SAN MATEO COUNTY HARBOR DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Years Ended
June 30, 2023
(With Comparative Amounts as of June 30, 2022)

NIGRO & NIGRO PC

SAN MATEO COUNTY HARBOR DISTRICT
For the Fiscal Years Ended June 30, 2023
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NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the San Mateo County Harbor District (District), which comprise the balance sheet as of June 30, 2023, and related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the 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 District as of June 30, 2023, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

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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 there is a substantial likelihood that, individually or in the aggregate, they would 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.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, and Schedule of the District's Contributions to the OPEB Plan 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.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Statement of Revenues, Expenses and Changes in Net Position – Administration, Pillar Point Harbor and Oyster Point Marina are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information
The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued a separate report dated March 20, 2024, 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.

Walnut Creek, California
March 20, 2024

Management's Discussion and Analysis (MD&A) offers readers of San Mateo County Harbor District's financial statements a narrative overview of the District's financial activities for the years ended June 30, 2023 and 2022. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2023, the District's net position increased 5.38%, or $2,897,151 from the prior year's net position of $53,811,196 to $56,708,347, as a result of the year's operations.

- In fiscal year 2023, operating revenues increased by 7.17%, or $310,086 from $4,325,227 to $4,635,313 from the prior year, primarily due to a $207,253 increase in berth rental revenue and a $105,849 increase in rents and concessions revenue.

- In fiscal year 2023, operating expenses before depreciation expense increased by 60.7% or $4,141,170 from $6,815,940 to $10,957,110, from the prior year, primarily due to a $3,955,399 increase in salaries and benefits expenses, related to the non-cash expense associated with the annual revaluation of the District's net pension and OPEB liabilities.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

Condensed Balance Sheets

	June 30, 2023	June 30, 2022	Change
Assets:			
Current assets	$ 24,164,535	$ 21,917,310	$ 2,247,225
Noncurrent	2,067,547	1,840,647	226,900
Capital assets, net	41,156,828	39,020,317	2,136,511
Total assets	67,388,910	62,778,274	4,610,636
Deferred outflows of resources	3,056,986	1,609,914	1,447,072
Total assets and deferred outflows of resources	$ 70,445,896	$ 64,388,188	$ 6,057,708
Liabilities:			
Current liabilities	$ 1,263,628	$ 1,153,193	$ 110,435
Noncurrent liabilities	9,529,627	6,085,404	3,444,223
Total liabilities	10,793,255	7,238,597	3,554,658
Deferred inflows of resources	2,944,294	3,338,395	(394,101)
Net position:			
Net investment in capital assets	41,156,828	39,020,317	2,136,511
Unrestricted	15,551,519	14,790,879	760,640
Total net position	56,708,347	53,811,196	2,897,151
Total liabilities, deferred inflows and net position	$ 70,445,896	$ 64,388,188	$ 6,057,708

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $56,708,347 and $53,811,196 as of June 30, 2023 and 2022, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)
By far the largest portion of the District's net position (73% as of June 30, 2023 and 73% as of June 30, 2022) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of years 2023 and 2022, the District showed a positive balance in its unrestricted net position of $15,551,519 and $14,790,879, respectively, which may be utilized in future years.

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

	June 30, 2023	June 30, 2022	Change
Revenues:			
Operating revenues	$ 4,635,313	$ 4,325,227	$ 310,086
Non-operating revenues	10,417,509	10,274,773	142,736
Total revenues	15,052,822	14,600,000	452,822
Expenses:			
Operating expenses	10,957,110	6,815,940	4,141,170
Depreciation	1,314,651	1,193,125	121,526
Total expenses	12,271,761	8,009,065	4,262,696
Capital contributions	116,090	-	116,090
Change in net position	2,897,151	6,590,935	(3,693,784)
Net position:			
Beginning of year	53,811,196	47,220,261	6,590,935
End of year	$ 56,708,347	$ 53,811,196	$ 2,897,151

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal year. In fiscal year 2023, the District's net position increased 5.38%, or $2,897,151 from the prior year's net position of $53,811196 to $56,708,347, as a result of the year's operations.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

Operating revenues:	June 30, 2023	June 30, 2022	Change
Berth rental	$ 3,608,464	$ 3,401,211	$ 207,253
Launching fees	150,973	140,868	10,105
Rent and concessions	795,622	689,773	105,849
Events and permits	15,764	26,964	(11,200)
Other operating revenue	64,490	66,411	(1,921)
Total operating revenues	4,635,313	4,325,227	310,086
Non-operating revenues:			
Property taxes	10,304,049	9,576,725	727,324
Investment earnings	(204,622)	187,571	(392,193)
Grants and reimbursements	312,571	382,504	(69,933)
Other non-operating revenues	5,511	127,973	(122,462)
Total non-operating revenues	10,417,509	10,274,773	142,736
Capital contributions	116,090	-	116,090
Total revenue	$ 15,168,912	$ 14,600,000	$ 568,912

In fiscal year 2023, operating revenues increased by 7.17%, or $310,086 from $4,325,227 to $4,635,313 from the prior year, primarily due to a $207,253 increase in berth rental revenue and a $105,849 increase in rents and concessions revenue.

