. Operating expenses are all the expenses that are essential to the primary operations of the District, such as salaries and wages, repairs and maintenance, contract services, and utilities. Expenses that are reported as non-operating expenses include costs not related to our harbor operation like payments to other agencies and changes to termination benefit liabilities.

Operating expenses decreased by \$3,472,158 or 31.3% due to decreased salaries and benefits expenses related to the calculation of our net pension liability. Market conditions in fiscal year 2020-2021 were favorable, and for GASB 68 purposes the District is required to record adjustments to lower salaries and benefits expense by about \$2,200,000 in the current fiscal year.

Non-operating expenses decreased by \$183,116 or 77.4%. due to decreased termination benefit expense related to the calculation of our other postemployment benefits (OPEB). Like our net pension liability above, market conditions in fiscal year 2020-2021 were favorable and GASB 75 requires the District to record adjustments to lower our termination benefits expense in the current fiscal year. See the Summary of Expenses section below for more information.

Summary of Revenues
For the Years Ended June 30, 2022 and 2021

Revenue Source	2022		2021		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)	\$ 3,401,211	23.9%	\$ 3,311,696	24.9%	\$ 89,515	2.7%
Rents and concessions	689,773	4.8%	578,424	4.3%	111,349	19.3%
Launching fees	140,868	1.0%	159,557	1.2%	(18,689)	(11.7)%
Events and permits	26,964	0.2%	28,478	0.2%	(1,514)	(5.3)%
Other operating	66,411	0.5%	76,668	0.6%	(10,257)	(13.4)%
Property taxes	9,576,725	67.2%	8,796,257	66.0%	780,468	8.9%
Investment earnings	187,571	1.3%	238,120	1.8%	(50,549)	(21.2)%
Grants	31,504	0.2%	131,546	1.0%	(100,042)	(76.1)%
Miscellaneous	127,973	0.9%	5,952	0.0%	122,021	2050.1%
Total revenues	\$ 14,249,000	100.0%	\$ 13,326,698	100.0%	\$ 922,302	6.9%

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). The District records revenue on an accrual basis, meaning the revenues listed above are recognized when services are earned (or billed to customers). Non-cash related transactions, such as a gain/loss on disposition of assets are not shown above. Additionally, the above table shows variance information to illustrate what items changed year over year.

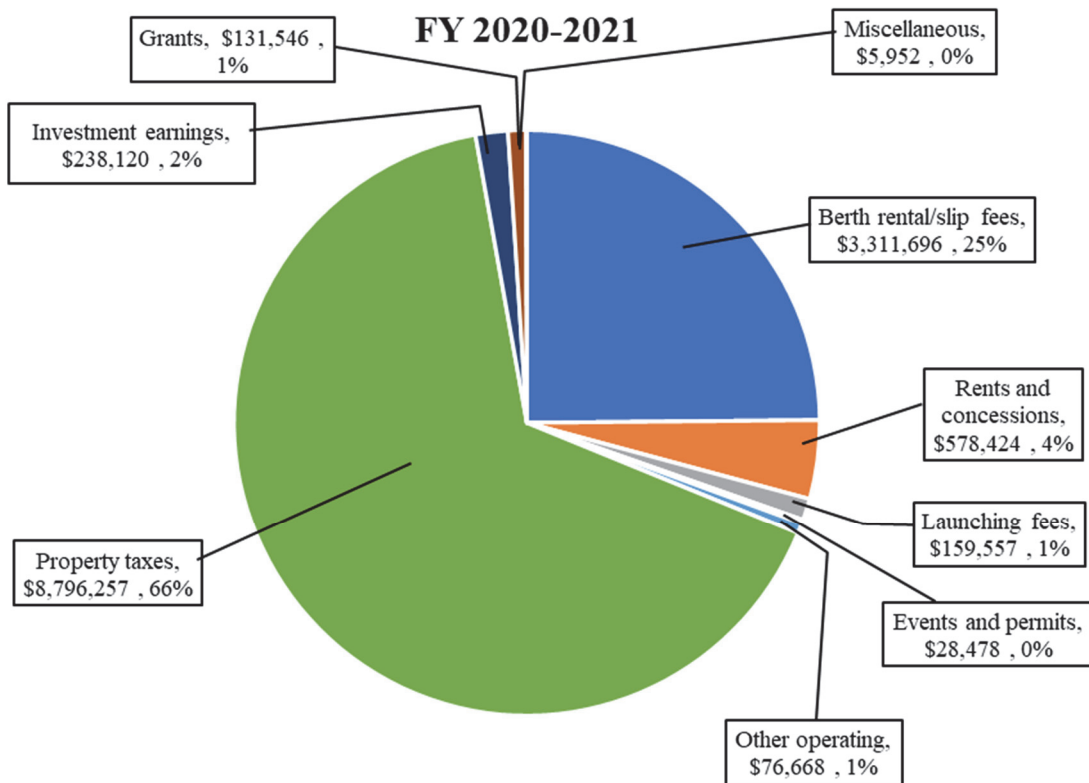
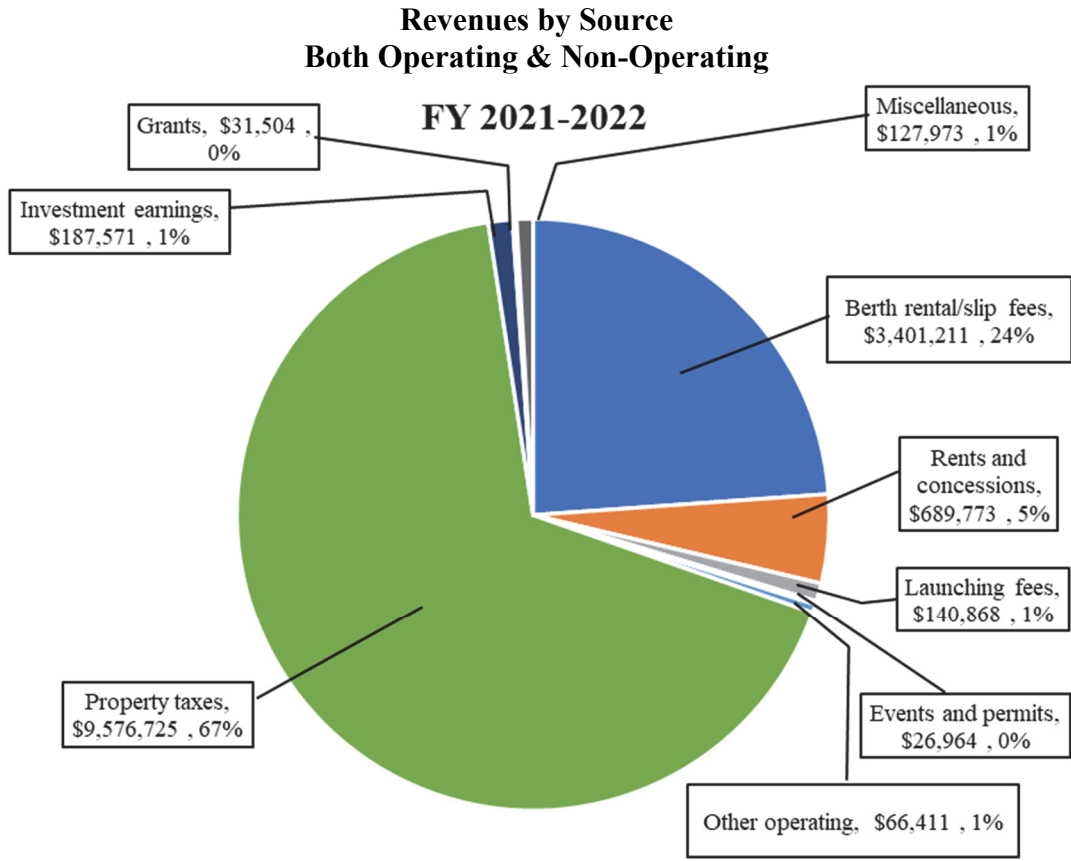
Berth rental/transient fees increased slightly during the year, and as a whole Operating Revenues increased compared to last year. An increase of Rents and concessions increased due to several reasons -

