

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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**SAN MATEO COUNTY HARBOR DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020**

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**BOARD OF COMMISSIONERS
FY 2019-2020**

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

**MANAGEMENT
FY 2019-2020**

James B. Pruett –General Manager

Prepared by the
Finance Department

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo County Harbor District (District), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of the District as of June 30, 2020, and the changes in financial positions and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
February 1, 2021

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Management's Discussion and Analysis

This section of San Mateo County Harbor District's annual financial report presents our discussion and analysis of the District's financial status during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's basic financial statements (pages 16 - 18) and the footnotes (pages 19 - 37).

Financial Highlights

- The District's net position was \$45,206,902 on June 30, 2020. This was an increase of \$3,216,199 for the year. The increase is due to an increase in cash and investments and a decrease in net pension liability.
- The District's operating revenues decreased by \$90,986, or 2.1%. Operating revenues accounted for 31.2% of all revenues. The decrease was due to lower RV lot fees (the District ceased operating the RV lot in March 2020), lower launch ramp fees (the District closed the launch ramp for several months in Q4 due to the COVID-19 pandemic), and lower rents and concessions (slower sales for our restaurant tenants due to the COVID-19 pandemic).
- The District's operating expenses decreased by \$151,816, or 1.5%, mainly due to no election cost in the fiscal year.
- Nonoperating revenues from taxes, interest, and investments was \$9,269,586, or 68.8% of all revenues. Revenues in the form of grants and miscellaneous non-operating revenue total \$561,226, or 4.2% of all revenues.
- Aggregate net pension liabilities are \$2,698,394 and net Other Post Employment Benefit (OPEB) liabilities are \$2,828,101. Net pension liability decreased by \$2,133,101 or 44.1%. This decrease is due to a one-time lump sum payment of \$2,300,000 that was made in October 2018. Since actuarial valuations are delayed one year, our pension liability balances now reflect the effect of this payment.

Overview of the Financial Statements

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

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

The basic financial statements consist of three statements:

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

- The Statement of Cash Flows presents information to show how the District’s cash changed throughout the fiscal year. It shows the sources and uses of cash.

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

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

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

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

Our analysis below focuses on the net position and the changes in net position of District activities in fiscal year ended June 30, 2020 as compared to fiscal year ended June 30, 2019.

Comparative Statement of Net Position (condensed) As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets and Deferred Outflows of Resources:				
Current assets	\$ 21,676,201	\$ 18,300,405	\$ 3,375,796	18.4%
Non-current assets	32,741,907	32,003,221	738,686	2.3%
Deferred Outflows of Resources	<u>2,792,372</u>	<u>3,803,211</u>	<u>(1,010,839)</u>	(26.6)%
Total assets and deferred outflows of resources	<u>57,210,480</u>	<u>54,106,837</u>	<u>3,103,643</u>	5.7%
Liabilities and Deferred Inflows of Resources:				
Current liabilities	1,519,891	995,542	524,349	52.7%
Non-current liabilities	8,761,757	10,695,607	(1,933,850)	(18.1)%
Deferred Inflows of Resources	<u>1,721,930</u>	<u>424,985</u>	<u>1,296,945</u>	305.2%
Total liabilities and deferred inflows of resources	<u>12,003,578</u>	<u>12,116,134</u>	<u>(112,556)</u>	(0.9)%
Net position:				
Net investment in capital assets	32,741,907	32,003,221	738,686	2.3%
Restricted/Unrestricted net position:				
Unrestricted	<u>12,464,995</u>	<u>9,987,482</u>	<u>2,477,513</u>	24.8%
Total net position	<u>\$ 45,206,902</u>	<u>\$ 41,990,703</u>	<u>\$ 3,216,199</u>	7.7%

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 \$3,216,199, or 7.7%. Net investment in capital assets increased by \$738,686, or 2.3%. This increase was primarily due to the completion of the PPH Fishing Pier Repairs Project and the additions that were made to Construction in Progress. The unrestricted net position increased by \$2,477,513, or 24.8%. This increase was due to an increase in cash and investments and a decrease in net pension liability.

Comparative Statement of Revenues, Expenses, and Changes in Net Position (condensed)
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 4,210,553	\$ 4,301,539	\$ (90,986)	(2.1)%
Non-operating revenues	9,269,586	8,432,957	836,629	9.9%
Total revenues	13,480,139	12,734,496	745,643	5.9%
Operating expenses	10,109,615	10,261,431	(151,816)	(1.5)%
Non-operating expenses	154,325	469,121	(314,796)	(67.1)%
Total expenses	10,263,940	10,730,552	(466,612)	(4.3)%
Net income before contributions	3,216,199	2,003,944	1,212,255	60.5%
Capital contributions	-	-	-	-
Increase (decrease) in net position	3,216,199	2,003,944	1,212,255	60.5%
Net position:				
Beginning of fiscal year	41,990,703	39,986,759	2,003,944	5.0%
End of fiscal year	<u>\$ 45,206,902</u>	<u>\$ 41,990,703</u>	<u>\$ 3,216,199</u>	7.7%

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

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

Non-operating revenues increased by \$836,629 or 9.9%. This was primarily due to an increase in property taxes received and a large FEMA grant that was approved. Non-operating expenses decreased by \$314,796 or 67.1%. The decrease was due to lower legal costs in 2019/20 associated with claim settlements and a decrease in capital asset disposal loss.

