

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

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San Mateo County Harbor District
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For the year ended June 30, 2013

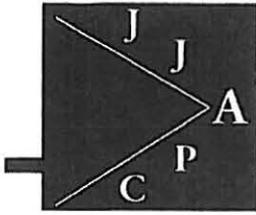
Elected Officials and Administrative Personnel

BOARD OF COMMISSIONERS

Robert Bernardo – President
Pietro Parravano – Vice President
James J. Tucker – Treasurer & Secretary
Sabrina Brennan – Commissioner
William Holsinger – Commissioner

MANAGEMENT

Peter Grenell - General Manager



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
San Mateo County Harbor District
South San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo County Harbor District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 25, 2013

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis

This section of San Mateo County Harbor District's basic financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. Since this management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the District's basic financial statements (pages 12 - 14) and the footnotes (pages 15 - 26).

Financial Highlights

At June 30, 2013, the District's Net Position increased \$2,255,903 to \$41,382,113 from \$39,126,210 in 2012. Operating revenues decreased by \$95,354 primarily due to a reduction in vessel abandoned grant monies, less launch ramp revenue this year compared to last years' strong fishing season, the guest dock at Oyster Point Marina was being replaced and set for completion for fiscal year 13-14, more boaters are using slips for a month to reduce overall costs of being transient thus increasing monthly berths and reducing transient fees. Finally, sales for concessioners have slowed and a leasehold tenant closed reducing revenues to the District.

Operating expenses (with depreciation included) increased by \$808,600. Forty six percent of that increase was due to election expense payments for 2012; increased advertising and expenses to outreach to the public in the form of tenant events and other public outreach; increased legal expenses; and increased salaries and wages due to increases in retirement (CALPERS) costs and COLA's and step increases established by a memorandum of understanding.

Using This Report

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole

	Net Position		Increase (Decrease)	Percent Change
	2013	2012		
As of June 30, 2013 and 2012				
Assets:				
Current assets	\$ 13,535,982	\$ 14,232,547	\$ (696,565)	(4.9)%
Non-current assets	43,765,164	41,952,322	1,812,842	4.3%
Total assets	<u>57,301,146</u>	<u>56,184,869</u>	<u>1,116,277</u>	<u>2.0%</u>
Liabilities:				
Current liabilities	4,728,353	4,422,010	306,343	6.9%
Non-current liabilities	11,190,680	12,636,649	(1,445,969)	(11.4)%
Total liabilities	<u>15,919,033</u>	<u>17,058,659</u>	<u>(1,139,626)</u>	<u>(6.7)%</u>
net position:				
Investment in capital assets, net of related debt	35,584,239	32,798,813	2,785,426	8.5%
Restricted/Unrestricted net position:				
Restricted for debt service	1,737,296	1,715,223	22,073	1.3%
Unrestricted	4,060,578	4,612,174	(551,596)	(12.0)%
Total net position	<u>\$ 41,382,113</u>	<u>\$ 39,126,210</u>	<u>\$ 2,255,903</u>	<u>5.8%</u>

This schedule is prepared from the District's Statement of Net Position (page 12), which is presented on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the Statement of Activities are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

As can be seen from the table above, Net Position at June 30, 2013, increased to \$41,382,113 from \$39,126,210 in 2012. The increase in Net Position was primarily due to reduction in long term debt related to California Department of Boating & Waterways loan payment.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

Operating results are summarized as follows:

	Operating Results			
	For the years ended June 30, 2013 and 2012			
	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 3,428,764	\$ 3,524,118	\$ (95,354)	(2.7)%
Operating expenses	7,128,151	6,319,551	808,600	12.8%
Operating loss	(3,699,387)	(2,795,433)	(903,954)	32.3%
Non-operating revenues	6,390,720	4,637,220	1,753,500	37.8%
Non-operating expenses	(435,430)	(1,539,469)	1,104,039	(71.7)%
Net income before contributions	2,255,903	302,318	1,953,585	646.2%
Capital asset valuation adjustment	-	20,259,805	(20,259,805)	100.0%
Change in net position	2,255,903	20,562,123	(18,306,220)	(89.0)%
Net position:				
Beginning of year	39,126,210	18,564,087	20,562,123	110.8%
End of year	<u>\$ 41,382,113</u>	<u>\$ 39,126,210</u>	<u>\$ 2,255,903</u>	<u>5.8%</u>

While the Statement of Net Position shows the change in financial position of Net Position, the operating results are reflected in the Statement of Revenues, Expenses, and Changes in Net Position (page 13). This statement provides answers to the nature and source of the change in financial position of Net Position.