- The District introduced a new Off the Boat Sales program at Pillar Point Harbor which began in January 2022. Under this program, berthers at PPH can apply for a permit which allows them to sell their fish off their boat and remit the District a fee of 2.5% of their gross sales.
- Additionally, the District purchased the Admin office building (504 Avenue Alhambra) we occupied in El Granada which came with three commercially rentable units (not including the District office space), providing additional rental income for the District.

Property taxes consist of 67.2% of the District’s total revenues, and the District saw an increase in property tax revenue from San Mateo County due to rising property values. Investment earnings decreased due to lower interest rates during this fiscal year compared to last. Grant revenue decreased versus last year due to delays in submitting reimbursements for grant monies.

Miscellaneous revenue increased due to a one time receipt of \$122,000 for COVID-19 relief. The funds were received from the State of California and were intended “to provide relief to independent special districts that have not received other forms of COVID-19 fiscal relief directly from the state or federal government, and have incurred revenue losses or unanticipated costs due to the COVID-19 public health emergency.”

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
Administration	\$ 1,716,072	\$ 2,793,336	\$ (1,077,264)	(38.6)%
Pillar Point Harbor	3,087,325	4,724,217	(1,636,892)	(34.6)%
Oyster Point Marina	1,608,073	2,421,180	(813,107)	(33.6)%
Depreciation and amortization	<u>1,193,123</u>	<u>1,138,018</u>	<u>55,105</u>	4.8%
Total operating expenses	7,604,593	11,076,751	(3,472,158)	(31.3)%
Non-operating expenses:				
Claim settlements	-	-	-	
(Gain) loss on disposition of capital assets	-	(7,300)	7,300	(100.0)%
Termination benefits	(35,182)	155,307	(190,489)	(122.7)%
Payments to other agencies	<u>88,654</u>	<u>88,581</u>	<u>73</u>	0.1%
Total non-operating expenses	53,472	236,588	(183,116)	(77.4)%
Total expenses	<u>\$ 7,658,065</u>	<u>\$ 11,313,339</u>	<u>\$ (3,655,274)</u>	(32.3)%