Total Expenses

Operating expenses:	June 30, 2023	June 30, 2022	Change
Salaries and benefits	$ 7,519,567	$ 3,564,168	$ 3,955,399
Facilities and maintenance	854,990	691,602	163,388
Professional and legal services	151,294	221,612	(70,318)
Materials and services	1,897,739	1,789,597	108,142
Vessel destruction	177,150	257,997	(80,847)
Insurance	356,370	290,964	65,406
Total operating expenses	10,957,110	6,815,940	4,141,170
Depreciation	1,314,651	1,193,125	121,526
Total expenses	$ 12,271,761	$ 8,009,065	$ 4,262,696

In fiscal year 2023, operating expenses before depreciation expense increased by 60.7% or $4,141,170 from $6,815,940 to $10,957,110, from the prior year, primarily due to a $3,955,399 increase in salaries and benefits expenses, related to the non-cash expense associated with the annual revaluation of the District's net pension and OPEB liabilities.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Capital Assets

Description	June 30, 2023	June 30, 2022
Non-depreciable assets	$ 19,324,145	$ 21,345,477
Depreciable assets	55,737,040	50,340,070
Accumulated depreciation	(33,904,357)	(32,665,230)
Total capital assets, net	$ 41,156,828	$ 39,020,317

At the end of year 2023 and 2022, the District's investment in capital assets amounted to $41,156,828 and $39,020,317 (net of accumulated depreciation), respectively. Capital asset additions amounted to $3,451,162 and $7,663,688 for various projects and equipment for the years ended June 30, 2023 and 2022, respectively. See Note 5 for further information.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 504 Avenue Alhambra, 2nd floor, El Granada, CA 94018.

SAN MATEO COUNTY HARBOR DISTRICT

Balance Sheets

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

ASSETS	**2023**	**2022**
Current assets:		
Cash and investments (Note 2)	$ 22,820,185	$ 20,896,148
Accrued interest receivable	178,426	55,505
Accounts receivable – customers, net (Note 3)	836,699	527,871
Grants and other receivables	4,750	-
Property tax receivable	19,852	-
Lease receivable (Note 4)	295,640	262,949
Prepaid items	8,983	174,837
Total current assets	24,164,535	21,917,310
Non-current assets:		
Lease receivable (Note 4)	2,067,547	1,840,647
Capital assets – not being depreciated (Note 5)	19,324,145	21,345,477
Capital assets – being depreciated, net (Note 5)	21,832,683	17,674,840
Total non-current assets	43,224,375	40,860,964
Total assets	67,388,910	62,778,274
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to OPEB (Note 9)	353,115	344,849
Deferred outflows of resources related to pensions (Note 8)	2,703,871	1,265,065
Total deferred outflows of resources	3,056,986	1,609,914
Total assets and deferred outflows of resources	$ 70,445,896	$ 64,388,188
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 533,780	$ 513,598
Customer deposits	494,230	398,995
Unearned revenue	66,546	75,380
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	169,072	165,220
Total current liabilities	1,263,628	1,153,193
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	313,991	306,836
Unearned revenue – WETA (Note 7)	2,661,818	2,728,363
Net OPEB liability (Note 9)	2,937,280	2,764,384
Net pension liability (Note 8)	3,616,538	285,821
Total non-current liabilities	9,529,627	6,085,404
Total liabilities	10,793,255	7,238,597
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to leases (Note 4)	2,242,370	2,080,050
Deferred inflows of resources related to OPEB (Note 9)	185,135	317,374
Deferred inflows of resources related to pensions (Note 8)	516,789	940,971
Total deferred inflows of resources	2,944,294	3,338,395
NET POSITION		
Investment in capital assets	41,156,828	39,020,317
Unrestricted	15,551,519	14,790,879
Total net position	56,708,347	53,811,196
Total liabilities, deferred inflows of resources and net position	$ 70,445,896	$ 64,388,188

SAN MATEO COUNTY HARBOR DISTRICT

Statements of Revenues, Expenses and Changes in Net Position

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	2023	2022
OPERATING REVENUES		
Berth rental	$ 3,608,464	$ 3,401,211
Launching fees	150,973	140,868
Rent and concessions	795,622	689,773
Events and permits	15,764	26,964
Other operating revenue	64,490	66,411
Total operating revenues	4,635,313	4,325,227
OPERATING EXPENSES		
Salaries and benefits	7,519,567	3,564,168
Facilities and maintenance	854,990	691,602
Professional and legal services	151,294	221,612
Materials and services	1,897,739	1,789,597
Vessel destruction	177,150	257,997
Insurance	356,370	290,964
Total operating expenses before depreciation	10,957,110	6,815,940
Operating loss before depreciation	(6,321,797)	(2,490,713)
Depreciation expense	(1,314,651)	(1,193,125)
Operating loss	(7,636,448)	(3,683,838)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	10,304,049	9,576,725
Investment earnings	(204,622)	187,571
Grants and reimbursements	312,571	382,504
Other non-operating revenues	5,511	127,973
Total non-operating revenue(expense), net	10,417,509	10,274,773
Net income before capital contributions	2,781,061	6,590,935
CAPITAL CONTRIBUTIONS		
Federal capital grants	75,478	-
State capital grants	40,612	-
Total capital contributions	116,090	-
Change in net position	2,897,151	6,590,935
Net position:		
Beginning of year	53,811,196	47,220,261
End of year	$ 56,708,347	$ 53,811,196

SAN MATEO COUNTY HARBOR DISTRICT

Statements of Cash Flows

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers and others	$ 4,415,685	$ 4,236,421
Cash paid to employees for salaries and benefits	(6,008,440)	(5,808,175)
Cash paid to vendors and suppliers for materials and services	(3,417,361)	(3,272,225)
Net cash used in operating activities	(5,010,116)	(4,843,979)
Cash flows from non-capital financing activities:		
Proceeds from property taxes	10,284,197	9,576,725
Proceeds from grants	312,571	31,504
Net cash provided by investing activities	10,596,768	9,608,229
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,451,162)	(7,663,688)
Proceeds from capital grants	116,090	-
Net cash used in capital and related financing activities	(3,335,072)	(7,663,688)
Cash flows from investing activities:		
Change in fair-value of investments	(660,407)	-
Investment earnings	332,864	187,571
Net cash provided by (used in) investing activities	(327,543)	187,571
Net increase(decrease) in cash and cash equivalents	1,924,037	(2,711,867)
Cash and cash equivalents:		
Beginning of year	20,545,148	23,257,015
End of year	$ 22,469,185	$ 20,545,148