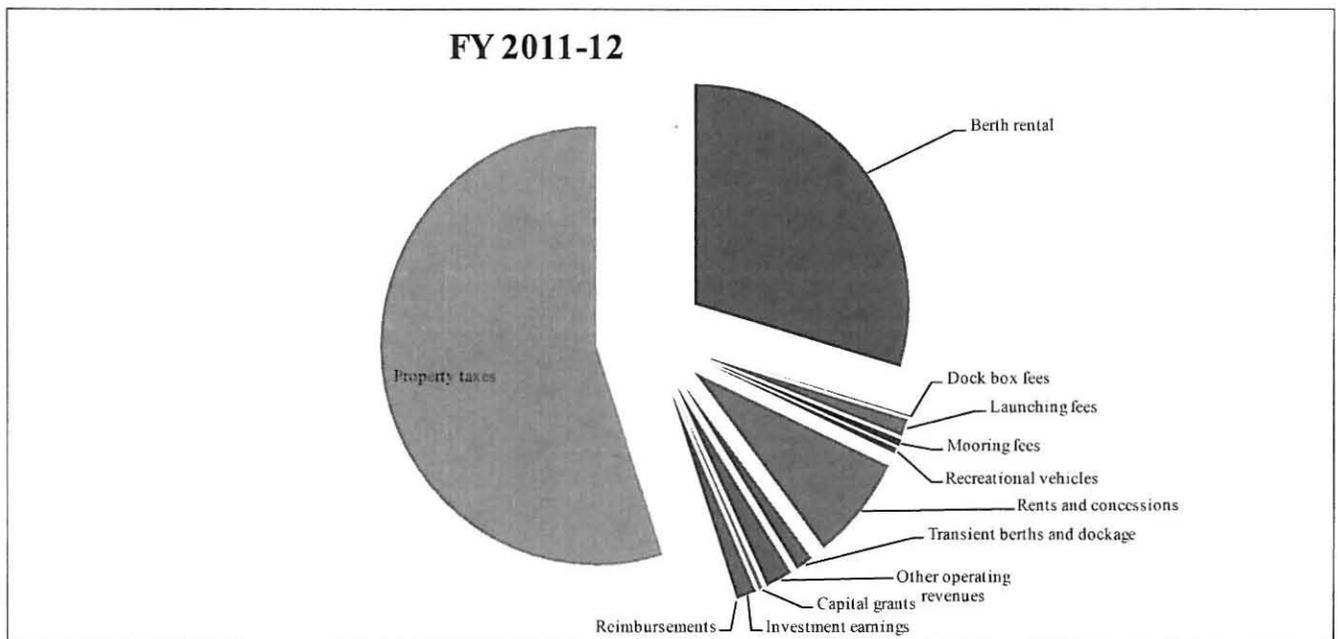
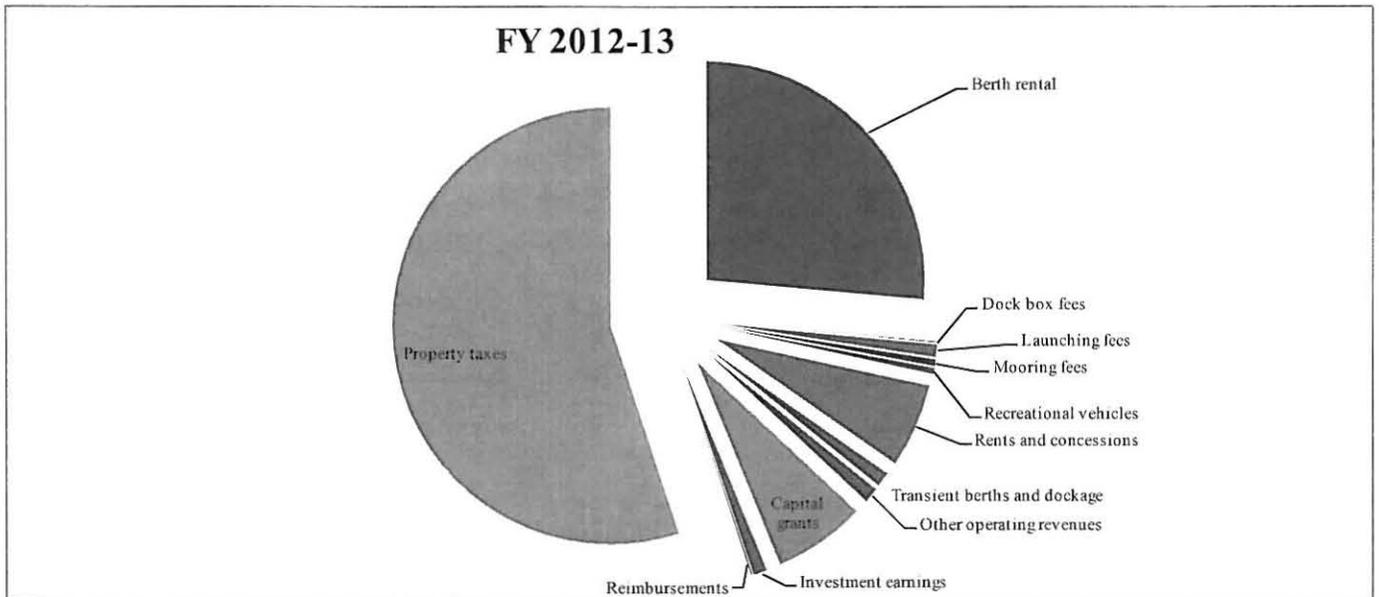
San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

The following is a graphic illustration of revenues by source:

**Revenues by Source
 Both Operating & Non-Operating**



San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

<u>FY 2012-2013</u>			<u>FY 2011-2012</u>		<u>Increase (Decrease)</u>
\$ 2,454,496	25.0%	Berth rental	\$ 2,414,734	29.6%	\$ 39,762
7,354	0.1%	Dock box fees	8,953	0.1%	(1,599)
87,555	0.9%	Launching fees	105,893	1.3%	(18,338)
45,938	0.5%	Mooring fees	44,097	0.5%	1,841
42,600	0.4%	Recreational vehicles	37,505	0.5%	5,095
580,471	5.9%	Rents and concessions	630,614	7.7%	(50,143)
102,970	1.0%	Transient berths and dockage	113,548	1.4%	(10,578)
107,380	1.1%	Other operating revenues	168,774	2.1%	(61,394)
640,000	6.5%	Capital grants	28,359	0.3%	611,641
94,969	1.0%	Investment earnings	123,219	1.5%	(28,250)
11,779	0.1%	Reimbursements	(1,596)	0.0%	13,375
-	0.0%	Insurance settlements	789	0.0%	(789)
5,110,609	52.0%	Property taxes	4,486,449	55.0%	624,160
29,674	0.3%	Gain on disposition of assets	-	0.0%	29,674
503,689	5.1%	Termination Benefits	-	0.0%	503,689
<u>\$ 9,819,484</u>	<u>100.0%</u>	Totals	<u>\$ 8,161,338</u>	<u>100.0%</u>	<u>\$ 1,658,146</u>

A medium fishing season lead to more berth rentals for greater than thirty days increasing berth rentals. Launch ramp revenues declined following a strong fishing season in 2011-2012. Capital grants increased by \$611,641 primarily due to a cost share grant received from South San Francisco for the wave attenuators. Property taxes increased by \$624,160 mostly due to Redevelopment Agency Dissolution monies received.

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013**

Management's Discussion and Analysis, Continued

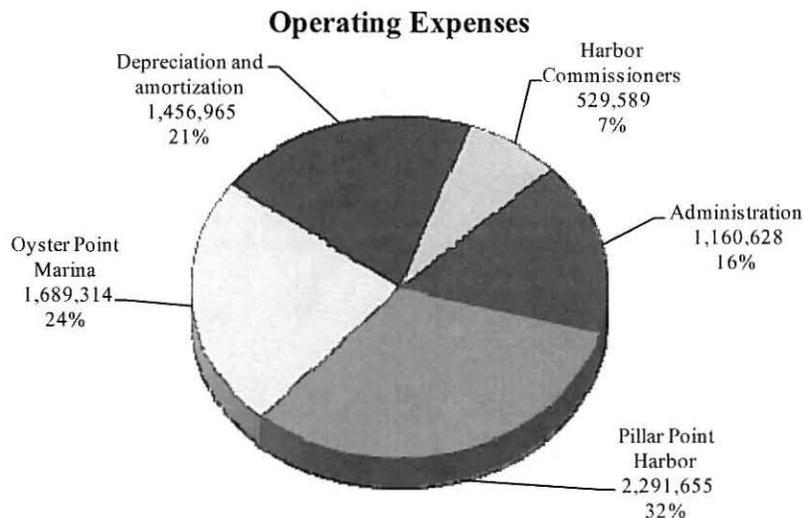
Financial Analysis of the District as a Whole, Continued

Operating expenses increased by \$808,600 as detailed below:

	Operating Expenses		Increase (Decrease)	Percent Change
	For the years ended June 30, 2013 and 2012			
	<u>2013</u>	<u>2012</u>		
Operating expenses:				
Harbor Commissioners	\$ 529,589	\$ 127,153	\$ 402,436	316.5%
Administration	1,160,628	1,086,589	74,039	6.8%
Pillar Point Harbor	2,291,655	2,087,549	204,106	9.8%
Oyster Point Marina	1,689,314	1,569,916	119,398	7.6%
Depreciation and amortization	1,456,965	1,448,344	8,621	0.6%
Total	<u><u>\$ 7,128,151</u></u>	<u><u>\$ 6,319,551</u></u>	<u><u>\$ 808,600</u></u>	<u><u>12.8%</u></u>

Harbor Commission operating expenses increased due to payments of 2012 elections costs and increased legal expenditures. Administration expenses increased due to increases in legal, recruitment, and personnel expenses. Pillar Point Harbor and Oyster Point Marina operating expenses had increases in advertising due to increased outreach to the public in the form of tenant events, booth rentals at events, and other public outreach. Other operating increases include deferred maintenance, legal, and personnel expenses.