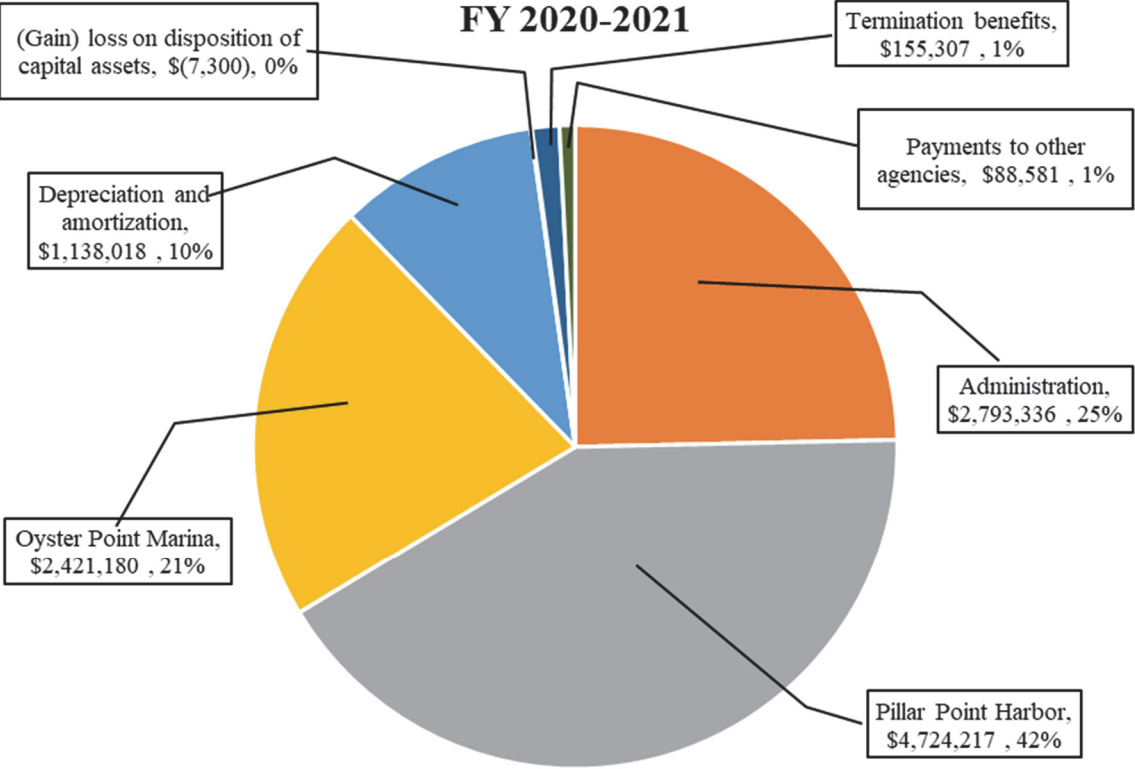
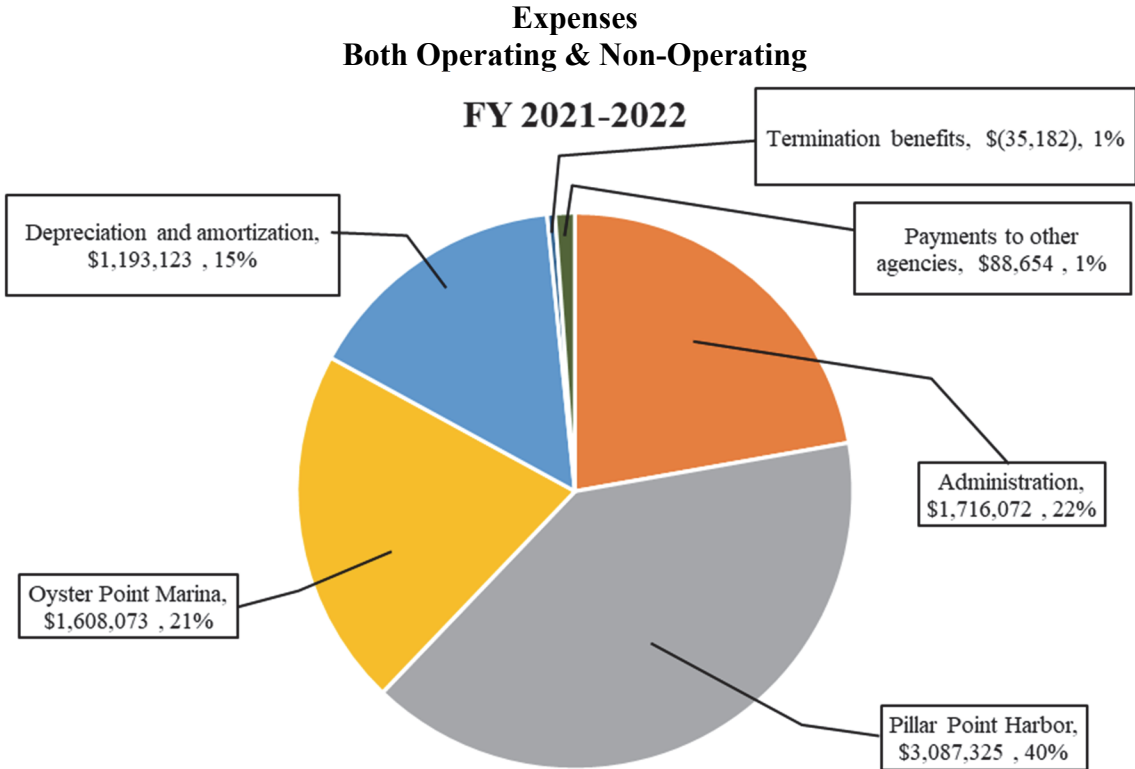
The District's operating expenses experienced overall decreases this year. The main reasons for the decreases were due to decreased Elections cost, Salaries and Wages, and Legal fees. Fiscal Year 2020-2021 was an election year, so the District had an increased cost of about \$437,000. Election expense continues to be one of the District's largest expense items that occurs biennially.

All three departments saw large decreases to Salaries and Wages. A decrease of about \$2,200,000 was due to GASB 68 adjustments, which requires us to lower our salaries and wages expense due to favorable market conditions that occurred in fiscal year 2020-2021 for our CalPERS pension liability. It should be noted that this is a "paper" decrease, and not a decrease in cash paid. The District expects an opposite increase to occur in fiscal year 2023-2024 due to unfavorable market conditions that are presently occurring in the current fiscal year 2022-2023. A portion of the Salaries and Wages decrease was also due to several positions being vacant during the year.

Legal costs decreased by about \$407,000 for Pillar Point Harbor compared to last fiscal year. In fiscal year 2020-2021 the District had higher legal fees than usual due to the JAMS Arbitration with the three lessee fishbuyers. The arbitration has completed and the District was awarded reimbursement of legal costs that will be repaid to the District over time.

