

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

**San Mateo County Harbor District
 Basic Financial Statements
 For the year ended June 30, 2012**

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San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012

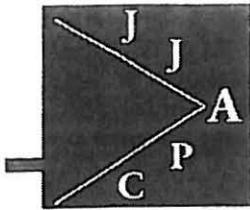
Elected Officials and Administrative Personnel

BOARD OF COMMISSIONERS

James J. Tucker - President
Robert Bernardo - Treasurer
Pietro Parravano - 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

We have audited the accompanying basic financial statements of the San Mateo County Harbor District (District) as of and for the year ended June 30, 2012. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2011, financial statements in which an unqualified opinion was expressed on those financial statements by another auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards* and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the District as of June 30, 2012, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 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, not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages three to ten 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.

May 13, 2013

JJACPA, Inc.
JJACPA, Inc.

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012**

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, 2012. 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, 2012, the District's net assets increased \$20,562,123 to \$39,126,210 from \$18,564,087 in 2011. Operating revenues increased by \$117,584 primarily due to an increase in berth rentals. Operating expenses (with depreciation included) decreased by \$13,602 as a result of an increase in depreciation expense offset by decreases in overall expenses for Oyster Point and Pillar Point.

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, 2012

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole

	Net Assets		Increase (Decrease)	Percent Change
	As of June 30, 2012 and 2011			
	2012	2011		
Assets:				
Current assets	\$ 14,232,547	\$ 13,604,759	\$ 627,788	4.6%
Non-current assets	41,952,322	22,230,753	19,721,569	88.7%
Total assets	<u>56,184,869</u>	<u>35,835,512</u>	<u>20,349,357</u>	<u>56.8%</u>
Liabilities:				
Current liabilities	4,422,010	4,728,259	(306,249)	(6.5)%
Non-current liabilities	12,636,649	12,543,166	93,483	0.7%
Total liabilities	<u>17,058,659</u>	<u>17,271,425</u>	<u>(212,766)</u>	<u>(1.2)%</u>
Net assets:				
Investment in capital assets, net of related debt	32,798,813	12,147,379	20,651,434	170.0%
Restricted/Unrestricted Net Assets:				
Restricted for debt service	1,715,223	1,500,000	215,223	14.3%
Unrestricted	4,612,174	4,916,708	(304,534)	(6.2)%
Total net assets	<u>\$ 39,126,210</u>	<u>\$ 18,564,087</u>	<u>\$ 20,562,123</u>	<u>110.8%</u>

This schedule is prepared from the District's Statement of Net Assets (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 assets at June 30, 2012, increased to \$39,126,210 from \$18,564,087 in 2011. The increase in net assets was primarily due to a recent capital asset valuation and the related increase in depreciation.

San Mateo County Harbor District
 Basic Financial Statements
 For the year ended June 30, 2012

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, 2012 and 2011			
	2012	2011	Increase (Decrease)	Percent Change
Operating revenues	\$ 3,524,118	\$ 3,406,274	\$ 117,844	3.5%
Operating expenses	6,319,551	6,332,894	(13,343)	(0.2)%
Operating loss	(2,795,433)	(2,926,620)	131,187	(4.5)%
Non-operating revenues	4,637,220	4,596,894	40,326	0.9%
Non-operating expenses	(1,539,469)	(652,624)	(886,845)	135.9%
Net income before contributions	302,318	1,017,650	(715,332)	(70.3)%
Capital asset valuation adjustment	20,259,805	-	20,259,805	100.0%
Change in net assets	20,562,123	1,017,650	19,544,473	1920.5%
Net assets:				
Beginning of year	18,564,087	17,546,437	1,017,650	5.8%
End of year	<u>\$ 39,126,210</u>	<u>\$ 18,564,087</u>	<u>\$20,562,123</u>	<u>110.8%</u>