SAN MATEO COUNTY HARBOR DISTRICT

Statements of Cash Flows (continued)

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	2023	2022
Reconciliation of operating loss to net cash used in operating activities:		
Operating income	$ (7,636,448)	$ (3,683,838)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,314,651	1,193,125
Allowance for doubtful accounts expense	(191,031)	29,009
Other non-operating revenues	5,511	127,973
Change in assets – (increase)decrease:		
Accounts receivable – customers, net	(117,797)	170,208
Other receivables	(4,750)	-
Lease receivable	(259,591)	(2,103,596)
Prepaid items	165,854	(153,800)
Change in deferred outflows of resources – (increase)decrease		
Deferred outflows of resources related to OPEB	(8,266)	206,448
Deferred outflows of resources related to pensions	(1,438,806)	617,279
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	20,182	(20,453)
Customer deposits and unearned revenue	86,401	(238,650)
Compensated absences	11,007	(4,480)
Unearned revenue – WETA	(66,545)	-
Net OPEB liability	172,896	(2,618,522)
Net pension liability	3,330,717	(559,003)
Change in deferred inflows of resources – increase(decrease)		
Deferred inflows of resources related to leases	162,320	2,080,050
Deferred inflows of resources related to OPEB	(132,239)	317,374
Deferred inflows of resources related to pensions	(424,182)	(203,103)
Total adjustments	2,626,332	(1,160,141)
Net cash used in operating activities	$ (5,010,116)	$ (4,843,979)
Non-cash investing, capital and financing transactions:		
Change in fair-value of investments	$ (660,407)	$ -

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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, who are elected by the registered voters of their respective Districts. 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.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Presentation, Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments
Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Receivables and Allowance for Doubtful Accounts
Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

4. Lease Receivable and Deferred Inflows of Resources
The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Prepaids
Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

6. Capital Assets
Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over $10,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Breakwater, bulkheads, piers, and docks	20-50 years
Land improvements	10-30 years
Buildings and buildings improvements	10-40 years
Equipment and machinery	3-20 years

7. Deferred Outflows/Inflows 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report 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 and will not be recognized as an inflow of resources (revenue) until that time.

8. Compensated Absences
The District's personnel policies provide for accumulation of vacation and comp time. Liabilities for vacation leave are recorded when benefits are earned. Full cash payment for all unused vacation and comp time is available to employees upon retirement or termination. Employees designated as management, cannot exceed 540 hours of accrued vacation hours, while non-management employees cannot exceed 480 hours.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Pensions

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 District's California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2021
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

10. Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the San Mateo County Harbor District Retiree Benefits Plan ("the 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 Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Valuation Date June 30, 2022
Measurement Date June 30, 2023
Measurement Period July 1, 2022 to June 30, 2023

11. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Investment in capital assets -** This component of net position consists of capital assets net of accumulated depreciation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "investment in capital assets."

12. Reclassifications

The District has reclassified certain prior year information to conform with current year presentation.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

E. Grant Funding

Grants for operating assistance and capital acquisitions are included in their respective non-operating and capital contribution sections of the statement of revenues, expenses and changes in net position. Grant funds are claimed on a reimbursement basis and receivables for grant funds are recorded as the related obligations are incurred. Grant funds advanced but not yet earned are treated as unearned revenue until the respective obligations these grants were funded for are incurred.

F. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by outside parties.

G. Property Taxes

The San Mateo County Assessor's Office assesses all real and personal property within the County each year. The San Mateo County Tax Collector's Office bills and collects the District's share of property taxes. The San Mateo County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIIIA of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the San Mateo County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

Lien date March 1
Levy date July 1
Due dates November 1 and March 1
Collection dates December 10 and April 10

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

Description	June 30, 2023
Cash and investments	$ 22,820,185
Total	$ 22,820,185

Cash and investments consisted of the following:

Description	June 30, 2023
Cash on hand	$ 1,900
Deposits held with financial institutions	510,077
Deposits held with investment pools	22,308,208
Total	$ 22,820,185

Demand Deposits
At June 30, 2023, the carrying amount of the District's demand deposits was $510,077, and the financial institution balance was $1,411,734. The $901,657 net difference as of June 30, 2023 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk
The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk (continued)
The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and SMCIF).

As of June 30, 2023, $1.16 million of District deposits was exposed to custodial credit risk.

Investments
The District's investments as of June 30, 2023 were as follows:

Type of Investments	Measurement Input	Credit Rating	June 30,2023 Fair Value	Maturity 12 Months or Less
External investment pools:				
California Local Agency Investment Fund (LAIF)	Level 1	N/A	$ 7,482	$ 7,482
San Mateo County Investment Fund (SMCIF)	Level 1	AAAf/S-1+	22,300,726	22,300,726
Total investments			$ 22,308,208	$ 22,308,208

Authorized Investments and Investment Policy
The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State on local agency bonds	5-years	None	None
U.S. treasury obligations	5-years	None	None
Government sponsored agency securities	5-years	None	None
Banker's acceptances	270 days	40%	30%
Prime commercial paper	180 days	30%	10%
Negotiable certificates of deposit	5-years	30%	None
Medium-term notes	5-years	30%	None
Mortgage pass-through securities	5-years	20%	None
Mutual funds	5-years	20%	10%
Money market mutual funds	5-years	20%	20%
Collateralized bank deposits	None	None	None
County pooled investment funds	None	None	None
California Local Agency Investment Fund (LAIF)	None	None	None

NOTE 2 – CASH AND INVESTMENTS (continued)

Investment in California Local Agency Investment Fund (LAIF)
The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from theLAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, the District held $7,482 in LAIF.