Summary of Revenues
For the Years Ended June 30, 2020 and 2019

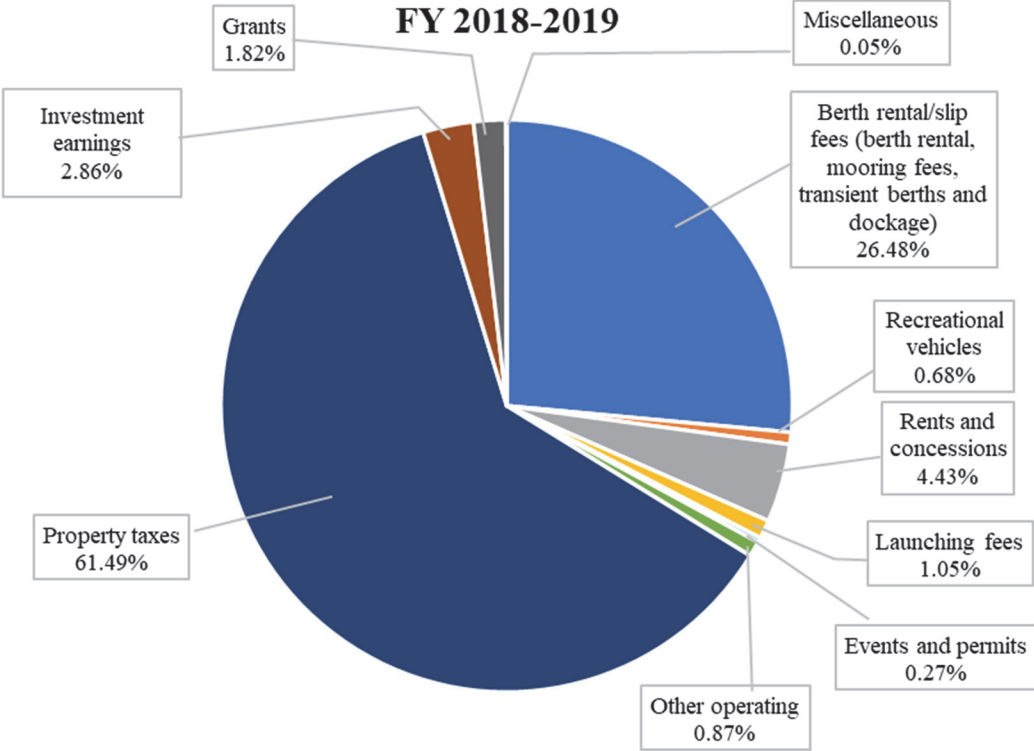
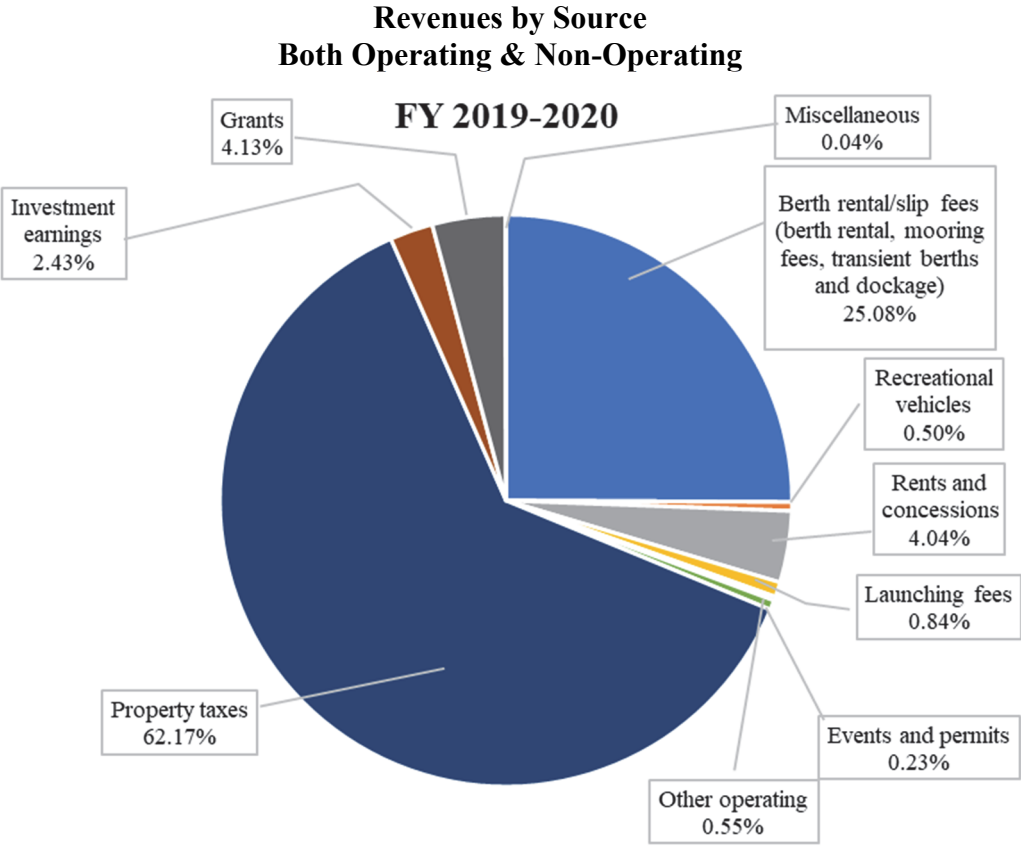
Revenue Source	2020		2019		Increase/ (Decrease)	Percentage Increase/ (Decrease)
	Total	Percentage of Total Revenue	Total	Percentage of Total Revenue		
Berth rental/slip fees (berth rental, mooring fees, transient berths and dockage)	\$ 3,381,459	25.1%	\$ 3,371,484	26.5%	\$ 9,975	0.3%
Recreational vehicles	67,175	0.5%	86,193	0.7%	(19,018)	(22.1)%
Rents and concessions	544,849	4.0%	564,693	4.4%	(19,844)	(3.5)%
Launching fees	112,744	0.8%	133,420	1.0%	(20,676)	(15.5)%
Events and permits	30,543	0.2%	34,775	0.3%	(4,232)	(12.2)%
Other operating	73,783	0.5%	110,974	0.9%	(37,191)	(33.5)%
Property taxes	8,380,612	62.2%	7,830,769	61.5%	549,843	7.0%
Investment earnings	327,748	2.4%	364,360	2.9%	(36,612)	(10.0)%
Grants	556,356	4.1%	231,781	1.8%	324,575	140.0%
Miscellaneous	4,870	0.0%	6,047	0.0%	(1,177)	(19.5)%
Total revenues	\$ 13,480,139	100.0%	\$ 12,734,496	100.0%	\$ 745,643	5.9%