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

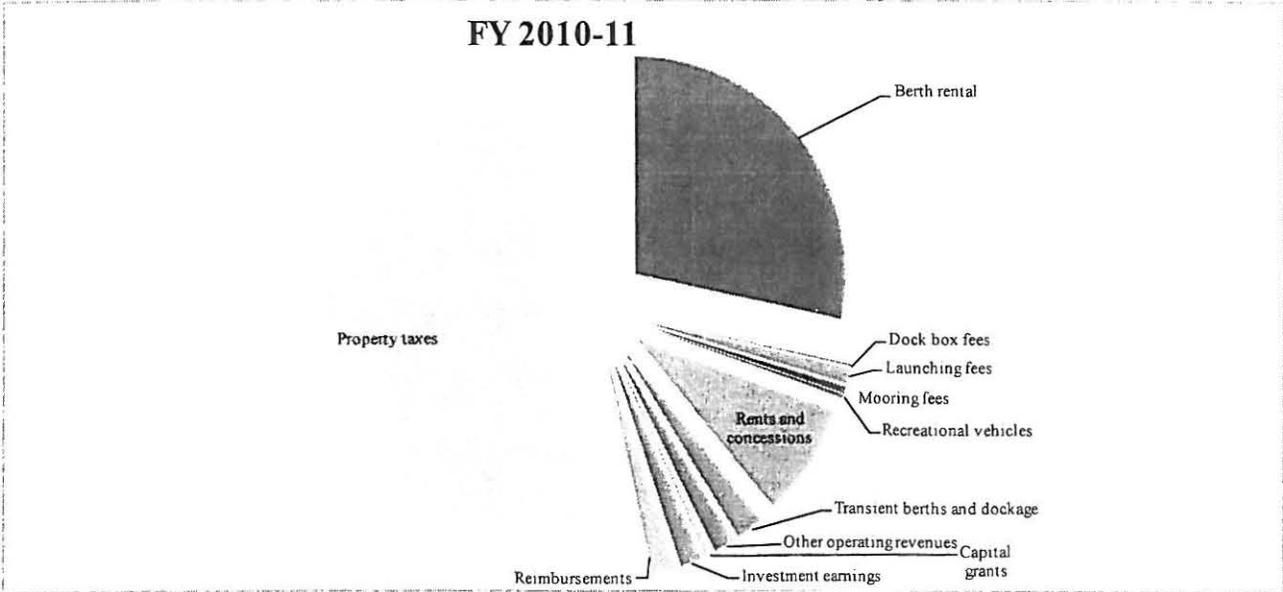
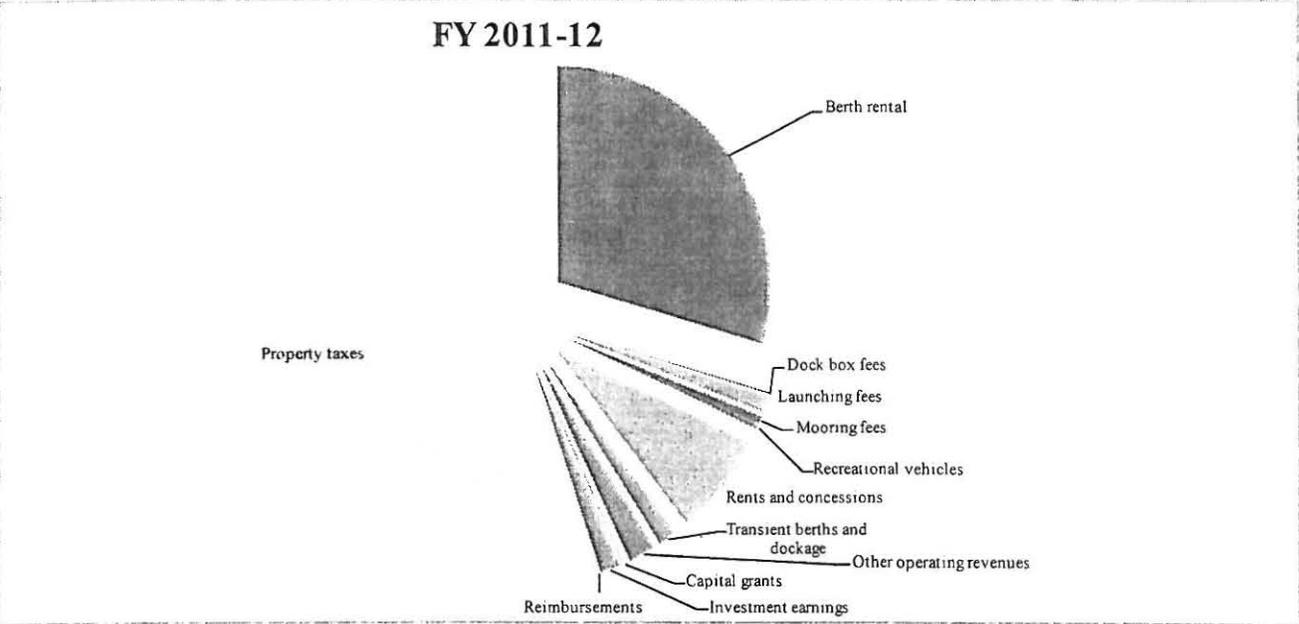
**San Mateo County Harbor District
 Basic Financial Statements
 For the year ended June 30, 2012**