Investment in San Mateo County Pooled Investment Fund (SMCIF)
The District is a voluntary participant in the San Mateo County Investment Pool (SMCIF) that is regulated by the California Government Code under the oversight of the Treasurer of the County of San Mateo, California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's prorated share of the fair value provided by the SMCIF for the entire SMCIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the SMCIF, which are recorded on an amortized cost basis. As of June 30, 2023, the District held $22,300,726 in SMCIF.

Fair Value Measurement Input
The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the previous table.

Credit 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. As of June 30, 2023, the District's investment in the LAIF was not rated as noted in the previous table, and the District's investment in the SMCIF was rated AAAf/S-1+.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the previous table.

NOTE 2 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk
The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF, SMCIF or negotiable certificates-of-deposit.

NOTE 3 – ACCOUNTS RECEIVABLE

The balance at June 30, consists of the following;

Description	June 30, 2023
Accounts receivable - customers	$ 1,116,515
Allowance for uncollectible accounts	(279,816)
Accounts receivable – customers, net	$ 836,699

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable for the year ended June 30, 2023 was as follows:

Description	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Ketch Joanne (Restaurant)	$ 606,855	$ 187,203	$ (72,587)	$ 721,471
Pillar Point Harbor RV Park	487,088	120,937	(17,839)	590,186
Mavericks Surf Shop LLC	233,140	-	(173,811)	59,329
Order at the Corner	187,577	65,020	(19,879)	232,718
McHenrys Fisheries	196,312	44,007	(35,869)	204,450
Morning Star LLC	196,312	44,007	(35,869)	204,450
Three Captains Seafood	196,312	44,007	(35,869)	204,450
Oyster Point Yacht Club	-	61,441	(5,611)	55,830
Lather.Rinse.Repeat	-	108,728	(18,425)	90,303
Total lease receivable	$ 2,103,596	$ 675,350	$ (415,759)	$ 2,363,187

The District is reporting a total lease receivable of $2,363,187 and a total related deferred inflows of resources of $2,242,370 for the year ending June 30, 2023. Also, the District is reporting total lease revenue of $296,568 and interest revenue of $52,763 related to lease payments received for the year ending June 30, 2023.

The leases held by the District do not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases, leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. The District's lease is summarized as follows:

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Ketch Joanne Restaurant
The District, on January 1, 2022, entered into a lease agreement for 120 months as lessor of building space. An initial lease receivable was recorded in the amount of $819,829. As of June 30, 2023, the value of the lease receivable was $721,471. The lease is required to make monthly fixed payments of $7,028 for the first 12-month period, then increases approximately 4.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $655,863 as of June 30, 2023. The District recognized lease revenue of $81,983 and interest revenue of $15,881 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Pillar Point Harbor RV Park
The District, on July 1, 2021, renewed a continuous lease for 360 months as lessor for the use of improved land for an RV Park. An initial lease receivable was recorded in the amount of $625,515. As of June 30, 2023, the value of the lease receivable was $590,186. The lease is required to make monthly fixed payments of $2,500 for the duration of the lease. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $580,835 as of June 30, 2023. The District recognized lease revenue of $22,340 and interest revenue of $12,161 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Mavericks Surf Shop, LLC
The District, on January 1, 2022, entered into a lease agreement for 60 months as lessor for the use of building space. An initial lease receivable was recorded in the amount of $104,567. As of June 30, 2023, the value of the lease receivable was $59,329. The lease is required to make monthly fixed payments of $2,700 for the first 12-month period, then increases 4% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $52,284 as of June 30, 2023. The District recognized lease revenue of $26,142 and interest revenue of $1,847 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Order At The Corner
The District, on July 1, 2022, renewed a continuous lease for 132 months as lessor for the use of a building space. An initial lease receivable was recorded in the amount of $205,531. As of June 30, 2023, the value of the lease receivable was $270,950. The lease is required to make monthly fixed payments of $1,981 for the first 12-month period, then increases annually based on an agreed upon amount. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $221,686 as of June 30, 2023. The District recognized lease revenue of $24,632 and interest revenue of $5,052 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

McHenry's Fisheries
The District, on July 1, 2022, renewed a continuous lease for 84 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $273,619. As of June 30, 2023, the value of the lease receivable was $204,450. The lease is required to make monthly fixed payments of $3,231 for the first 12-month period, then increases 4% annually on September 1st. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $195,442 as of June 30, 2023. The District recognized lease revenue of $39,088 and interest revenue of $4,806 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Morning Star, LLC
The District, on July 1, 2022, renewed a continuous lease for 84 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $273,619. As of June 30, 2023, the value of the lease receivable was $204,450. The lease is required to make monthly fixed payments of $3,231 for the first 12-month period, then increases 4% annually on September 1st. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $195,442 as of June 30, 2023. The District recognized lease revenue of $39,088 and interest revenue of $4,806 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Three Captains Seafood
The District, on July 1, 2022, renewed a continuous lease for 84 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $273,619. As of June 30, 2023, the value of the lease receivable was $204,450. The lease is required to make monthly fixed payments of $3,231 for the first 12-month period, then increases 4% annually on September 1st. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $195,442 as of June 30, 2023. The District recognized lease revenue of $39,088 and interest revenue of $4,806 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Oyster Point Yacht Club
The District, on January 1, 2022, Renewed a continuous lease for 60 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $66,942. As of June 30, 2023, the value of the lease receivable was $55,830. The lease is required to make monthly fixed payments of $570 over the course of the agreement. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $54,770 as of June 30, 2023. The District recognized lease revenue of $6,086 and interest revenue of $1,229 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Lather Rinse Repeat
The District, on January 1, 2022, Renewed a continuous lease for 72 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of $108,728. As of June 30, 2023, the value of the lease receivable was $90,303. The lease is required to make monthly fixed payments of $1,717 over the for the first 12-month period, then increases 4% annually. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was $90,606 as of June 30, 2023. The District recognized lease revenue of $18,121 and interest revenue of $2,175 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Minimum future lease receipts are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 295,640	$ 47,264	$ 342,903
2025	293,537	41,351	334,888
2026	289,352	35,480	324,832
2027	306,659	29,693	336,352
2028	266,771	23,560	290,331
2029-2033	520,286	62,184	582,470
2034-3038	115,432	34,568	150,000
2039-2043	127,446	22,554	150,000
2044-2048	140,711	9,289	150,000
2049	7,353	147	7,500
Total	2,363,187	$ 306,090	$ 2,669,277
Current	(295,640)		
Long-term	$ 2,067,547		