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). All items above are cash transactions, meaning that the District received actual monies paid in the amounts above. Miscellaneous revenue and non-cash transactions, such as a gain/loss on disposition of assets are not shown above. Additionally, the above table shows variance information to illustrate what items changed year over year.

Although berth rental/transient fees increased slightly during the year, Operating Revenues decreased during the year. Decrease in Recreational Vehicles was due to the District ceasing operations of its RV lot in March 2020 following receipt of a Notice of Violation from San Mateo County. Decrease in Launching fees was due to the closure of the launch ramp and both harbors from March to June 2020 due to the COVID-19 pandemic. The decrease in Rents and Concessions were also due to slower sales from our restaurant tenants due to the COVID-19 pandemic in the same time period.

Property taxes are 62.2% 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. Grant revenue increased mainly due to a FEMA grant and a Law Enforcement Equipment grant (State of CA) that was accepted during the year.

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



Summary of Expenses
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
Administration	\$ 2,313,719	\$ 2,830,265	\$ (516,546)	(18.3)%
Pillar Point Harbor	4,416,832	4,166,380	250,452	6.0%
Oyster Point Marina	2,267,320	2,153,763	113,557	5.3%
Depreciation and amortization	<u>1,111,744</u>	<u>1,111,023</u>	<u>721</u>	0.1%
Total operating expenses	10,109,615	10,261,431	(151,816)	(1.5)%
Non-operating expenses:				
Claim settlements	30,000	274,928	(244,928)	(89.1)%
(Gain) loss on disposition of capital assets	(1,378)	90,725	(92,103)	(101.5)%
Termination benefits	53,988	29,849	24,139	80.9%
Payments to other agencies	<u>71,715</u>	<u>73,619</u>	<u>(1,904)</u>	(2.6)%
Total non-operating expenses	154,325	469,121	(314,796)	(67.1)%
Total expenses	<u>\$ 10,263,940</u>	<u>\$ 10,730,552</u>	<u>\$ (466,612)</u>	(4.3)%