A gain on disposition of assets was realized last fiscal year because the District was able to sell salvaged parts from two rescue watercrafts that were destroyed during a search and rescue incident that occurred last year. There were no dispositions of capital assets this fiscal year.

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



Capital Assets and Long-Term Debt Activity

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2022, was \$39,020,317. The total increase in net assets from the prior year was 19.9%. This increase was due to the purchase of the Admin office building in June 2022 and the increase in construction in progress during the fiscal year. There were no asset disposals during the year. The table below shows the ending balances of District capital assets, as well as variance information to illustrate what changed year over year.

Comparative Schedule of Capital Assets For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Nondepreciable assets				
Land	\$ 14,385,155	\$ 14,385,155	\$ -	0.0%
Construction in progress	<u>6,960,322</u>	<u>2,439,389</u>	<u>4,520,933</u>	185.3%
Total nondepreciable assets	21,345,477	16,824,544	4,520,933	26.9%
Autos and trucks	230,559	230,559	-	0.0%
Boats and radar	924,271	911,707	12,564	1.4%
Breakwater	12,896,267	12,896,267	-	0.0%
Utilities	1,155,521	1,155,521	-	0.0%
Launch Ramps	3,957,424	3,957,424	-	0.0%
Piers	6,131,836	6,131,836	-	0.0%
Bulkheads	100,000	100,000	-	0.0%
Buildings and improvements	9,698,980	6,711,217	2,987,763	44.5%
Docks	11,058,431	11,058,431	-	0.0%
Parking lots	1,930,860	1,930,860	-	0.0%
Walkways/Paths	1,772,709	1,772,709	-	0.0%
Machinery and equipment	<u>483,212</u>	<u>340,784</u>	<u>142,428</u>	41.8%
Subtotal	50,340,070	47,197,315	3,142,755	6.7%
Less: Accumulated Depreciation	<u>(32,665,230)</u>	<u>(31,472,105)</u>	<u>(1,193,125)</u>	3.8%
Depreciable assets, net	17,674,840	15,725,210	1,949,630	12.4%
Total Capital Assets	<u>\$ 39,020,317</u>	<u>\$ 32,549,754</u>	<u>\$ 6,470,563</u>	19.9%

Construction in progress increased due to many projects progressing during the year, such as West Trail Shoreline Protection (Pillar Point Harbor), Dock H Replacement (Pillar Point Harbor), East Dock Replacement (Oyster Point Marina), Entrance Navigation Aids Project (Oyster Point Marina), and the implementation of our ERP System (Administration). Two projects were completed during the year - the purchase of our new Administration building (504 Avenue Alhambra, El Granada, CA 94018) and the installation of some Boating Safety & Enforcement Equipment on one of our vessels at Pillar Point Harbor. Both were placed in service during the fiscal year.

Economic Factors and Next Year's Budgets and Rates

The District's Fiscal Year 2022-2023 Operating Budget includes estimated Operating Revenues of \$4,550,000 and Non-Operating Revenues of \$9,297,000 for a total of \$13,847,000. The estimated total expenditures for fiscal year 2022-2023 are \$11,529,000 (not including capital expenditures). Budgeted total revenues of \$13,847,000 less budgeted total expenditures of \$11,529,000 provide an estimated \$2,318,000 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 2022-2023 of \$7,921,450 in Capital Improvement expenditures funded by \$800,000 from a Department of Boating and Waterways (State of CA) grant, \$212,000 in a Coastal Conservancy (State of CA) grant, \$298,000 in a Metropolitan Transportation Commission grant, and \$6,611,450 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

This Page Left Intentionally Blank

BASIC FINANCIAL STATEMENTS

SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and investments (Note 2)	\$ 20,896,148	\$ 23,257,015
Accounts receivables:		
Customers	527,871	590,333
Interest	55,505	54,409
Other	-	108,842
Prepaid expenses and deposits	174,837	21,037
Total current assets	21,654,361	24,031,636
NON-CURRENT ASSETS		
Lease receivable (Note 9)	2,103,596	-
Capital assets (Note 3):		
Land	14,385,155	14,385,155
Construction in progress	6,960,322	2,439,389
Depreciable assets	50,340,070	47,197,315
Less accumulated depreciation	(32,665,230)	(31,472,105)
Total non-current assets	41,123,913	32,549,754
TOTAL ASSETS	62,778,274	56,581,390
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 7)	1,265,065	1,882,344
OPEB related (Note 8)	344,849	551,297
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,609,914	2,433,641
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 64,388,188	\$ 59,015,031
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 396,036	\$ 402,854
Accrued payroll	117,562	102,188
Customer deposit	398,995	387,880
Unearned revenue (Note 4)	75,380	258,599
Total current liabilities	987,973	1,151,521
NON-CURRENT LIABILITIES		
Unearned revenue (Note 4)	2,728,363	2,794,909
Compensated absences	472,056	476,536
Net pension liability (Note 7)	285,821	2,904,343
Net OPEB Liability (Note 8)	2,764,384	3,323,387
Total non-current liabilities	6,250,624	9,499,175
TOTAL LIABILITIES	7,238,597	10,650,696
DEFERRED INFLOWS OF RESOURCES		
Lease related (Note 9)	2,080,050	-
Pension related (Note 7)	940,971	1,144,074
OPEB related (Note 8)	317,374	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,338,395	1,144,074
NET POSITION (Note 5)		
Net investment in capital assets	39,020,317	32,549,754
Unrestricted	14,790,879	14,670,507
TOTAL NET POSITION	53,811,196	47,220,261
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 64,388,188	\$ 59,015,031