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, 2012

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

<u>FY 2011-2012</u>			<u>FY 2010-2011</u>		<u>Increase (Decrease)</u>
\$ 2,414,734	29.6%	Berth rental	\$ 2,265,867	28.3%	\$ 148,867
8,953	0.1%	Dock box fees	5,674	0.1%	3,279
105,893	1.3%	Launching fees	92,140	1.2%	13,753
44,097	0.5%	Mooring fees	42,410	0.5%	1,687
37,505	0.5%	Recreational vehicles	23,814	0.3%	13,691
630,614	7.7%	Rents and concessions	682,706	8.5%	(52,092)
113,548	1.4%	Transient berths and dockage	168,619	2.1%	(55,071)
168,774	2.1%	Other operating revenues	125,304	1.6%	43,470
28,359	0.3%	Capital grants	51,478	0.6%	(23,119)
123,219	1.5%	Investment earnings	133,166	1.7%	(9,947)
(1,596)	0.0%	Reimbursements	93,817	1.2%	(95,413)
789	0.0%	Insurance settlements	47,324	0.6%	(46,535)
4,486,449	55.0%	Property taxes	4,271,109	53.4%	215,340
<u>\$ 8,161,338</u>	<u>100.0%</u>	Totals	<u>\$ 8,003,428</u>	<u>100.0%</u>	<u>\$ 157,910</u>

A strong fishing season in 2011-2012 lead to improved occupancy rates which resulted in a berth rental increase of \$148,867. Reimbursements decreased by \$95,413 because 2010-11 contained a one-time increase in reimbursements associated with an over estimated election expense during a prior fiscal year. 2010-11 also contained a one-time insurance settlement which resulted in the \$46,535 decrease in this revenue. The increase in property taxes of \$215,340 was the result of additional property tax allocations of residual assets remaining after the dissolution of the redevelopment areas in San Mateo County.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

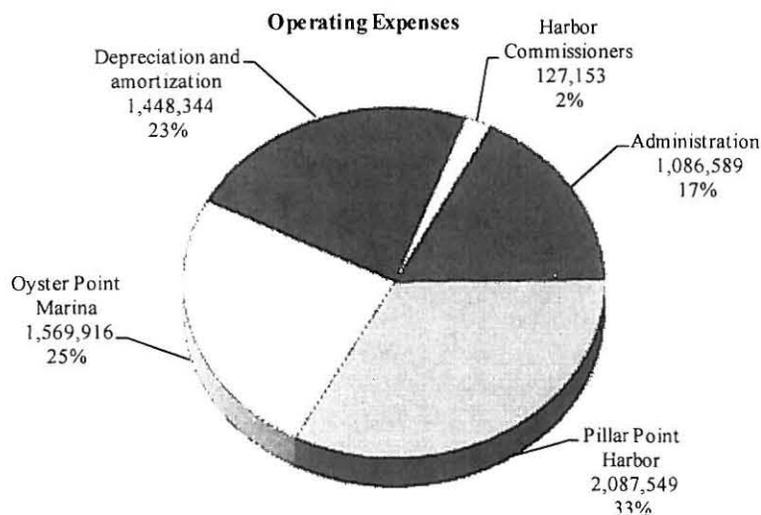
Financial Analysis of the District as a Whole, Continued