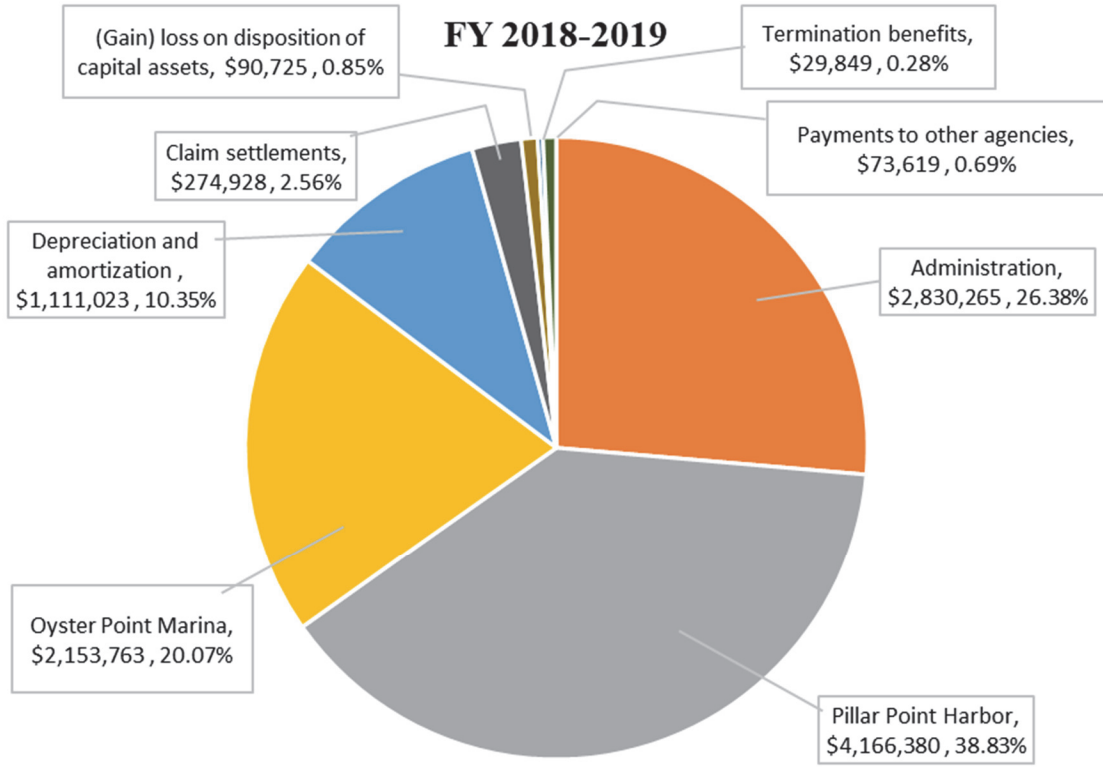
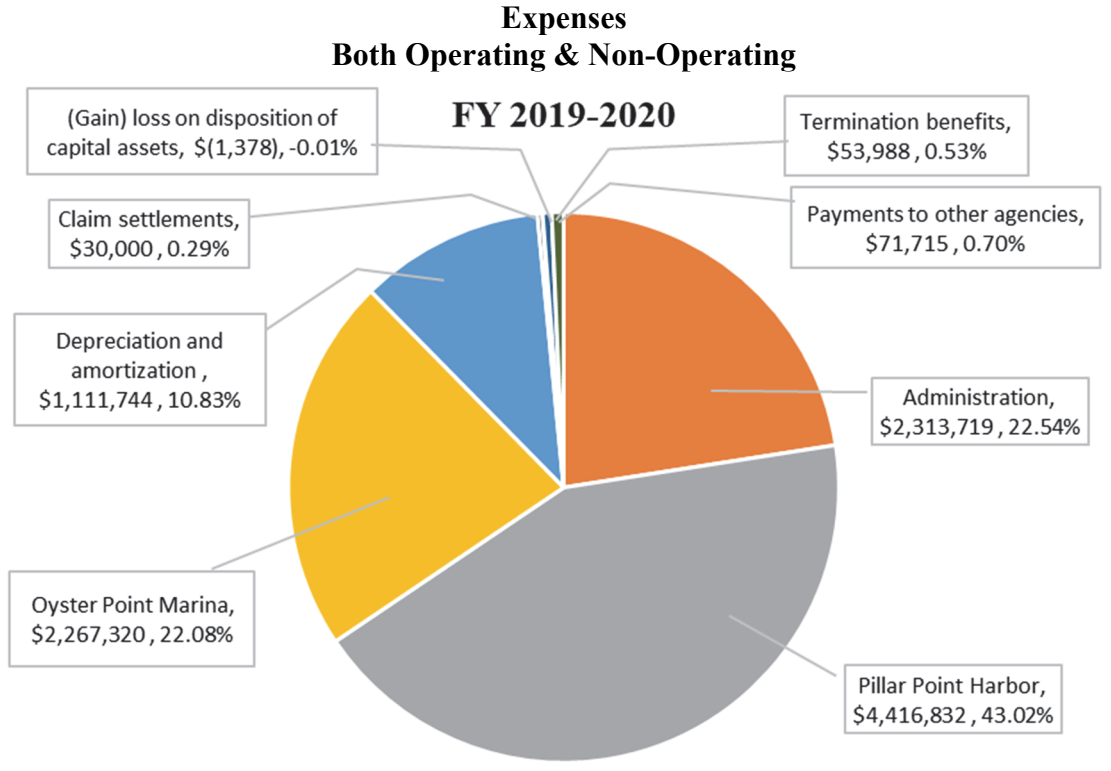
The District's operating expenses decreased mainly because this fiscal year did not have an election (Administration department 18.3% decrease). Election expense continues to be one of the District's largest expense items that occur biennially.

All three departments saw increases to Salaries and Wages. The increase was mainly due to the filling of vacant positions. However, each department also experienced decreases in other areas, such as Legal Fees (Pillar Point Harbor), Contractual Services (Oyster Point Marina), and Elections (Administration) which offset the increases.

Legal costs related to settlements decreased. In 2019, the District paid a settlement of \$270,000, plus attorney's fees to settle one claim. In 2020, the District paid \$30,000 related to a California Voting Rights Act litigation.

Gain/loss on disposition of assets decreased because last year we disposed of a few Dock Gates that we discovered were still recorded on the asset ledger when in fact the District no longer owned them. This year we had a slight gain due to receiving insurance proceeds that were higher than the recorded book value of two rescue watercrafts that were destroyed during a search and rescue incident.

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, 2020 was \$32,741,907. The total increase in net depreciable assets from the prior year was 2.3%. This increase was due to asset acquisitions being higher than the annual depreciation expense. This year the District disposed of two rescue watercrafts that were destroyed in a search and rescue incident. See the paragraph below for more detail. 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Nondepreciable assets				
Land	\$ 14,385,155	\$ 14,385,155	\$ -	0.0%
Construction in progress	<u>2,040,225</u>	<u>844,566</u>	<u>1,195,659</u>	141.6%
Total nondepreciable assets	\$ 16,425,380	15,229,721	1,195,659	7.9%
Autos and trucks	230,559	195,351	35,208	18.0%
Boats and radar	911,707	891,891	19,816	2.2%
Breakwater	12,896,267	12,896,267	-	0.0%
Utilities	1,155,521	1,155,521	-	0.0%
Launch Ramps	3,957,424	3,957,424	-	0.0%
Piers	6,131,836	6,131,836	-	0.0%
Bulkheads	100,000	100,000	-	0.0%
Buildings and improvements	6,164,516	5,571,872	592,644	10.6%
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>340,784</u>	<u>340,784</u>	-	0.0%
Subtotal	46,650,614	46,002,946	647,668	1.4%
Less: Accumulated Depreciation	<u>(30,334,087)</u>	<u>(29,229,446)</u>	<u>(1,104,641)</u>	3.8%
Depreciable assets, net	16,316,527	16,773,500	(456,973)	(2.7)%
Total Capital Assets	<u>\$ 32,741,907</u>	<u>\$ 32,003,221</u>	<u>\$ 738,686</u>	2.3%