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, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Berth rental	\$ 3,401,211	\$ 3,311,696
Launching fees	140,868	159,557
Rents and concessions	689,773	578,424
Events and permits	26,964	28,478
Other operating revenues	66,411	76,668
Total Operating Revenues	4,325,227	4,154,823
OPERATING EXPENSES		
Administration	1,716,072	2,793,336
Pillar Point Harbor	3,087,325	4,724,217
Oyster Point Marina	1,608,071	2,421,180
Depreciation and amortization	1,193,125	1,138,018
Total Operating Expenses	7,604,593	11,076,751
Operating Income (Loss)	(3,279,366)	(6,921,928)
NONOPERATING REVENUES (EXPENSES)		
Grants	31,504	131,546
Investment earnings	187,571	238,120
Property taxes	9,576,725	8,796,257
Gain (loss) on disposition of capital assets	-	7,300
Termination benefits	35,182	(155,307)
Payments to other agencies	(88,654)	(88,581)
Miscellaneous revenue	127,973	5,952
Total Nonoperating Revenues (Expenses)	9,870,301	8,935,287
CHANGES IN NET POSITION	6,590,935	2,013,359
NET POSITION, BEGINNING OF YEAR	47,220,261	45,206,902
NET POSITION, END OF YEAR	\$ 53,811,196	\$ 47,220,261

See accompanying notes to financial statements

**SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,471,889	\$ 4,179,783
Payments to suppliers	(2,810,175)	(3,767,529)
Payments to or on behalf of employees	(6,194,012)	(5,804,440)
Other receipts and payments	127,973	5,952
Net cash provided (used) by operating activities	(4,404,325)	(5,386,234)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	9,576,725	8,796,257
Receipts from grants	31,504	131,546
Payments to other agencies	(88,654)	(88,581)
Net cash provided (used) by noncapital financing activities	9,519,575	8,839,222
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction on capital assets	(7,663,688)	(945,865)
Proceeds from the sale of assets	-	7,300
Net cash provided (used) by capital and related financing activities	(7,663,688)	(938,565)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	187,571	238,120
Net cash provided (used) in investing activities	187,571	238,120
Net increase (decrease) in cash and cash equivalents	(2,360,867)	2,752,543
CASH AND INVESTMENTS:		
Beginning of year	23,257,015	20,504,472
End of year	\$ 20,896,148	\$ 23,257,015
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (3,279,366)	\$ (6,921,928)
Nonoperating income (loss), other than those from financing, capital related, or investing activities	163,155	(149,355)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,193,125	1,138,018
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
Decrease in accounts receivable	170,208	24,960
(Increase) in leases receivable and related deferred inflows	(23,546)	-
(Increase) decrease in prepaid expenses	(153,800)	372,148
(Decrease) in accounts payable and accrued liabilities	(6,818)	(404,546)
Increase in accrued payroll	15,374	16,005
(Decrease) in deposits and unearned revenue	(238,650)	(46,374)
(Decrease) increase in accrued vacation and sick leave	(4,480)	102,728
(Decrease) increase in net pension liability and related deferred inflows and outflows	(2,204,346)	326,803
(Decrease) increase in net OPEB liability and related deferred inflows and outflows	(35,181)	155,307
Net cash (used) by operating activities	\$ (4,404,325)	\$ (5,386,234)

See accompanying notes to financial statements

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Description of the Entity and its Programs

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

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

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

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

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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.

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, 2022**

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. Leases

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

G. 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 HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Taxes (continued)

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

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

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

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

H. Accrued Vacation and Sick Leave

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

I. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(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 net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(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, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government’s financial statements for the year ended June 30, 2021, from which the summarized information was derived. In addition, the balances at June 30, 2021 were not restated for the implementation of GASB 87, *Leases*.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

The District's cash and temporary investments are carried at market, and include the following at June 30:

	2022	2021	
Cash in bank	\$ 970,620	\$ 4,641,519	
Investments	19,923,390	18,613,246	
Cash on hand	2,138	2,250	
	\$ 20,896,148	\$ 23,257,015	

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

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Authorized Investments

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

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

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 Section 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, 2022**

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Interest Rate Risk

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

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

Investment Type	12 Months or less	June 30, 2022	
		Total	June 30, 2021
California Local Agency Investment Fund	\$ 7,468	\$ 7,468	\$ 7,447
San Mateo County Investment Fund	19,915,922	19,915,922	18,605,799
Total Investments	<u>\$ 19,923,390</u>	<u>19,923,390</u>	<u>18,613,246</u>
Cash in banks and on hand		<u>972,758</u>	<u>4,643,769</u>
Total Cash and Investments		<u>\$ 20,896,148</u>	<u>\$ 23,257,015</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, 2022 and 2021 these investments matured in an average of 311 and 291 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, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Fair Value Hierarchy

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

E. Credit Rate Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's only investments are in the California Local Agency Investment Fund and San Mateo County Investment Fund which are not rated at June 30, 2022 and 2021.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2022 and 2021 were as follows:

	Balance June 30, 2021	Additions	Transfers and Adjustments	Balance June 30, 2022
Capital assets				
Nondepreciable				
Land	\$ 14,385,155	\$ -	\$ -	\$ 14,385,155
Construction in progress	2,439,389	4,577,747	(56,814)	6,960,322
Total capital assets not being depreciated	16,824,544	4,577,747	(56,814)	21,345,477
Depreciable				
Autos and Trucks	230,559	-	-	230,559
Boats and radar	911,707	12,564	-	924,271
Breakwater	12,896,267	-	-	12,896,267
Utilities	1,155,521	-	-	1,155,521
Launch Ramps	3,957,424	-	-	3,957,424
Piers	6,131,836	-	-	6,131,836
Bulkheads	100,000	-	-	100,000
Buildings and improvements	6,711,217	2,987,763	-	9,698,980
Docks	11,058,431	-	-	11,058,431
Parking lots	1,930,860	-	-	1,930,860
Walkways/Paths	1,772,709	-	-	1,772,709
Machinery and equipment	340,784	85,614	56,814	483,212
Total capital assets being depreciated:	47,197,315	3,085,941	56,814	50,340,070
Accumulated depreciation	(31,472,105)	(1,193,125)		(32,665,230)
Total depreciable assets (net)	15,725,210	1,892,816	56,814	17,674,840
Total capital assets	\$ 32,549,754	\$ 6,470,563	\$ -	\$ 39,020,317

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – CAPITAL ASSETS (Continued)

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

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, 2022, the District's total unearned revenues was \$2,803,743 of which \$2,728,363 was related to WETA.