Operating expenses decreased by \$13,602 as detailed below:

Operating Expenses				
For the years ended June 30, 2012 and 2011				
	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
Harbor Commissioners	\$ 127,153	\$ 123,834	\$ 3,319	2.7%
Administration	1,086,589	988,743	97,846	9.9%
Pillar Point Harbor	2,087,549	2,187,185	(99,636)	(4.6)%
Oyster Point Marina	1,569,916	1,667,512	(97,596)	(5.9)%
Depreciation and amortization	1,448,344	1,365,879	82,465	6.0%
Total	<u>\$ 6,319,551</u>	<u>\$ 6,333,153</u>	<u>\$ (13,602)</u>	<u>(0.2)%</u>

Pillar Point Harbor operating expenses decreased \$99,636 due to a reduction in bad debt expense due to enhanced collection efforts and a reduction in contractual services because positions that had been filled with temporary staffing in 2010-11 were filled with full time staff by 2011-2012 and fewer legal services were required in 2011-2012 to address collection issues at Pillar Point. Oyster Point Marina operating expenses decreased by \$97,596 as a result of a reduction in bad debt expense due to enhanced collection efforts and the shifting of a position to Pillar Point Harbor. Administration expenses increased \$97,846 due to increases in retirement (CALPERS), health and workers' compensation insurance which is all outside District control, in addition to wage COLA's and step increases established by a memorandum of understanding.

The following is a graphic illustration of 2011-12 operating expenses:



San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

Net assets increased by \$20,562,123 as detailed below:

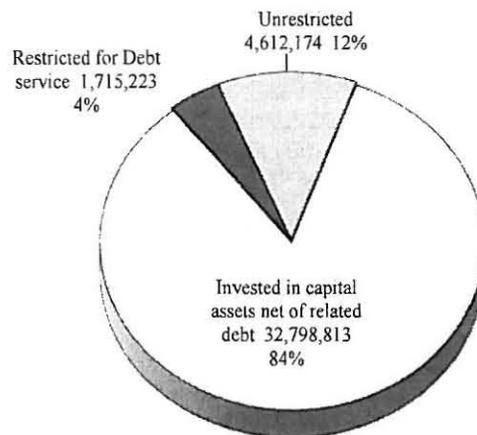
Analysis of Net Assets
As of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net assets:				
Invested in capital assets net of related debt	\$ 32,798,813	\$ 12,147,379	\$ 20,651,434	170.0%
Restricted				
Debt service	1,715,223	1,500,000	215,223	14.3%
Unrestricted	4,612,174	4,916,708	(304,534)	(6.2)%
Total	<u>\$ 39,126,210</u>	<u>\$ 18,564,087</u>	<u>\$ 20,562,123</u>	<u>110.8%</u>

The change in net assets is due primarily to a recent capital asset valuation adjustment of \$20,259,805 and the related increase in depreciation.

The following is a graphic illustration of net assets:

Analysis of \$39,126,210 in Net Assets



**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012**

Management's Discussion and Analysis, Continued

Cash Flows

Cash flows have remained relatively unchanged with an increase of \$583,650, which is the result of noncapital financing activities exceeding operating cash flow reductions and financing cash flow reductions.

Long-term Debt

No new debt was issued for the year, with amounts decreasing by \$929,865 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. In future years, the America's Cup will be held in the San Francisco Bay and this event is expected to also help to advertise the District's facilities.