Construction in progress increased due to many projects progressing during the year, such as West Trail Shoreline Protection (Pillar Point Harbor), Harbormaster Remodel (Pillar Point Harbor), and Dock H Replacement (Pillar Point Harbor). The Pillar Point Harbor Fishing Pier Repair Project (Buildings and improvements) was completed so it was placed in service during the year.

This year two rescue watercraft vehicles were disposed of because they were destroyed in a (successful) search and rescue incident at Pillar Point Harbor. An insurance claim was made, and the District was able to completely recover the book value (original cost less depreciation) of the vehicles, which resulted in slight gain. The District subsequently purchased three rescue watercrafts (Boats and radar) to replace the vehicles that were destroyed. Additionally, the District purchased an All-Terrain Rescue Vehicle (“Polaris”, in Autos and trucks, above) to assist in any emergency operations.

Economic Factors and Next Year’s Budgets and Rates

The District’s Fiscal Year 2020/21 Operating Budget includes estimated Operating Revenues of \$4,114,000 and Non-Operating Revenues of \$7,944,000 for a total of \$12,058,000. The estimated total expenditures for fiscal year 2020/21 are \$11,332,000. Budgeted total revenues of \$12,058,000 less budgeted total expenditures of \$11,332,000 provide an estimated \$726,000 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 2020/21 of \$3,045,733 in Capital Improvement expenditures funded by \$27,000 in FEMA funding, \$145,518 in an Ocean Protection Council Grant, and \$2,873,215 from available Working Capital.

Contacting the District

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

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

James Pruett, General Manager

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BASIC FINANCIAL STATEMENTS

SAN MATEO COUNTY HARBOR DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and investments (Note 2)	\$ 20,504,472	\$17,628,959
Accounts receivables:		
Customers	703,294	217,516
Interest	75,250	101,836
Other	-	61,918
Prepaid expenses and deposits	393,185	290,176
Total current assets	21,676,201	18,300,405
NON-CURRENT ASSETS		
Capital assets (Note 3):		
Land	14,385,155	14,385,155
Construction in progress	2,040,225	844,566
Depreciable assets	46,650,614	46,002,946
Less accumulated depreciation	(30,334,087)	(29,229,446)
Total non-current assets	32,741,907	32,003,221
TOTAL ASSETS	54,418,108	50,303,626
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 7)	2,581,054	3,708,384
OPEB related (Note 8)	211,318	94,827
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,792,372	3,803,211
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 57,210,480	\$ 54,106,837
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 807,400	\$ 310,944
Accrued payroll	86,183	33,786
Customer deposit	374,435	385,326
Unearned revenue (Note 4)	251,873	265,486
Total current liabilities	1,519,891	995,542
NON-CURRENT LIABILITIES		
Unearned revenue (Note 4)	2,861,454	2,928,000
Compensated absences	373,808	278,490
Net OPEB Liability (Note 8)	2,828,101	2,657,622
Net pension liability (Note 7)	2,698,394	4,831,495
Total non-current liabilities	8,761,757	10,695,607
TOTAL LIABILITIES	10,281,648	11,691,149
DEFERRED INFLOWS OF RESOURCES		
Pension related (Note 7)	1,721,930	424,985
NET POSITION (Note 5)		
Net investment in capital assets	32,741,907	32,003,221
Unrestricted	12,464,995	9,987,482
TOTAL NET POSITION	45,206,902	41,990,703
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 57,210,480	\$ 54,106,837

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, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Berth Rental	\$ 3,381,459	\$ 3,371,484
Launching fees	112,744	133,420
Recreational vehicles	67,175	86,193
Rents and concessions	544,849	564,693
Events and permits	30,543	34,775
Other operating revenues	73,783	110,974
Total operating revenues	<u>4,210,553</u>	<u>4,301,539</u>
OPERATING EXPENSES		
Administration	2,313,719	2,830,265
Pillar Point Harbor	4,416,832	4,166,380
Oyster Point Marina	2,267,320	2,153,763
Depreciation and amortization	1,111,744	1,111,023
Total operating expenses	<u>10,109,615</u>	<u>10,261,431</u>
Operating income (loss)	<u>(5,899,062)</u>	<u>(5,959,892)</u>
NONOPERATING REVENUES (EXPENSES)		
Grants	556,356	231,781
Investment earnings	327,748	364,360
Property taxes	8,380,612	7,830,769
Gain (loss) on disposition of capital assets	1,378	(90,725)
Termination benefits	(53,988)	(29,849)
Claim settlements	(30,000)	(274,928)
Payments to other agencies	(71,715)	(73,619)
Miscellaneous revenue	4,870	6,047
Total nonoperating revenues (expenses)	<u>9,115,261</u>	<u>7,963,836</u>
CHANGES IN NET POSITION	<u>3,216,199</u>	<u>2,003,944</u>
NET POSITION, BEGINNING OF YEAR	<u>41,990,703</u>	<u>39,986,759</u>
NET POSITION, END OF YEAR	<u>\$ 45,206,902</u>	<u>\$ 41,990,703</u>