The following is a graphic illustration of 2012-13 operating expenses:



**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

Net Position increased by \$2,255,903 as detailed below:

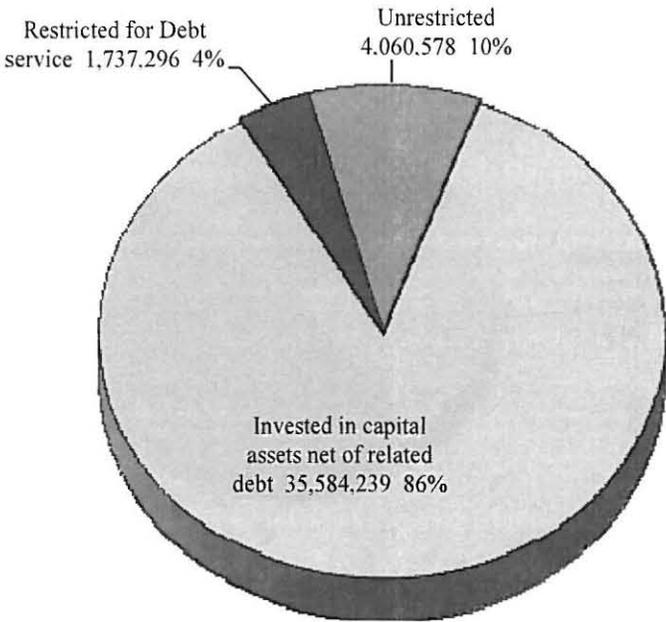
**Analysis of Net Position
As of June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net position:				
Invested in capital assets net of related debt	\$ 35,584,239	\$ 32,798,813	\$ 2,785,426	8.5%
Restricted				
Debt service	1,737,296	1,715,223	22,073	1.3%
Unrestricted	<u>4,060,578</u>	<u>4,612,174</u>	<u>(551,596)</u>	<u>(12.0)%</u>
Total	<u><u>\$ 41,382,113</u></u>	<u><u>\$ 39,126,210</u></u>	<u><u>\$ 2,255,903</u></u>	<u><u>5.8%</u></u>

The change in Net Position is primarily due to reduction in long term debt related to California Department of Boating & Waterways loan payment.

The following is a graphic illustration of Net Position:

Analysis of \$41,382,113 in Net Position



San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

Cash Flows

Cash flows have remained relatively unchanged with a decrease of \$287,760, which is a result of payment for capital projects exceeding operational cash flows.

Long-term Debt

No new debt was issued for the year, with amounts decreasing by \$972,584 as a result of annual principal payments.

Economic Factors and Potential Future Results

The District's operating revenues are dependent on several factors including the strength of the fishing seasons. To date, the 2013 fishing season has been strong, which suggests that operating revenues will increase in the subsequent year. Overall economic recovery will also have a positive impact on operational revenues as people are able to purchase recreational vessels.

Contacting the District

This financial report is designed to provide our customers and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and is allocated to it. If you have questions about this report, contact:

San Mateo County Harbor District
400 Oyster Point Blvd
South San Francisco, CA 94080

Phone (650) 583-4400

Peter Grenell, General Manager.

BASIC FINANCIAL STATEMENTS

San Mateo County Harbor District

Statement of Net Position

June 30, 2013

(with comparative totals for June 30, 2012)

ASSETS	2013	2012
Current assets:		
Cash and investments	\$ 11,547,199	\$ 12,364,655
Restricted cash and investments	1,737,296	1,715,223
Accounts receivable:		
Customers	175,665	104,174
Interest	21,088	30,459
Prepaid expenses and deposits	54,734	18,036
Total current assets	<u>13,535,982</u>	<u>14,232,547</u>
Noncurrent assets:		
Capital assets:		
Land	13,108,381	13,108,381
Construction in progress	4,171,771	1,154,289
Depreciable assets	53,883,829	53,631,505
Less accumulated depreciation	(27,398,817)	(25,941,853)
Total noncurrent assets	<u>43,765,164</u>	<u>41,952,322</u>
Total assets	<u>\$ 57,301,146</u>	<u>56,184,869</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 506,990	\$ 229,847
Accrued payroll	85,978	102,752
Customer deposits	288,977	228,615
Unearned revenue	3,658,493	3,650,541
Accrued interest payable	187,915	210,255
Due within one year	1,017,263	972,583
Total current liabilities	<u>5,745,616</u>	<u>5,394,593</u>
Noncurrent liabilities:		
Due after one year	7,163,662	8,180,926
Termination benefits payable	2,748,301	3,251,991
Accrued vacation and sick leave	261,454	231,149
Total noncurrent liabilities	<u>10,173,417</u>	<u>11,664,066</u>
Total liabilities	<u>15,919,033</u>	<u>17,058,659</u>
NET POSITION		
Invested in capital assets net of related debt	35,584,239	32,798,813
Restricted for debt service	1,737,296	1,715,223
Unrestricted	4,060,578	4,612,174
Total net position	<u>41,382,113</u>	<u>39,126,210</u>
Total liabilities and net position	<u>\$ 57,301,146</u>	<u>56,184,869</u>

The accompanying notes are an integral part of these basic financial statements.