NOTE 5 – NET POSITION

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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	800,000,000	No deductible
General Liability	10,000,000	500
Employee/Public Officials Dishonesty	1,000,000	No deductible
Auto Liability	10,000,000	1,000
Trailer	Limits on File	No deductible
Employers' Liability	5,000,000	No deductible
Workers' Compensation	Statutory	No deductible

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

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS)

General Information about the Pension Plan

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

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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, 2022, 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%	1.0-2.5%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	11.59%	7.59%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability was \$251,696 in fiscal year 2022.

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

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

As of June 30, 2022, the District reported a net pension liability of \$285,821 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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 was as follows:

	Miscellaneous
Proportion - June 30, 2020	0.06885%
Proportion - June 30, 2021	0.01505%
Change - Increase (Decrease)	-0.05380%

For the year ended June 30, 2022, the District recognized negative pension expense of \$2,204,345. At June 30, 2022, 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	\$ 554,340	\$ -
Differences between actual and expected experience	32,052	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	678,673	(691,464)
Net differences between projected and actual earnings on plan investments	-	(249,507)
Total	\$ 1,265,065	\$ (940,971)

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

The \$554,340 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, 2023. 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
2023	\$ (30,761)
2024	(73,695)
2025	(56,839)
2026	(68,951)
Total	<u>\$ (230,246)</u>

Actuarial Assumptions – For the measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The total pension liability for the measurement date June 30, 2021 was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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 (based on CalPERS demographic data from 1997 to 2015). For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

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

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

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

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

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the next pension liability for the Plan calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate at June 30, 2022:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 3,002,424
Current Discount Rate	7.15%
Net Pension Liability	\$ 285,821
1% Increase	8.15%
Net Pension Liability	\$ (1,959,956)

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

Reduction of CalPERS Discount Rate – On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions will be reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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, 2022:

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, 2022, the District’s contributions to the Plan were \$559,003.

Employee Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2022:

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Total OPEB Liability

Actuarial Methods and Assumptions – The District’s total OPEB liability was measured as of June 30, 2022 and the total OPEB liability was determined by an actuarial valuation dated July 1, 2020 that was rolled forward using standard update procedures to determine the total liability as of June 30, 2022, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 1, 2020
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.69%
Long-Term Expected Return of Plan Investments	4.00%
Payroll Growth	3.00%
Healthcare Trend Rates	3.00% for 2021-2023; 4.00% for 2024-2069, and 3.00% for 2070 and later years

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

The underlying mortality assumptions and all other actuarial assumptions used in the July 1, 2021 valuation were based on the results of a plan experience from the 2017 CalPERS Experience Study.

C. Changes in Net OPEB Liability

The changes in the Net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2021	\$ 3,323,387	\$ -	\$ 3,323,387
Changes Recognized for the Measurement Period:			
Service costs	106,638	-	106,638
Interest on the total OPEB liability	63,189	-	63,189
Difference between expected and actual experience	-	-	-
Changes of assumptions	(449,613)	-	(449,613)
Employer contributions		279,217	(279,217)
Benefit payments	(559,003)	(559,003)	-
Net Changes	(838,789)	(279,786)	(559,003)
Balance at June 30, 2022	\$ 2,484,598	\$ (279,786)	\$ 2,764,384

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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, 2022, the District recognized OPEB expense of \$35,182. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 96,644	\$ -
Changes of assumptions	248,205	(317,374)
Differences between projected and actual return on investments	-	-
Total	\$ 344,849	\$ (317,374)

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

Year Ended June 30	Annual Amortization
2023	\$ 74,207
2024	6,164
2025	(52,896)
Total	\$ 27,475

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 (2.69%) or 1-percentage-point higher (4.69%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1% (2.69%)	Current Discount Rate (3.69%)	Discount Rate +1% (4.69%)
\$3,004,976	\$2,764,384	\$2,553,964

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
Current Healthcare Cost Trend Rates		
1% Decrease (2.00%)	Rates (3.00%)	1% Increase (4.00%)
\$2,461,973	\$2,764,384	\$3,123,698

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 9 – LEASES

A. General

During fiscal year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. As part of the implementation of this Statement, the District has accounted for certain lessor transactions which required the restatement of leases receivable and deferred inflows of resources as of July 1, 2021 of \$2,269,219, with a net impact to net position of \$0. The summarized financial information for fiscal year ended June 30, 2021 were not restated for the recognition of these leases.