Changes in the District's deferred inflows of resources related to leases for June 30, 2023 is as follows:

Description	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Ketch Joanne (Restaurant)	$ 603,179	$ 134,667	$ (81,983)	$ 655,863
Pillar Point Harbor RV Park	480,725	122,450	(22,340)	580,835
Mavericks Surf Shop LLC	231,728	-	(179,444)	52,284
Order at the Corner	184,728	61,590	(24,632)	221,686
McHenrys Fisheries	193,230	41,300	(39,088)	195,442
Morning Star LLC	193,230	41,300	(39,088)	195,442
Three Captains Seafood	193,230	41,300	(39,088)	195,442
Oyster Point Yacht Club	-	60,856	(6,086)	54,770
Lather.Rinse.Repeat	-	108,728	(18,122)	90,606
Total deferred inflows	$ 2,080,050	$ 612,191	$ (449,871)	$ 2,242,370

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2023, will be amortized in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Inflows of Resources
2024	$ 296,568
2025	296,568
2026	270,427
2027	270,427
2028	270,427
Thereafter	837,953
Total	$ 2,242,370

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2023, were as follows:

Description	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	$ 14,385,155	$ -	$ -	$ 14,385,155
Construction-in-process	6,960,322	3,150,151	(5,171,483)	4,938,990
Total non-depreciable assets	21,345,477	3,150,151	(5,171,483)	19,324,145
Depreciable assets:				
Autos and Trucks	230,559	32,267	(19,423)	243,403
Boats and Radar	924,271	83,115	-	1,007,386
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	9,698,980	129,410	-	9,828,390
Docks	11,058,431	-	-	11,058,431
Parking lots	1,930,860	-	-	1,930,860
Walkways/Path	1,772,709	4,148,079	-	5,920,788
Machinery and Equipment	483,212	57,637	(56,101)	484,748
Signs	-	420,705	-	420,705
Software	-	601,281	-	601,281
Total depreciable assets	50,340,070	5,472,494	(75,524)	55,737,040
Accumulated depreciation:				
Autos and Trucks	(150,706)	(26,068)	19,423	(157,351)
Boats and Radar	(696,300)	(47,074)	-	(743,374)
Breakwater	(10,818,962)	(259,128)	-	(11,078,090)
Utilities	(570,433)	(39,372)	-	(609,805)
Launch Ramps	(3,120,796)	(195,495)	-	(3,316,291)
Piers	(2,271,059)	(141,061)	-	(2,412,120)
Bulkheads	(56,921)	(2,004)	-	(58,925)
Buildings and Improvements	(4,818,195)	(200,290)	-	(5,018,485)
Docks	(7,075,705)	(233,524)	-	(7,309,229)
Parking lots	(1,707,032)	(21,317)	-	(1,728,349)
Walkways/Path	(1,092,070)	(54,060)	-	(1,146,130)
Machinery and Equipment	(287,051)	(64,450)	56,101	(295,400)
Signs	-	(15,776)	-	(15,776)
Software	-	(15,032)	-	(15,032)
Total accumulated depreciation	(32,665,230)	(1,314,651)	75,524	(33,904,357)
Total depreciable assets, net	17,674,840	4,157,843	-	21,832,683
Total capital assets, net	$ 39,020,317	$ 7,307,994	$ (5,171,483)	$ 41,156,828

NOTE 6 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2023, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
$ 472,056	$ 187,181	$ (176,174)	$ 483,063	$ 169,072	$ 313,991

NOTE 7 – UNEARNED REVENUE – WATER EMERGENCY TRANSPORTATION AUTHORITY (WETA)

On September 10, 2009, the District entered into an Oyster Point Marina lease agreement with the 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, 2023, the District's total unearned revenues related to WETA were $2,661,818.

Changes in unearned revenue - WEFA for the year ended June 30, 2023, were as follows:

Balance July 1, 2022	Additions	Amortization	Balance June 30, 2023
$ 2,728,363	$ -	$ (66,545)	$ 2,661,818

NOTE 8 – PENSION PLAN

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2023
Pension related deferred outflows	$ 2,703,871
Net pension liability	3,616,538
Pension related deferred inflows	516,789

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required member contribution rates	8.00%	6.750%
Required employer contribution rates – FY 2023	11.590%	7.470%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2022, (Measurement Date) the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	Classic Tier 1	PEPRA Tier 2	Total
Active members	6	31	37
Transferred and terminated members	22	19	41
Retired members and beneficiaries	50	1	51
Total plan members	78	51	129

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

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 or 52, depending on when service was earned, with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

Contributions
Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Contributions for the fiscal year ended June 30, 2023, were as follows:

	Miscellaneous Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 353,639	$ 245,660	$ 599,299

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense
The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense (continued)

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2023:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	$ 20,575,511	$ 20,289,690	$ 285,821
Balance as of June 30, 2022 (Measurement Date)	$ 22,621,063	$ 19,004,525	$ 3,616,538
Change in Plan Net Pension Liability	$ 2,045,552	$ (1,285,165)	$ 3,330,717