See accompanying notes to financial statements

**SAN MATEO COUNTY HARBOR DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,813,279	\$ 4,181,567
Payments to suppliers	(3,073,172)	(6,481,015)
Payments to or on behalf of employees	(5,163,024)	(6,949,568)
Other receipts and payments	4,870	6,047
Net cash provided (used) by operating activities	(4,418,047)	(9,242,969)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	8,380,612	7,830,769
Receipts from grants	556,356	231,781
Claim settlements	(30,000)	(274,928)
Payments to other agencies	(71,715)	(73,619)
Net cash provided (used) by noncapital financing activities	8,835,253	7,714,003
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction on capital assets	(1,891,211)	(2,384,651)
Proceeds from the sale of assets	21,770	-
Net cash provided (used) by capital and related financing activities	(1,869,441)	(2,384,651)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	327,748	364,360
Net cash provided (used) in investing activities	327,748	364,360
Net increase (decrease) in cash and cash equivalents	2,875,513	(3,549,257)
CASH AND INVESTMENTS:		
Beginning of year	17,628,959	21,178,216
End of year	\$ 20,504,472	\$ 17,628,959
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (5,899,062)	\$ (5,959,892)
Nonoperating income (loss), other than those from financing, capital related, or investing activities	(49,119)	(23,802)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,111,744	1,111,023
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
(Increase) in accounts receivable	(397,274)	(119,972)
(Increase) in prepaid expenses	(103,009)	(33,122)
(Decrease) in accounts payable and accrued liabilities	516,846	(2,174,175)
(Decrease) in accrued payroll	52,397	(32,162)
(Decrease) in deposits and unearned revenue	(91,050)	(35,893)
Increase in accrued vacation and sick leave	95,318	15,323
(Decrease) in net pension liability and related deferred inflows and outflows	291,174	(2,020,146)
(Decrease) in net OPEB liability and related deferred inflows and outflows	53,988	29,849
Net cash (used) by operating activities	\$ (4,418,047)	\$ (9,242,969)

See accompanying notes to financial statements

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting Classification and Basis of Accounting

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

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

C. Cash and Investments

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

D. Fair Value Hierarchy

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

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

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

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

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

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

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

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

F. Property Taxes

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

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

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

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (continued)

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

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

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

G. Accrued Vacation and Sick Leave

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

H. Comparative Data

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

I. Deferred Outflows of Resources

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

J. Deferred Inflows of Resources

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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, 2010, from which the summarized information was derived.

L. New Governmental Accounting Standards Board Statement Pronouncements

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

Governmental Accounting Standards Board (GASB) Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement extended the implementation dates for 15 GASB Statements and Implementation Guides by 1 year or more. Many of the Statements may be early-implemented, as applicable.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	2020	2019
Cash in bank	\$ 1,873,792	\$ 666,436
Investments	18,628,430	16,960,273
Cash on hand	2,250	2,250
	\$ 20,504,472	\$ 17,628,959

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Summary of Cash and Investments (continued)

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

C. Authorized Investments

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

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

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

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

(B) Mutual Funds maturity may be defined as the weighted average maturity. Under SEC Regulations,

Money Market Mutual funds must have an average maturity of 90 days or less

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

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

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

Investment Type	June 30, 2020		June 30, 2019
	12 Months or less	Total	
California Local Agency Investment Fund	\$ 7,384	\$ 7,384	\$ 7,214
San Mateo County Investment Fund	18,621,046	18,621,046	16,953,059
Total Investments	\$ 18,628,430	18,628,430	16,960,273
Cash in banks and on hand		1,876,042	668,686
Total Cash and Investments		\$ 20,504,472	\$ 17,628,959

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, 2020 and 2019, respectively, these investments matured in an average of 191 and 173 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, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Fair Value Hierarchy

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

F. Credit Rate Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's only investments are in the California Local Agency Investment Fund and San Mateo County Investment Fund which are not rated at June 30, 2020 and 2019.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2020 and 2019 were as follows:

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

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 – CAPITAL ASSETS (Continued)

Beginning values reflects amounts as valued on a consolidated basis. The total valuation amounts are presented in representative categories and have been redistributed to reflect balances at June 30, 2019.

	Balance June 30, 2018,	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2019
Capital assets					
Nondepreciable					
Land	\$ 13,081,020	\$ 1,304,135	\$ -	\$ -	\$ 14,385,155
Construction in progress	1,089,538	962,308	-	(1,207,280)	844,566
Total capital assets not being depreciated	<u>14,170,558</u>	<u>2,266,443</u>	<u>-</u>	<u>(1,207,280)</u>	<u>15,229,721</u>
Depreciable					
Autos and Trucks	195,351	-	-	-	195,351
Boats and radar	864,398	27,493	-	-	891,891
Breakwater	12,896,267	-	-	-	12,896,267
Utilities	636,669	-	-	518,852	1,155,521
Launch Ramps	3,957,424	-	-	-	3,957,424
Piers	6,131,836	-	-	-	6,131,836
Bulkheads	100,000	-	-	-	100,000
Buildings and improvements	5,464,528	-	-	107,344	5,571,872
Docks	11,271,880	-	(213,449)	-	11,058,431
Parking lots	1,930,860	-	-	-	1,930,860
Walkways/Paths	1,191,625	-	-	581,084	1,772,709
Machinery and equipment	340,784	-	-	-	340,784
Total capital assets being depreciated:	<u>44,981,622</u>	<u>27,493</u>	<u>(213,449)</u>	<u>1,207,280</u>	<u>46,002,946</u>
Accumulated depreciation	(28,241,157)	(1,111,023)	122,734	-	(29,229,446)
Total depreciable assets (net)	<u>16,740,465</u>	<u>(1,083,530)</u>	<u>(90,715)</u>	<u>1,207,280</u>	<u>16,773,500</u>
Total capital assets	<u>\$ 30,911,023</u>	<u>\$ 1,182,913</u>	<u>\$ (90,715)</u>	<u>\$ -</u>	<u>\$ 32,003,221</u>