San Mateo County Harbor District

Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

	2013	2012
OPERATING REVENUES:		
Berth rental	\$ 2,454,496	\$ 2,414,734
Dock box fees	7,354	8,953
Launching fees	87,555	105,893
Mooring fees	45,938	44,097
Recreational vehicles	42,600	37,505
Rents and concessions	580,471	630,614
Transient berths and dockage	102,970	113,548
Other operating revenues	107,380	168,774
Total operating revenues	3,428,764	3,524,118
OPERATING EXPENSES:		
Harbor Commissioners	529,589	127,153
Administration	1,160,628	1,086,589
Pillar Point Harbor	2,291,655	2,087,549
Oyster Point Marina	1,689,314	1,569,916
Depreciation and amortization	1,456,965	1,448,344
Total operating expenses	7,128,151	6,319,551
Operating income (loss)	(3,699,387)	(2,795,433)
NONOPERATING REVENUES (EXPENSES):		
Capital grants	640,000	28,359
Investment earnings	94,969	123,219
Reimbursements	11,779	(1,596)
Insurance settlements	-	789
Property taxes	5,110,609	4,486,449
County administrative fees	(30,504)	(26,345)
Gain (loss) on disposition of capital assets	29,674	(15,954)
Termination benefits	503,689	(1,050,627)
Interest expense	(404,926)	(446,543)
Total nonoperating revenues (expenses)	5,955,290	3,097,751
Income (loss) before contributions	2,255,903	302,318
Capital contributions:		
Capital asset valuation adjustment	-	20,259,805
Total capital contributions	-	20,259,805
Net Income	2,255,903	20,562,123
CHANGE IN NET POSITION:		
Beginning of year	39,126,210	18,564,087
End of year	\$ 41,382,113	\$ 39,126,210

The accompanying notes are an integral part of these basic financial statements.

San Mateo County Harbor District

Statement of Cash Flows

For the year ended June 30, 2013

(with comparative amounts for the year ended June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,425,587	\$ 3,429,880
Payments to suppliers	(1,912,135)	(1,868,482)
Payments to or on behalf of employees	(3,505,075)	(3,265,261)
Net cash provided (used) by operating activities	(1,991,623)	(1,703,863)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	5,080,105	4,460,104
Receipts from capital grants	640,000	28,359
Receipts from reimbursements	11,779	(807)
Net cash provided (used) by noncapital financing activities	5,731,884	4,487,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long-term debt	(972,584)	(929,865)
Interest payments on long-term debt	(427,266)	(467,902)
Acquisition and construction of capital assets	(3,269,808)	(932,476)
Proceeds from the sale of assets	29,674	-
Net cash provided (used) by capital and related financing activities	(4,639,984)	(2,330,243)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	104,340	130,100
Net cash provided (used) by investing activities	104,340	130,100
Net increase (decrease) in cash and cash equivalents	(795,383)	583,650
CASH AND INVESTMENTS:		
Beginning of year	14,079,878	13,496,228
End of year	<u>\$ 13,284,495</u>	<u>\$ 14,079,878</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	\$ 11,547,199	\$ 12,364,655
Restricted cash and investments	1,737,296	1,715,223
Total cash and investments	<u>\$ 13,284,495</u>	<u>\$ 14,079,878</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (3,699,387)	\$ (2,795,433)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,456,965	1,448,344
Change in assets and liabilities:		
Accounts receivable	(71,491)	(39,915)
Prepaid expenses	(36,698)	(11,104)
Accounts payable and accrued liabilities	277,143	(251,432)
Accrued payroll	(16,774)	20,865
Deposits and unearned revenue	68,314	(54,323)
Termination benefits payable	-	6,415
Accrued vacation and sick leave	30,305	(27,280)
Net cash provided (used) by operating activities	<u>\$ (1,991,623)</u>	<u>\$ (1,703,863)</u>

The accompanying notes are an integral part of these basic financial statements.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of San Mateo County Harbor District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental enterprises classified as proprietary fund types. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies:

A. Description of the Reporting Entity

The District is organized under the Harbor and Navigation provisions of the general laws of the State of California and is governed by a five-member Board of Commissioners elected at large by the registered voters of the District. The District is located in Half Moon Bay along the Pacific Ocean in San Mateo County and South San Francisco, but encompasses the entire County.

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

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting

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

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

C. Cash and Investments

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

Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

D. Capital Assets

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

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

**San Mateo County Harbor District
 Basic Financial Statements
 For the year ended June 30, 2013**

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Capital Assets, continued

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

E. Property Taxes

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

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

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

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

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

- 55% remitted on December 15
- 40% remitted on April 15
- 5% remitted on June 15

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Accrued Vacation and Sick Leave

The liability for vested vacation (PTO) is recorded as an expense when the hours are earned. When PTO is used it offsets the PTO liability account. Unused balances of PTO are carried over from year to year but cannot exceed 480 hours. District employees sick leave accrues from year to year with no cap. Employees can use their sick leave upon the approval of a physicians note or documented FMLA supporting information.