The District from time to time engages in lease arrangements allowing the right for others to use various District-owned land and buildings for public benefit. The District recognizes a lease receivable and deferred inflow of resources in the financial statements for any lease with a net present value of at least \$200,000.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – LEASES (Continued)

B. Lease Balances

As of June 30, 2022, the lease receivable and related deferred inflows of resources consisted of the following:

Lessor	Original Lease Date	Expiration Date Including Options	Monthly Revenue as of June 30, 2022	Lease Receivable Balance at June 30, 2022	Deferred Inflow of Resources at June 30, 2022
Ketch Joanne (Restaurant)	1/1/2022	12/31/2030	\$ 7,028	\$ 606,855	\$ 603,179
Pillar Point Harbor RV Park	10/1/1998	10/1/2048	2,500	487,088	480,725
Mavericks Surf Shop, LLC	1/1/2022	12/31/2030	2,700	233,140	231,728
Order At The Corner	1/1/1981	12/31/2031	1,981	187,577	184,728
McHenry's Fisheries	3/13/2013	3/13/2028	3,231	196,312	193,230
Morning Star, LLC	3/13/2013	3/13/2028	3,231	196,312	193,230
Three Captains Seafood	3/13/2013	3/13/2028	3,231	196,312	193,230
			<u>\$ 23,902</u>	<u>\$ 2,103,596</u>	<u>\$ 2,080,050</u>

C. Lease Terms

Ketch Joanne Restaurant

On January 1, 2022, the District began leasing property to the Ketch Joanne Restaurant with fixed monthly payments of \$7,028 through the end of the lease term. Lease interest income payments are to be increased by 4% every year starting February 28, until the end of the lease on December 31, 2030. The District recognized \$31,805 in lease revenue and \$10,363 in interest revenue in fiscal year 2022 related to this lease. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

Pillar Point Harbor RV Park

On October 1, 1998, the District began leasing property to Pillar Point Harbor RV Park (previously KN Properties – KN RV Lot) with fixed monthly payments of \$ 2,500 through the end of the lease term. Lease interest income payments are to be increased by 4% every year starting August 31, until the end of the lease on October 1, 2048. The District recognized \$11,950 in lease revenue and \$18,050 in interest revenue in fiscal year 2022 related to this lease. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

Mavericks Surf Shop, LLC

On January 1, 2022, the District began leasing property to Mavericks Surf with fixed monthly payments of \$2,700 through the end of the lease term. Lease interest income payments are to be increased by 4% every year starting February 28, until the end of the lease on December 31, 2030. The District recognized \$12,219 in lease revenue and \$3,981 in interest revenue in fiscal year 2022 related to this lease. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – LEASES (Continued)

Order At The Counter

On January 1, 1981, the District began leasing property to Order At The Corner with fixed monthly payments of \$1,981 through the end of the lease term. Lease interest income payments are to be increased by 4% every year starting August 31, until the end of the lease on December 31, 2031. The District recognized \$16,594 of lease revenue and \$7,172 of interest revenue in fiscal year 2022 related to this lease. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. 1000

McHenry’s Fisheries

On March 13, 2013, the District began leasing property to McHenry’s Fisheries (previously Merva W. Inc. DBA Pillar Point Fisheries) with fixed monthly payments of \$3,231 through the end of the lease term. Lease interest income payments are to be increased by 4% every year starting August 31, until the end of the lease on March 13, 2028. The District recognized \$31,018 of lease revenue and \$7,757 of interest revenue in fiscal year 2022 related to this lease. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

Morning Star, LLC

On March 13, 2013, the District began leasing property to Morning Star, LLC (previously Morning Star Fisheries) with fixed monthly payments of \$3,231 through the end of the lease term. Lease interest income payments are to be increased by 4% every year starting August 31, until the end of the lease on March 13, 2028. The District recognized \$31,018 of lease revenue and \$7,757 of interest revenue in fiscal year 2022 related to this lease. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

Three Captains Seafood

On March 13, 2013, the District began leasing property to Three Captains Seafood with fixed monthly payments of \$3,231 through the end of the lease term. Lease interest income payments are to be increased by 4% every year starting August 31, until the end of the lease on March 13, 2028. The District recognized \$31,018 of lease revenue and \$7,757 of interest revenue in fiscal year 2022 related to this lease. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

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.

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

**San Mateo County Harbor District
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2022
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%
	<u>2019</u>	<u>2020</u>	<u>2021</u>		
Plan's proportion of the Net Pension Liability	0.06738%	0.06885%	0.01505%		
Plan's proportionate share of the Net Pension Liability	\$ 2,698,394	\$ 2,904,343	\$ 285,821		
Plan's Covered Payroll	\$ 2,749,582	\$ 3,074,857	\$ 3,581,625		
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	98.14%	94.45%	7.98%		
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	75.26%	75.10%	98.61%		

* 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, 2022

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	\$ 598,183
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>\$ (2,300,000)</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%	21.76%
	<u>2020</u>	<u>2021</u>	<u>2022</u>		
Actuarially determined contribution	\$ 587,323	\$ 537,760	\$ 554,340		
Contributions in relation to the actuarially determined contributions	<u>(587,323)</u>	<u>(537,760)</u>	<u>(554,340)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered payroll	<u>\$ 3,074,857</u>	<u>\$ 3,592,149</u>	<u>\$ 3,581,625</u>		
Contributions as a percentage of covered payroll	19.10%	14.97%	15.48%		

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

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

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

Measurement Date	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22
Total OPEB Liability (1)					
Service Cost	\$ 79,156	\$ 81,531	\$ 89,084	\$ 93,557	\$ 106,638
Interest	88,214	88,748	83,162	78,587	63,189
Difference between expected and actual experience	-	-	-	204,026	-
Changes of assumptions	-	118,534	179,142	342,399	(449,613)
Benefit payments	(141,302)	(164,137)	(180,909)	(223,283)	(279,217)
Net change in total OPEB liability	<u>26,068</u>	<u>124,676</u>	<u>170,479</u>	<u>495,286</u>	<u>(559,003)</u>
Total OPEB liability - beginning	<u>2,506,878</u>	<u>2,532,946</u>	<u>2,657,622</u>	<u>2,828,101</u>	<u>3,323,387</u>
Total OPEB liability - ending (a)	<u>\$ 2,532,946</u>	<u>\$ 2,657,622</u>	<u>\$ 2,828,101</u>	<u>\$ 3,323,387</u>	<u>\$ 2,764,384</u>
Covered-employee payroll	<u>\$ 1,126,238</u>	<u>\$ 1,221,622</u>	<u>\$ 1,212,882</u>	<u>\$ 1,011,382</u>	<u>\$ 859,768</u>
Total OPEB liability as a percentage of covered-employee payroll	-224.90%	-217.55%	-233.17%	-328.60%	-321.53%

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,	2018	2019	2020	2021	2022
Actuarially required contribution	\$ 141,302	\$ 164,137	\$ 180,909	\$ 223,283	\$ 559,003
Contributions in relation to the actuarially required contributions	141,302	164,137	180,909	223,283	559,003
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,126,238	\$ 1,221,622	\$ 1,212,882	\$ 1,011,382	\$ 859,768
Contributions as a percentage of covered-employee payroll	12.55%	13.44%	14.92%	22.08%	65.02%

Notes to Schedule:

Valuation Date : July 1, 2020

* Fiscal year 2018 was the first year of implementation.