The District's proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.077289%	0.015053%	0.062236%
Percentage of Plan (PERF C) Net Pension Liability	0.031310%	0.005285%	0.026025%

For the year ended June 30, 2023, the District recognized pension expense of $2,067,028. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 599,299	$ -
Difference between actual and proportionate share of employer contributions	-	(468,146)
Adjustment due to differences in proportions	998,901	-
Differences between expected and actual experience	72,627	(48,643)
Differences between projected and actual earnings on pension plan investments	662,454	-
Changes in assumptions	370,590	-
Total Deferred Outflows/(Inflows) of Resources	$ 2,703,871	$ (516,789)

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of $599,299 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ 457,003
2024	446,384
2025	279,217
2026	405,179
Total	$ 1,587,783

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Long-term Expected Rate of Return
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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

[1] An expected inflation rate of 2.3% is used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

Discount Rate
The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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.

Subsequent Events
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, 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 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.

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Subsequent Events (continued)

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 board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Net Pension Liability at June 30, 2023		
Plan Type	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	$ 6,700,197	$ 3,616,538	$ 1,079,452

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2023, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2023
OPEB related deferred outflows	$ 353,115
Net other post-employment benefits obligation	2,937,280
OPEB related deferred inflows	185,135

A. General Information about the OPEB Plan

Plan description
The District provides other post-retirement health care, vision care, dental care and life insurance benefits, in accordance with the Board of Harbor Commissioners employee benefit resolutions, to all employees who retire from the District and meet the age and years of service requirements as specified in such resolutions. Retired Harbor Commissioners are subject to additional eligibility requirements as specified in Government Code Section 53201.

The District administers its post-employment benefits plan, a single-employer defined benefit plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the Governmental Accounting Standards Board Statement No. 75. Employees hired prior to July 1, 2009, are entitled to continue the individual's and dependent's then existing health, dental, and visions benefit, and life insurance. The following requirements must be satisfied in order to be eligible for post-employment medical benefits: (1) The individual's total service at the time of termination, for any reason, is not less than 12 years. (2) The individual was an Employee after January 1, 1981. (3) The individual was not terminated for good cause.

Benefits provided
The District offers post-employment medical to employees who satisfy the eligibility rules. These benefits may only be collected for a period that is equal to half of the time the individual was employed by the District. Eligible District employees are entitled to continue the individual's and dependent's then existing health, dental, and visions benefit, and life insurance, at the District's expense.

Employees covered by benefit terms
At June 30, 2023, the measurement date, membership in the plan consisted of the following:

	2023
Inactive plan members or beneficiaries currently receiving benefit payments	12
Inactive plan members entitled to but not yet receiving benefit payments	
Active plan members	6
Total	18

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

A. General Information about the OPEB Plan (continued)

Contributions
The contribution requirements of Plan members and the District are established and amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. For the year ended June 30, 2023, the District's contributions to the Plan were $281,666 in current year insurance premiums and other benefit payments.

B. Net OPEB Liability
The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions
The total OPEB liability in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	No assets held in trust
Actuarial Assumptions:	
Discount Rate	3.86%
Long-Term Expected Rate of Return on Investments	3.86%
Inflation	2.50%
Payroll increases	3.00%
Healthcare Trend Rates	Pre-65 - 6.00% trending down 0.25% annually to 5.25% by 2029 and later Post-65 - 4.5% trending down 0.25% annually to 4.0% by 2029 and later
Morbidity	CalPERS 2019 Study
Mortality	CalPERS 2019 Study
Disability	Not valued
Retirement	2019 CalPERS Public Agency Miscellaneous experience study; 2.5% @55 and 2.0% @62
Percent Married	80% of future retirees would enroll a spouse

Discount Rate
The discount rate used to measure the total OPEB liability was 3.86 percent. For OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the District's Total OPEB liability is based on the Fidelity GO AA 20 Years Municipal Index.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022	$ 2,764,384	$ -	$ 2,764,384
Changes for the year:			
Service cost	46,252	-	46,252
Interest	111,017	-	111,017
Changes in assumptions	148,803	-	148,803
Changes in experience	148,490	-	148,490
Benefit payments	(281,666)	-	(281,666)
Net changes	172,896	-	172,896
Balance at June 30, 2023	$ 2,937,280	$ -	$ 2,937,280

Sensitivity of the net OPEB liability to changes in the discount rate
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 2.86%	Discount Rate 3.86%	1% Increase 4.86%
District Plan	$ 3,186,665	$ 2,937,280	$ 2,717,354

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 5.0%	Healthcare Cost Trend Rates 6.0%	1% Increase 7.0%
District Plan	$ 2,659,019	$ 2,937,280	$ 3,270,073

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of $314,057. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 202,919	$ (185,135)
Differences between expected and actual experience	150,196	-
Total Deferred Outflows/(Inflows) of Resources	$ 353,115	$ (185,135)

The District reported $0 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 88,745
2025	29,685
2026	49,550
Total	$ 167,980

NOTE 10 – 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.

NOTE 11 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about the SDRMA is as follows:

A.	**Entity**	SDRMA	
B.	**Purpose**	To provide risk financing and risk management services to California public agencies	
C.	**Participants**	As of June 30, 2023 – 499 member agencies	
D.	**Governing board**	Seven representatives employed by members	
E.	**District payments for FY 2023:**		
	Property/Liability policy	$356,370	
	Workers' compensation policy	$90,900	
F.	**Condensed financial information**	June 30, 2023	
	Statement of net position:		**June 30, 2023**
	Total assets		$ 146,574,993
	Deferred outflows		1,664,198
	Total liabilities		76,343,471
	Deferred inflows		374,517
	Net position		$ 71,521,203
	Statement of revenues, expenses and changes in net position:		
	Total revenues		$ 100,884,445
	Total expenses		(96,706,371)
	Change in net position		4,178,074
	Beginning – net position		66,343,287
	Ending – net position		$ 70,521,361
G.	**Member agencies share of year-end financial position**		Not Calculated

NOTE 12 – RISK MANAGEMENT (continued)

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $2,500,000, combined single limit at $2,500,000 per occurrence. The District purchased additional excess coverage layers: $10,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.

- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $2,000 deductible per occurrence.

- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.

- Public officials' personal liability up to $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of $500 per claim.

- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to $5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2023, 2022 and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022 and 2021.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District has a variety of agreements with private parties relating to the construction of various projects and improvements. The financing of the construction contracts is being provided primarily from the District's replacement reserves.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 20, 2024, the date which the financial statements were available to be issued.

Required Supplementary Information

SAN MATEO COUNTY HARBOR DISTRICT

Schedule of the District's Proportionate Share of the Plan's (PERF C) Net Pension Liability
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.048480%	$ 3,016,578	$ 2,064,270	146.13%	81.15%
June 30, 2015	0.134530%	3,690,808	2,000,338	184.51%	79.89%
June 30, 2016	0.106240%	4,497,813	2,022,481	222.39%	75.87%
June 30, 2017	0.127140%	5,012,109	2,361,865	212.21%	75.39%
June 30, 2018	0.128200%	4,831,494	2,814,510	171.66%	75.26%
June 30, 2019	0.067380%	2,698,394	2,749,582	98.14%	85.55%
June 30, 2020	0.068850%	2,904,343	3,074,857	94.45%	85.21%
June 30, 2021	0.015050%	285,821	3,592,149	7.96%	98.61%
June 30, 2022	0.077289%	3,616,538	3,581,625	100.97%	84.01%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:
There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:
There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:
There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

SAN MATEO COUNTY HARBOR DISTRICT

Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 376,892	$ (376,892)	$ -	$ 2,000,338	18.84%
June 30, 2016	409,949	(409,949)	-	2,022,481	20.27%
June 30, 2017	474,656	(474,656)	-	2,361,865	20.10%
June 30, 2018	543,875	(543,875)	-	2,814,510	19.32%
June 30, 2019	598,183	(2,898,183)	(2,300,000)	2,749,582	21.76%
June 30, 2020	587,323	(587,323)	-	3,074,857	19.10%
June 30, 2021	537,760	(537,760)	-	3,592,149	14.97%
June 30, 2022	554,340	(554,340)	-	3,581,625	15.48%
June 30, 2023	599,299	(599,299)	-	3,783,046	15.84%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (2.5%@55), 52 years (2.0%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first implementation year; therefore, only nine years are shown.

SAN MATEO COUNTY HARBOR DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Total OPEB liability:						
Service cost	$ 46,252	$ 106,638	$ 93,557	$ 89,084	$ 81,531	$ 79,156
Interest	111,017	63,189	78,587	83,162	88,748	88,214
Changes in assumptions	148,803	(449,613)	342,399	179,142	118,534	-
Differences between expected and actual experience	148,490	-	204,026	-	-	-
Benefit payments	(281,666)	(279,217)	(223,283)	(180,909)	(164,137)	(141,302)
Net change in total OPEB liability	172,896	(559,003)	495,286	170,479	124,676	26,068
Total OPEB liability - beginning	2,764,384	3,323,387	2,828,101	2,657,622	2,532,946	2,506,878
Total OPEB liability - ending	$ 2,937,280	$ 2,764,384	$ 3,323,387	$ 2,828,101	$ 2,657,622	$ 2,532,946
Covered payroll	$ 711,707	$ 859,768	$ 1,011,382	$ 1,212,882	$ 1,221,622	$ 1,126,238
District's net OPEB liability as a percentage of covered payroll	412.71%	321.53%	328.60%	233.17%	217.55%	224.90%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2018 – There were no changes of benefits terms.
Measurement Date June 30, 2019 – There were no changes of benefits terms.
Measurement Date June 30, 2020 – There were no changes of benefits terms.
Measurement Date June 30, 2021 – There were no changes of benefits terms.
Measurement Date June 30, 2022 – There were no changes of benefits terms.
Measurement Date June 30, 2023 – There were no changes of benefits terms.

Changes in Assumptions:

Measurement Date June 30, 2018 – There were no changes in assumptions.
Measurement Date June 30, 2019 – There were no changes in assumptions except change in discount rate.
Measurement Date June 30, 2020 – There were no changes in assumptions except change in discount rate.
Measurement Date June 30, 2021 – There were no changes in assumptions except change in discount rate.
Measurement Date June 30, 2022 – There were no changes in assumptions except change in discount rate.
Measurement Date June 30, 2023 – There were no changes in assumptions except change in discount rate.

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

SAN MATEO COUNTY HARBOR DISTRICT

Schedule of the District's Contributions to the OPEB Plan

For the Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Actuarially determined contribution* (Pay-as-you-go funding with No Plan Assets)	$ 281,666	$ 279,217	$ 223,283	$ 180,909	$ 164,137	$ 141,302
Contributions in relation to the actuarially determined contributions	(281,666)	(279,217)	(223,283)	(180,909)	(164,137)	(141,302)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 711,707	$ 859,768	$ 1,011,382	$ 1,212,882	$ 1,221,622	$ 1,126,238
Contributions as a percentage of covered payroll	39.58%	32.48%	22.08%	14.92%	13.44%	12.55%

Notes to Schedule:

Valuation Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:						
Actuarial cost method Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method Closed period, level percent of pay	(1)	(1)	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	3.86%	3.69%	4.00%	4.15%	4.25%	4.50%
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Payroll increases	3.00%	3.00%	2.75%	2.75%	2.75%	2.75%
Mortality	(2)	(2)	(2)	(2)	(2)	(2)
Morbidity	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Disability	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(3)	(3)	(3)	(3)	(3)	(3)
Percent Married - Spouse Support	80%	80%	80%	80%	80%	80%
Healthcare trend rates	(4)	(4)	(4)	(4)	(4)	(4)

(1) Closed period, level percent of pay

(2) SOA Pub-2010 using Scale MP-2020 or MP-2018

(3) CalPERS Public Agency Miscellaneous 2.5% @55 and 2.0% @62

(4) Pre-65 - 6.00% trending down annually to 5.25% in 2029 and later
Post-65 - 5.50% trending down annually to 4.00% in 2029 and later

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

Supplementary Information

SAN MATEO COUNTY HARBOR DISTRICT

Schedule of Revenues, Expenses, and Changes in Net Position – Administration
For the Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	June 30, 2023	June 30, 2022
OPERATING REVENUES		
Rent and concessions	$ 80,600	$ 20,591
Total operating revenues	80,600	20,591
OPERATING EXPENSES		
Advertising and promotion	5,480	2,745
Elections	294,011	-
Insurance	71,146	159,254
Information technology	130,136	157,387
Legal fees	185,645	184,150
Materials and supplies	505,204	408,417
Rent	-	78,926
Repairs and maintenance	91,692	41,197
Salaries and wages	1,316,277	1,308,219
Benefits – current employees	882,392	(238,151)
Benefits – retirees/former employees	23,770	24,778
Travel, training, and seminars	31,472	23,902
Utilities	14,835	3,459
Total operating expenses before depreciation	3,552,060	2,154,283
Operating income before depreciation	(3,471,460)	(2,133,692)
Depreciation expense	(125,353)	(40,490)
Operating income	(3,596,813)	(2,174,182)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	10,304,049	9,576,725
Investment earnings	(204,507)	187,571
Grants and reimbursements	-	351,000
Other non-operating revenues	4,346	127,973
Total non-operating revenue(expense), net	10,103,888	10,243,269
Change in net position	6,507,075	8,069,087

SAN MATEO COUNTY HARBOR DISTRICT

Schedule of Revenues, Expenses, and Changes in Net Position – Pillar Point Harbor
For the Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	June 30, 2023	June 30, 2022
OPERATING REVENUES		
Berth Rental	$ 2,076,029	$ 2,129,263
Launching fees	109,008	106,676
Rent and concessions	586,784	550,232
Events and permits	14,459	26,964
Other operating revenue	39,672	47,232
Total operating revenues	2,825,952	2,860,367
OPERATING EXPENSES		
Advertising and promotion	3,746	12,991
Insurance	175,306	62,491
Information technology	96,752	87,337
Legal fees	(48,895)	20,167
Materials and supplies	446,528	560,211
Repairs and maintenance	293,195	126,005
Salaries and wages	1,765,518	1,718,019
Benefits – current employees	1,373,585	(272,493)
Benefits – retirees/former employees	150,077	144,728
Travel, training, and seminars	15,049	30,287
Utilities	295,817	326,332
Vessel destruction	134,000	248,997
Total operating expenses before depreciation	4,700,678	3,065,072
Operating income before depreciation	(1,874,726)	(204,705)
Depreciation expense	(549,919)	(520,330)
Operating income	(2,424,645)	(725,035)
NON-OPERATING REVENUES (EXPENSES)		
Grants and reimbursements	264,119	17,732
Other non-operating revenues	1,045	-
Total non-operating revenue(expense), net	265,164	17,732
Net income before capital contributions	(2,159,481)	(707,303)
CAPITAL CONTRIBUTIONS		
Federal capital grants	75,478	-
State capital grants	40,612	-
Total capital contributions	116,090	-
Change in net position	(2,043,391)	(707,303)

SAN MATEO COUNTY HARBOR DISTRICT

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

For the Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	June 30, 2023	June 30, 2022
OPERATING REVENUES		
Berth Rental	$ 1,532,435	$ 1,271,948
Launching fees	41,965	34,192
Rent and concessions	128,238	118,950
Events and permits	1,305	-
Other operating revenue	24,818	19,179
Total operating revenues	1,728,761	1,444,269
OPERATING EXPENSES		
Advertising and promotion	888	2,849
Insurance	109,919	69,220
Information technology	87,454	76,398
Legal fees	14,545	17,295
Materials and supplies	263,687	336,151
Repairs and maintenance	66,165	44,373
Salaries and wages	1,070,263	974,321
Benefits – current employees	794,292	(200,064)
Benefits – retirees/former employees	143,394	104,811
Travel, training, and seminars	17,330	11,995
Utilities	93,285	150,236
Vessel destruction	43,150	9,000
Total operating expenses before depreciation	2,704,372	1,596,585
Operating income before depreciation	(975,611)	(152,316)
Depreciation expense	(639,379)	(632,305)
Operating income	(1,614,990)	(784,621)
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	(115)	-
Grants and reimbursements	48,452	13,772
Other non-operating revenues	120	-
Total non-operating revenue(expense), net	48,457	13,772
Change in net position	(1,566,533)	(770,849)

Other Independent Auditors' Reports

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' 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*

Board of Harbor Commissioners
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 financial statements of San Mateo County Harbor District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise San Mateo County Harbor District's basic financial statements, and have issued our report thereon dated March 20, 2024.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered San Mateo County Harbor District's internal control over financial reporting (internal control) as a basis for designing audit procedures 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 San Mateo County Harbor District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Mateo County Harbor 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 or significant deficiencies may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Harbor District's financial statements are free of 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 financial statements. 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results 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.

Murrieta, California
March 20, 2024