G. Comparative Data

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

H. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

2. CASH AND INVESTMENTS

A. Composition

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

	June 30, 2013			June 30, 2012
	FDIC insured	Not rated	Fair Value	
Cash in bank	\$ 250,000	\$ 1,677,510	\$ 1,927,510	\$ 386,152
Petty cash	-	2,300	2,300	2,300
Local Agency Investment Fund (LAIF)	-	6,868	6,868	6,846
SFPUC US Bank Funds	-	9,610,521	9,610,521	11,969,357
Money Market Funds	-	1,737,296	1,737,296	1,715,223
Total	\$ 250,000	\$ 13,034,495	\$ 13,284,495	\$ 14,079,878
Financial Statement presentation:				
Cash and investments			\$ 11,547,199	\$ 12,364,655
Restricted cash and investments			1,737,296	1,715,223
Total			\$ 13,284,495	\$ 14,079,878

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

A. Composition, Continued

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

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

B. Authorized Investments

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>
California Local Agency Investment Fund	N/A	None
U.S. Treasury Obligations	5 years	None
Negotiable Certificates of Deposit	1 year	30%

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

C. Fair Value of Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments in interest/investment income.

D. Investments Authorized by Debt Agreements

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

E. Interest Rate and Credit Risk

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

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments matured in an average of 237 days.

Money market funds are available for withdrawal on demand and at June 30, 2013, matured in an average of 26 days.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's only investments are in the California Local Agency Investment Fund, SFPUC US Bank accounts and in Money Market accounts which are not rated at June 30, 2013.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2013, and 2012, were as follows:

	Balance July 1, 2012	Additions	Deletions	Adjustments	Balance June 30, 2013
Capital Assets					
Nondepreciable:					
Land	\$ 13,108,381	\$ -	\$ -	\$ -	\$ 13,108,381
Construction in progress	1,154,289	3,017,482	-	-	4,171,771
Total nondepreciable assets	<u>14,262,670</u>	<u>3,017,482</u>	<u>-</u>	<u>-</u>	<u>17,280,152</u>
Depreciable:					
Autos and trucks	65,334	-	-	-	65,334
Boats and radar	589,146	-	-	-	589,146
Signs	74,519	-	-	-	74,519
Breakwater	17,815,477	-	-	1	17,815,478
Utilities	212,405	-	-	-	212,405
Channels	4,466,126	-	-	-	4,466,126
Launch Ramps	3,957,424	73,199	-	-	4,030,623
Piers	6,216,940	-	-	-	6,216,940
Bulkheads	747,397	-	-	-	747,397
Buildings and improvements	8,185,571	-	-	-	8,185,571
Docks	6,729,933	179,124	-	-	6,909,057
Parking Lots	3,221,069	-	-	-	3,221,069
Walkways/Paths	1,096,199	-	-	-	1,096,199
Machinery and Equipment	253,965	-	-	-	253,965
Total depreciable assets	<u>53,631,505</u>	<u>252,323</u>	<u>-</u>	<u>1</u>	<u>53,883,829</u>
Less: accumulated depreciation	<u>(25,941,853)</u>	<u>(1,456,964)</u>	<u>-</u>	<u>-</u>	<u>(27,398,817)</u>
Total depreciable assets (net)	<u>27,689,652</u>	<u>(1,204,641)</u>	<u>-</u>	<u>1</u>	<u>26,485,012</u>
Total capital assets	<u>\$ 41,952,322</u>	<u>\$ 1,812,841</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 43,765,164</u>

Beginning values reflect amounts as valued on a consolidated basis. The total valuation amounts are presented in representative categories and have been redistributed to reflect balances at June 30, 2013.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT

A. Long-Term Debt Activity

	Original Issue Amount	Balance July 1, 2012	Retirements	Balance June 30, 2013	Due Within One Year
California Department of Boating and Waterways, 4.5%, due 12/31/19	\$ 19,777,000	\$ 9,153,509	\$ (972,583)	\$ 8,180,926	\$ 1,017,263
Total long-term debt	<u>\$ 19,777,000</u>	<u>9,153,509</u>	<u>\$ (972,583)</u>	<u>8,180,926</u>	<u>\$ 1,017,263</u>
Amount due within one year		(972,583)		(1,017,263)	
Total Long-term due after one year		<u>\$ 8,180,926</u>		<u>\$ 7,163,662</u>	

	Original Issue Amount	Balance July 1, 2011	Retirements	Balance June 30, 2012	Due Within One Year
California Department of Boating and Waterways, 4.5%, due 12/31/19	\$ 19,770,000	\$ 10,083,374	\$ (929,865)	\$ 9,153,509	\$ 972,583
Total long-term debt	<u>\$ 19,770,000</u>	<u>10,083,374</u>	<u>\$ (929,865)</u>	<u>9,153,509</u>	<u>\$ 972,583</u>
Amount due within one year		(387,752)		(972,583)	
Total Long-term due after one year		<u>\$ 9,695,622</u>		<u>\$ 8,180,926</u>	

B. California Department of Boating and Waterways

The District has thirteen loans outstanding from the California Department of Boating and Waterways (Department) for construction projects at Oyster Point Marina/Park and at Pillar Point Harbor. The interest rate for all fifteen loans was adjusted to 4.50 percent as of January 1, 1993. The total original loans and debt obligation of the District amounted to \$19,473,934.