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, 2020, the District's total unearned revenues was \$3,113,327, of which \$2,861,454 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, 2020**

NOTE 6 – RISK MANAGEMENT

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

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

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

NOTE 7 – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS)

General Information about the Pension Plan

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

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

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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, 2020, are summarized as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous</u>
	Prior to	PEPRA
	January 1, 2013	On or after
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.0-2.5%	1.0-2.0%
Required employee contribution rates	8.000%	6.750%
Required employer contribution rates	10.823%	6.985%

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 \$330,300 in fiscal year 2020.

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, 2020**

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

As of June 30, 2020, and 2019, the District reported a net pension liability of \$2,698,394 and \$4,831,495, respectively, for its proportionate share of the net pension liability of the Plan as follows:

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.07160%
Proportion - June 30, 2019	0.06738%
Change - Increase (Decrease)	-0.00422%

For the year ended June 30, 2020, the District recognized pension expense of \$878,501. At June 30, 2020, 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	\$ 587,327	\$ -
Differences between actual and expected experience	187,414	(14,521)
Changes in assumptions	128,672	(45,613)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,677,641	(1,614,620)
Net differences between projected and actual earnings on plan investments	-	(47,176)
Total	\$ 2,581,054	\$ (1,721,930)

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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

The \$587,327 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, 2021. 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
2021	\$ 196,666
2022	(1,889)
2023	67,487
2024	9,533
Total	<u>\$ 271,797</u>

Actuarial Assumptions – For the measurement period ended June 30, 2019, the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The total pension liability for the measurement date June 30, 2019 was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

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, 2020**

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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (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 rate 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 CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.00% used for this period.
- (c) An expected inflation of 2.92% used for this period.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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

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

		<u>Miscellaneous</u>
1% Decrease		6.15%
Net Pension Liability	\$	5,209,967
Current Discount Rate		7.15%
Net Pension Liability	\$	2,698,394
1% Increase		8.15%
Net Pension Liability	\$	625,267

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

Subsequent Event - CalPERS Pension Contribution Rates - The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the District’s contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

**SAN MATEO COUNTY HARBOR DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020**

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, 2020:

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, 2020, the District’s contributions to the Plan were \$180,909.

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Employee Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

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

B. Total OPEB Liability

Actuarial Methods and Assumptions – The District’s total OPEB liability was measured as of June 30, 2020 and the total OPEB liability was determined by an actuarial valuation dated July 1, 2018 that was rolled forward using standard update procedures to determine the total liability as of June 30, 2020, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2018
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.45%
Long-Term Expected Return of Plan Investments	4.00%
Payroll Growth	3.00%
Healthcare Trend Rates	5.25% for 2020; 5.00% for 2021 and later years

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

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

C. Changes in Net OPEB Liability

The changes in the Net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at 6/30/19	\$ 2,657,622	\$ -	\$ 2,657,622
Changes Recognized for the Measurement Period:			
Service costs	89,084	-	89,084
Interest on the total OPEB liability	83,162	-	83,162
Changes of assumptions	179,142	-	179,142
Employer contributions	-	180,909	(180,909)
Benefit payments	(180,909)	(180,909)	-
Net Changes	170,479	-	170,479
Balance at 6/30/20	\$ 2,828,101	\$ -	\$ 2,828,101

**SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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, 2020, the District recognized OPEB expense of \$234,897. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Differences between actual and expected experience		
Changes of assumptions	\$ 211,318	\$ -
Differences between projects and actual return investments		
Total	\$ 211,318	\$ -

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
2020	\$ 62,651
2021	62,651
2022	62,650
2023	23,366
Total	\$ 211,318

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 (1.45%) or 1-percentage-point higher (3.45%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1% (1.45%)	Current Discount Rate (2.45%)	Discount Rate +1% (3.45%)
\$3,128,036	\$2,828,101	\$2,570,833

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 (4.25% decreasing to 4.00%) or 1-percentage-point higher (6.25% decreasing to 6.00%) than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
Current Healthcare Cost Trend Rates		
1% Decrease (4.25% decreasing to 4.00%)	1% Increase (6.25% decreasing to 6.00%)	1% Increase (6.25% decreasing to 6.00%)
\$2,454,276	\$2,828,101	\$3,285,084

SAN MATEO COUNTY HARBOR DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

COVID-19 Global Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

**San Mateo County Harbor District
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2020
Last 10 Years***

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

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

* 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, 2020**

**Schedule of Contributions
 Last 10 Years***

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

* 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	<u>6/30/18</u>	<u>6/30/19</u>	<u>6/30/20</u>
Total OPEB Liability (1)			
Service Cost	\$ 79,156	\$ 81,531	\$ 89,084
Interest	88,214	88,748	83,162
Changes of assumptions		118,534	179,142
Benefit payments	<u>(141,302)</u>	<u>(164,137)</u>	<u>(180,909)</u>
Net change in total OPEB liability	26,068	124,676	170,479
Total OPEB liability - beginning	<u>2,506,878</u>	<u>2,532,946</u>	<u>2,657,622</u>
Total OPEB liability - ending (a)	<u><u>\$ 2,532,946</u></u>	<u><u>\$ 2,657,622</u></u>	<u><u>\$ 2,828,101</u></u>
 Covered-employee payroll	 <u>\$ 1,126,238</u>	 <u>\$ 1,221,622</u>	 <u>\$ 1,212,882</u>
 Total OPEB liability as a percentage of covered-employee payroll	 -224.90%	 -217.55%	 -233.17%

Notes to Schedule:

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

* Fiscal year 2018 was the first year of implementation.