Contacting the District

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

San Mateo County Harbor District
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 Assets

June 30, 2012

(with comparative totals for June 30, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and investments	\$ 12,364,655	\$ 11,805,185
Restricted cash and investments	1,715,223	1,691,043
Accounts receivable:		
Customers	104,174	64,259
Interest	30,459	37,340
Prepaid expenses and deposits	18,036	6,932
Total current assets	<u>14,232,547</u>	<u>13,604,759</u>
Noncurrent assets:		
Capital assets:		
Land	13,108,381	374,017
Construction in progress	1,154,289	242,844
Depreciable assets	53,631,505	52,997,811
Less accumulated depreciation	<u>(25,941,853)</u>	<u>(31,383,919)</u>
Total noncurrent assets	<u>41,952,322</u>	<u>22,230,753</u>
Total assets	<u>\$ 56,184,869</u>	<u>35,835,512</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 229,847	\$ 481,279
Accrued payroll	102,752	81,887
Customer deposits	228,615	273,454
Unearned revenue	3,650,541	3,660,025
Accrued interest payable	210,255	231,614
Total current liabilities	<u>4,422,010</u>	<u>4,728,259</u>
Noncurrent liabilities:		
Due within one year	972,583	929,865
Due after one year	8,180,926	9,153,509
Termination benefits payable	3,251,991	2,201,363
Accrued vacation and sick leave	231,149	258,429
Total noncurrent liabilities	<u>12,636,649</u>	<u>12,543,166</u>
Total liabilities	<u>17,058,659</u>	<u>17,271,425</u>
NET ASSETS		
Invested in capital assets net of related debt	32,798,813	12,147,379
Restricted for debt service	1,715,223	1,500,000
Unrestricted	4,612,174	4,916,708
Total net assets	<u>39,126,210</u>	<u>18,564,087</u>
Total liabilities and net assets	<u>\$ 56,184,869</u>	<u>35,835,512</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 Assets
For the year ended June 30, 2012

(with comparative totals for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Berth rental	\$ 2,414,734	\$ 2,265,867
Dock box fees	8,953	5,674
Launching fees	105,893	92,140
Mooring fees	44,097	42,410
Recreational vehicles	37,505	23,814
Rents and concessions	630,614	682,706
Transient berths and dockage	113,548	168,619
Other operating revenues	168,774	125,304
Total operating revenues	<u>3,524,118</u>	<u>3,406,534</u>
OPERATING EXPENSES:		
Harbor Commissioners	127,153	123,834
Administration	1,086,589	988,743
Pillar Point Harbor	2,087,549	2,187,185
Oyster Point Marina	1,569,916	1,667,512
Depreciation and amortization	1,448,344	1,365,879
Total operating expenses	<u>6,319,551</u>	<u>6,333,153</u>
Operating income (loss)	<u>(2,795,433)</u>	<u>(2,926,619)</u>
NONOPERATING REVENUES (EXPENSES):		
Capital grants	28,359	51,478
Investment earnings	123,219	133,166
Reimbursements	(1,596)	93,817
Insurance settlements	789	47,324
Property taxes	4,486,449	4,271,109
County administrative fees	(26,345)	(28,363)
Gain (loss) on disposition of capital assets	(15,954)	-
Termination benefits	(1,050,627)	(140,613)
Interest expense	(446,543)	(483,649)
Total nonoperating revenues (expenses)	<u>3,097,751</u>	<u>3,944,269</u>
Income (loss) before contributions	<u>302,318</u>	<u>1,017,650</u>
Capital contributions:		
Capital asset valuation adjustment	20,259,805	-
Total capital contributions	<u>20,259,805</u>	<u>-</u>
Net Income	<u>20,562,123</u>	<u>1,017,650</u>
CHANGE IN NET ASSETS:		
Beginning of year	18,564,087	17,546,437
End of year	<u>\$ 39,126,210</u>	<u>\$ 18,564,087</u>