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

On July 18, 2001, the District executed an "Approval of Concept" agreement with the Department in order to receive another live-year moratorium on the principal portions of the debt service payments for the years 2002 through 2006. The District made interest only payments from 2001 through 2006. Beginning 2007, the District made principal and interest payments on the outstanding loan balance.

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT, Continued

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

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

C. Repayment Schedule

Future annual repayment requirements are as follows:

Year Ending June 30,	California Department of Boating and Waterways	
	Principal	Interest
2014	1,017,263	352,464
2015	1,063,996	304,657
2016	1,112,876	254,655
2017	1,164,002	202,355
2018	1,217,476	175,618
2019-2020	2,605,312	180,875
Total	<u>\$ 8,180,925</u>	<u>\$ 1,470,624</u>
Due within one year	\$ 1,017,263	\$ 375,830
Due after one year	7,163,662	1,194,900
Total	<u>\$ 8,180,925</u>	<u>\$ 1,570,730</u>

5. NET POSITION

Net Position are restricted for debt service for the California Department of Boating and Waterways in the amount of \$1,715,223.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

6. INSURANCE

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

Program	Deductible
Auto	\$1,000,000
General Liability	\$1,000,000 to \$2,000,000
Docks and Piers	\$19,000,000
Building	\$3,400,000
Workers' compensation	\$1,000,000
Employers' liability	\$2,000,000
Commercial Umbrella - Excess	\$10,000,000

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

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

A. Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

B. Funding Policy

All full-time District employees are eligible to participate in the Plan. The District pays 7% for employees hired before July 2009 and 2% for employees hired after with regards to the employee share as part of an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 18.755% of annual payroll. For employees hired on or after January 1, 2013 the employee pay 6.25% and the employer pays 6.25% for a total of 12.5% of annual payroll. The contribution requirements of the plan members are established by state statute.

C. Annual Pension Cost

For 2013, the District's annual pension cost of \$386,075 for CALPERS was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% of investment rate of return (net of administrative expenses), and (b) 3.3% to 14.2% projected annual salary increases that vary by age, duration of service and type of employment. Both (a) and (b) included an inflation component of 2.75% and annual production growth of 0.25%.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013

Notes to Basic Financial Statements, Continued

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), continued

The actuarial value of CALPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smooth market value). CALPERS has increased the future rate the District pays to reflect an unfunded condition in the plan.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 407,977	100%	-
June 30, 2012	349,552	100%	-
June 30, 2013	386,075	100%	-

8. TERMINATION BENEFITS

A. Plan Description

Employees hired prior to July 1, 2009 that were employed with the District after January 1, 1981, are entitled to continue to receive health, dental, life insurance and vision benefits upon leaving District employment if they were not terminated for good cause and had a minimum of twelve years of service to the District at time of termination. These benefits may only be collected for a period of time that is equal to half of the time the employee was employed with the District. The current balance in termination benefits payable as of June 30, 2013 is \$2,748,301.

9. COMMITMENTS AND CONTINGENCIES

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

ADDITIONAL INFORMATION

San Mateo County Harbor District

Statement of Revenues, Expenses, and Changes in Net Position

Harbor Commissioners

For the year ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
OPERATING EXPENSES:		
Advertising and promotion	7,935	1,196
Auto expenses	114	256
Bank charges- payroll processing		-
Contractual services	20,871	8,902
Dues and subscriptions		114
Insurance	14,456	9,534
Office expense	999	446
Postage	132	160
Salaries and benefits	97,840	101,585
Training, seminars and professional development	3,257	1,725
Travel, conferences and meetings	7,010	3,235
Elections	376,975	
Depreciation and amortization	-	-
Total operating expenses	<u>529,589</u>	<u>127,153</u>
Operating income (loss)	<u>(529,589)</u>	<u>(127,153)</u>
NONOPERATING REVENUES (EXPENSES):		
Termination benefits	40,727	35,912
Shared revenues	488,862	91,241
Total nonoperating revenues (expenses)	<u>529,589</u>	<u>127,153</u>
Income before contributions	<u>-</u>	<u>-</u>
Net Income (Loss)	-	-
CHANGE IN NET POSITION:		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Position
Administration

For the year ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
OPERATING EXPENSES:		
Advertising and promotion	2,651	1,339
Auto expenses	952	1,742
Bank charges	557	2,461
Contractual services	93,092	76,992
Dues and subscriptions	14,834	14,966
Insurance	-	605
Office expense	10,190	8,293
Personnel expenses	-	2,570
Postage	1,741	2,664
Rent	95,390	94,698
Repairs and maintenance	16,173	8,567
Salaries and benefits	908,793	853,257
Telephone and communications	9,911	13,221
Training, seminars and professional development	-	16
Travel, conferences and meetings	6,344	5,198
Depreciation and amortization	8,314	8,314
Total operating expenses	<u>1,168,942</u>	<u>1,094,903</u>
Operating income (loss)	<u>(1,168,942)</u>	<u>(1,094,903)</u>
NONOPERATING REVENUES (EXPENSES):		
Capital grants		1,367
Investment earnings	94,969	123,219
Reimbursements	1,279	3,154
Property taxes	5,110,609	4,486,449
County administrative fees	(30,504)	(26,345)
Gain (loss) on disposition of capital assets	29,674	(15,954)
Termination benefits	(6,872)	(16,264)
Shared revenues	(1,767,555)	(3,153,731)
LAFCO fees	(6,755)	(4,674)
Total nonoperating revenues (expenses)	<u>3,424,845</u>	<u>1,397,221</u>
Income before contributions	<u>2,255,903</u>	<u>302,318</u>
Capital contributions:		
Capital asset valuation adjustment	-	20,259,805
Total capital contributions	<u>-</u>	<u>20,259,805</u>
Net Income	<u>2,255,903</u>	<u>20,562,123</u>
CHANGE IN NET POSITION:		
Beginning of year	39,126,210	18,564,087
End of year	<u>\$ 41,382,113</u>	<u>\$ 39,126,210</u>