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

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

Notes to Schedule:

Valuation Date : July 1, 2018

* Fiscal year 2018 was the first year of implementation.

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SUPPLEMENTAL INFORMATION

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Administration
For the year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING EXPENSES:		
Advertising and promotion	\$ 18,730	\$11,471
Bank charges	374	380
Contractual services	298,889	273,466
Dues and subscriptions	12,660	17,221
Insurance	53,981	47,482
IT	107,288	65,041
Legal fees	212,191	101,625
Personnel expenses	6,028	5,241
Operating expenses	28,143	27,700
Rent	98,700	95,100
Repairs and maintenance	237	907
Salaries and benefits	1,406,581	1,300,145
Training, seminars and professional development	69,369	25,169
Elections	-	859,313
Miscellaneous expense	548	4
Depreciation and amortization	2,769	2,769
Total operating expenses	<u>2,316,488</u>	<u>2,833,034</u>
Operating income (loss)	<u>(2,316,488)</u>	<u>(2,833,034)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	327,748	364,360
Property taxes	8,380,612	7,830,769
Termination benefits	4,894	3,086
Claim settlements	(30,000)	(274,928)
Payments to other agencies	(71,715)	(73,619)
Miscellaneous revenue	3,729	5,090
Total nonoperating revenues (expenses)	<u>8,615,268</u>	<u>7,854,758</u>
Net Income	<u>\$ 6,298,780</u>	<u>\$ 5,021,724</u>

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Pillar Point Harbor
For the year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	2020	2019
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 2,130,420	\$ 2,064,800
Launching fees	88,312	104,201
Recreational vehicles	67,175	86,193
Rents and concessions	420,686	444,055
Events and permits	29,417	34,775
Other operating revenues	47,166	77,225
Total operating revenues	2,783,176	2,811,249
OPERATING EXPENSES:		
Advertising and promotion	13,804	20,997
Bad debts (recoveries)	100,441	43,186
Bank charges	42,774	44,443
Contractual services	140,230	173,010
Dues and subscriptions	338	788
Insurance	39,084	28,058
IT	57,074	34,279
Legal Fees	109,126	325,792
Personnel expenses	11,936	4,445
Operating expenses	224,532	154,101
Repairs and maintenance	698,995	745,988
Salaries and benefits	2,569,960	2,187,699
Travel, training, seminars and professional development	39,393	13,329
Utilities	285,435	279,916
Vessel destruction	77,690	108,076
Miscellaneous expenses	6,020	2,273
Depreciation and amortization	478,019	482,866
Total operating expenses	4,894,851	4,649,246
Operating income (loss)	(2,111,675)	(1,837,997)
NONOPERATING REVENUES (EXPENSES):		
Grants	504,052	118,730
Gain (loss) on disposition of capital assets	1,378	-
Termination benefits	(41,368)	(22,758)
Total nonoperating revenues (expenses)	464,062	95,972
Net Income	\$ (1,647,613)	\$ (1,742,025)

San Mateo County Harbor District
Schedule of Revenues, Expenses, and Changes in Net Position
Oyster Point Marina
For the year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	2020	2019
OPERATING REVENUES:		
Berth rental, transient fees and dockage	\$ 1,251,039	\$ 1,306,684
Launching fees	24,432	29,219
Rents and concessions	124,163	120,638
Events and permits	1,126	-
Other operating revenues	26,617	33,749
Total operating revenues	1,427,377	1,490,290
OPERATING EXPENSES:		
Advertising and promotion	2,435	4,023
Bad debts	34,075	37,142
Bank charges	26,363	25,592
Contractual services	86,779	223,443
Dues and subscriptions	338	304
Insurance	43,244	31,535
IT	44,479	32,495
Legal fees	6,814	48,103
Personnel expenses	2,912	2,127
Miscellaneous expenses	1,237	2,864
Repairs and maintenance	119,230	101,845
Operating expenses	86,992	78,003
Salaries and benefits	1,625,371	1,424,739
Travel, training, seminars and professional development	1,633	11,230
Utilities	145,178	78,974
Vessel destruction	40,240	51,344
Depreciation and amortization	630,956	625,388
Total operating expenses	2,898,276	2,779,151
Operating income (loss)	(1,470,899)	(1,288,861)
NONOPERATING REVENUES (EXPENSES):		
Grants	52,304	113,051
Gain (loss) on disposition of capital assets	-	(90,725)
Termination benefits	(17,514)	(10,177)
Miscellaneous revenue	1,141	957
Total nonoperating revenues (expenses)	35,931	13,106
Net Income	\$ (1,434,968)	\$ (1,275,755)

**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, 2020 and the related notes to the financial statements, and have issued our report thereon dated February 1, 2021. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control date February 1, 2021 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
February 1, 2021