This Page Left Intentionally Blank

SUPPLEMENTARY INFORMATION

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Administration
For the year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
OPERATING EXPENSES:		
Advertising and promotion	\$ 2,747	\$ 9,043
Bank charges	548	460
Contractual services	62,287	49,717
Dues and subscriptions	15,233	17,748
Insurance	159,254	76,635
IT	123,986	90,381
Legal fees	184,150	197,022
Personnel expenses	970	133
Operating expenses	22,591	16,315
Rent	78,926	111,100
Repairs and maintenance	(58,271)	482
Salaries and wages	1,308,221	1,257,428
Benefits - current employees	(236,707)	501,332
Benefits - retirees/former employees	24,778	17,953
Training, seminars and professional development	23,901	9,989
Utilities	3,458	-
Elections	-	437,598
Miscellaneous expense	-	-
Depreciation and amortization	40,489	2,769
Total operating expenses	<u>1,756,561</u>	<u>2,796,105</u>
Operating income (loss)	<u>(1,756,561)</u>	<u>(2,796,105)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	187,571	238,120
Property taxes	9,576,725	8,796,257
Termination benefits	1,441	3,597
Rents and concessions	20,591	-
Payments to other agencies	(88,654)	(88,581)
Miscellaneous revenue	127,973	4,944
Total nonoperating revenues (expenses)	<u>9,825,647</u>	<u>8,954,337</u>
Net Income	<u>\$ 8,069,086</u>	<u>\$ 6,158,232</u>

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Pillar Point Harbor
For the year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	2022	2021
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 2,129,263	\$ 2,082,393
Launching fees	106,676	129,492
Recreational vehicles	-	-
Rents and concessions	550,232	460,754
Events and permits	26,964	28,478
Other operating revenues	47,232	49,465
Total operating revenues	2,860,367	2,750,582
OPERATING EXPENSES:		
Advertising and promotion	12,991	5,304
Bad debts (recoveries)	89,343	44,464
Bank charges	42,283	45,994
Contractual services	111,005	216,887
Dues and subscriptions	-	80
Insurance	62,491	53,451
IT	87,337	73,497
Legal Fees	20,167	427,846
Personnel expenses	4,720	1,104
Operating expenses	301,454	243,623
Repairs and maintenance	126,005	334,570
Salaries and wages	1,718,019	1,727,970
Benefits - current employees	(250,238)	837,517
Benefits - retirees/former employees	144,728	145,191
Travel, training, seminars and professional development	30,286	17,634
Utilities	326,330	371,426
Vessel destruction	248,997	168,341
Miscellaneous expenses	11,407	9,318
Depreciation and amortization	520,330	506,782
Total operating expenses	3,607,655	5,230,999
Operating income (loss)	(747,288)	(2,480,417)
NONOPERATING REVENUES (EXPENSES):		
Grants	17,732	123,509
Gain (loss) on disposition of capital assets	-	7,300
Termination benefits	22,255	(114,896)
Total nonoperating revenues (expenses)	39,987	15,913
Net Income	\$ (707,301)	\$ (2,464,504)

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Oyster Point Marina
For the year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 1,271,948	\$ 1,229,303
Launching fees	34,192	30,065
Rents and concessions	118,950	117,670
Events and permits	-	-
Other operating revenues	19,179	27,203
Total operating revenues	<u>1,444,269</u>	<u>1,404,241</u>
OPERATING EXPENSES:		
Advertising and promotion	2,849	5,650
Bad debts	108,775	60,195
Bank charges	28,227	30,241
Contractual services	12,628	91,852
Dues and subscriptions	-	-
Insurance	69,220	57,204
IT	76,398	53,583
Legal fees	17,295	-
Personnel expenses	23,251	3,356
Miscellaneous expenses	(567)	427
Repairs and maintenance	44,374	73,631
Operating expenses	163,840	98,486
Salaries and wages	974,321	1,170,207
Benefits - current employees	(188,579)	513,195
Benefits - retirees/former employees	104,811	79,183
Travel, training, seminars and professional development	11,995	8,169
Utilities	150,235	165,826
Vessel destruction	9,000	9,975
Depreciation and amortization	632,304	628,467
Total operating expenses	<u>2,240,377</u>	<u>3,049,647</u>
Operating income (loss)	<u>(796,108)</u>	<u>(1,645,406)</u>
NONOPERATING REVENUES (EXPENSES):		
Grants	13,772	8,037
Termination benefits	11,486	(44,008)
Miscellaneous revenue	-	1,008
Total nonoperating revenues (expenses)	<u>25,258</u>	<u>(34,963)</u>
Net Income	<u>\$ (770,850)</u>	<u>\$ (1,680,369)</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), El Granada, California, as of and for the year ended June 30, 2022 and the related notes to the financial statements, and have issued our report thereon dated March 3, 2023.

Report on 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) as a basis for designing 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.

Report on Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control date March 3, 2023 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
March 3, 2023