San Mateo County Harbor District

Statement of Revenues, Expenses, and Changes in Net Position

Pillar Point Harbor

For the year ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

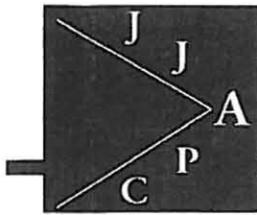
	2013	2012
OPERATING REVENUES:		
Berth rental	\$ 1,383,157	\$ 1,311,860
Launching fees	70,561	80,990
Mooring fees	45,938	44,097
Recreational vehicles	42,600	37,505
Rents and concessions	355,757	344,326
Transient berths and dockage	81,309	56,360
Other operating revenues	88,233	146,775
Total operating revenues	2,067,555	2,021,913
OPERATING EXPENSES:		
Advertising and promotion	18,290	4,201
Auto expenses	418	747
Bad debts (recoveries)	54,643	(1,201)
Bank charges	14,918	12,605
Contractual services	92,938	68,017
Dues and subscriptions	60	313
Insurance	122,927	116,590
Office expense	21,405	44,290
Personnel expenses	3,900	803
Postage	3,069	3,051
Rent	3,270	4,152
Operating expenses	237,947	257,770
Salaries and benefits	1,440,550	1,309,152
Sewer fees	42,146	34,599
Telephone and communications	23,143	21,079
Training, seminars and professional development	4,749	53
Travel, conferences and meetings	1,376	100
Uniforms	10,528	11,269
Utilities	184,778	182,459
Vessel destruction	10,600	17,500
Depreciation and amortization	552,723	550,051
Total operating expenses	2,844,378	2,637,600
Operating income (loss)	(776,823)	(615,687)
NONOPERATING REVENUES (EXPENSES):		
Reimbursements	10,500	(4,750)
Insurance settlements		789
Termination benefits	216,664	(659,478)
Shared revenues	753,605	1,505,537
Interest expense	(203,946)	(226,411)
Total nonoperating revenues (expenses)	776,823	615,687
Income before contributions	-	-
Net Income	-	-
CHANGE IN NET POSITION:		
Beginning of year	-	-
End of year	\$ -	\$ -

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Position
Oyster Point Marina
For the year ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

	2013	2012
OPERATING REVENUES:		
Berth rental	\$ 1,071,339	\$ 1,102,874
Dock box fees	7,354	8,953
Launching fees	16,994	24,903
Rents and concessions	224,714	286,288
Transient berths and dockage	21,661	57,188
Other operating revenues	19,147	21,999
Total operating revenues	1,361,209	1,502,205
OPERATING EXPENSES:		
Advertising and promotion	12,178	2,518
Auto expenses	224	134
Bad debts	51,122	13,185
Bank charges	8,862	11,750
Contractual services	119,188	127,235
Dues and subscriptions	-	138
Insurance	125,302	118,976
Licenses and permits	-	
Office expense	9,086	26,527
Personnel expenses	15	289
Postage	2,207	2,141
Equipment rental	3,057	3,745
Operating expenses	85,506	82,668
Salaries and benefits	1,071,423	1,001,267
Telephone and communications	13,551	10,633
Training, seminars and professional development	-	16
Travel, conferences and meetings	6,154	1,735
Uniforms	7,049	6,851
Utilities	114,060	127,956
Vessel destruction	60,330	32,152
Depreciation and amortization	895,928	889,979
Total operating expenses	2,585,242	2,459,895
Operating income (loss)	(1,224,033)	(957,690)
NONOPERATING REVENUES (EXPENSES):		
Capital grants	640,000	26,992
Reimbursements	-	
Termination benefits	253,170	(410,797)
Shared revenues	525,088	1,556,953
Interest expense	(194,225)	(215,458)
Total nonoperating revenues (expenses)	1,224,033	957,690
Income before contributions	-	-
Net Income	-	-
CHANGE IN NET POSITION:		
Beginning of year	-	-
End of year	\$ -	\$ -

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JJACPA, Inc.

A Professional Accounting Services Corp.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Commissioners of the
San Mateo County Harbor District
South San Francisco, California

We have audited, in accordance with the auditing standard 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 (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 the 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 considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 25, 2013

JJACPA, Inc.

JJACPA, Inc.

Dublin, CA