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, 2012

(with comparative amounts for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,429,880	\$ 3,337,142
Payments to suppliers	(1,868,482)	(2,263,519)
Payments to or on behalf of employees	(3,265,261)	(3,169,464)
Net cash provided (used) by operating activities	<u>(1,703,863)</u>	<u>(2,095,841)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	4,460,104	4,271,109
Receipts from capital grants	28,359	51,478
Receipts from reimbursements	(807)	112,778
Net cash provided (used) by noncapital financing activities	<u>4,487,656</u>	<u>4,435,365</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long-term debt	(929,865)	(889,024)
Interest payments on long-term debt	(467,902)	(504,070)
Acquisition and construction of capital assets	(932,476)	(460,318)
Net cash provided (used) by capital and related financing activities	<u>(2,330,243)</u>	<u>(1,853,412)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	130,100	125,822
Net cash provided (used) by investing activities	<u>130,100</u>	<u>125,822</u>
Net increase (decrease) in cash and cash equivalents	583,650	611,934
CASH AND INVESTMENTS:		
Beginning of year	13,496,228	12,884,294
End of year	<u>\$ 14,079,878</u>	<u>\$ 13,496,228</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	\$ 12,364,655	\$ 11,805,185
Restricted cash and investments	1,715,223	1,691,043
Total cash and investments	<u>\$ 14,079,878</u>	<u>\$ 13,496,228</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (2,795,433)	\$ (2,926,619)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,448,344	1,365,879
Change in assets and liabilities:		
Accounts receivable	(39,915)	(44,677)
Prepaid expenses	(11,104)	(506)
Accounts payable and accrued liabilities	(251,432)	(235,048)
Accrued payroll	20,865	
Deposits and unearned revenue	(54,323)	(114,257)
Termination benefits payable	6,415	(140,613)
Accrued vacation and sick leave	(27,280)	
Net cash provided (used) by operating activities	<u>\$ (1,703,863)</u>	<u>\$ (2,095,841)</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, 2012

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 assets, 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, 2012

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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets, 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 assets.

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 Assets 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, 2012**

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, 2012**

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, 2012		Fair Value	June 30, 2011
	FDIC insured	Not rated		
Cash in bank	\$ 250,000	\$ 136,152	\$ 386,152	\$ 998,238
Petty cash	-	2,300	2,300	2,300
Local Agency Investment Fund (LAIF)	-	6,846	6,846	6,818
SFPUC US Bank Funds	-	11,969,357	11,969,357	10,797,829
Money Market Funds	-	1,715,223	1,715,223	1,691,043
Total	\$ 250,000	\$ 13,829,878	\$ 14,079,878	\$ 13,496,228
Financial Statement presentation:				
Cash and investments			\$ 12,364,655	\$ 11,805,185
Restricted cash and investments			1,715,223	1,691,043
Total			\$ 14,079,878	\$ 13,496,228

**San Mateo County Harbor District
 Basic Financial Statements
 For the year ended June 30, 2012**

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
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, 2012

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.

<u>Authorized Investment Type</u>	<u>Maturity</u>	<u>Credit Quality</u>
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, 2012**

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, 2012, these investments matured in an average of 237 days.

Money market funds are available for withdrawal on demand and at June 30, 2012, 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, 2012.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2012, and 2011, were as follows:

	Balance July 1, 2011	Additions	Deletions	Adjustments	Balance June 30, 2012
Capital Assets					
Nondepreciable:					
Land	\$ 374,017	\$ -	\$ (374,017)	\$ 13,108,381	\$ 13,108,381
Construction in progress	242,844	911,445	-	-	1,154,289
Total nondepreciable assets	<u>616,861</u>	<u>911,445</u>	<u>(374,017)</u>	<u>13,108,381</u>	<u>14,262,670</u>
Depreciable:					
Autos and trucks	115,288	-	(49,954)	-	65,334
Boats and radar	607,753	15,368	(33,975)	-	589,146
Signs	-	-	-	74,519	74,519
Breakwater	-	-	-	17,815,477	17,815,477
Utilities	-	-	-	212,405	212,405
Channels	-	-	-	4,466,126	4,466,126
Launch Ramps	-	-	-	3,957,424	3,957,424
Piers	-	-	-	6,216,940	6,216,940
Bulkheads	-	-	-	747,397	747,397
Buildings and improvements	51,412,791	-	(51,412,791)	8,185,571	8,185,571
Docks	-	-	-	6,729,933	6,729,933
Parking Lots	-	-	-	3,221,069	3,221,069
Walkways/Paths	-	-	-	1,096,199	1,096,199
Machinery and Equipment	861,979	31,098	(639,112)	-	253,965
Total depreciable assets	<u>52,997,811</u>	<u>46,466</u>	<u>(52,135,832)</u>	<u>52,723,060</u>	<u>53,631,505</u>
Less: accumulated depreciation	<u>(31,383,919)</u>	<u>(1,700,066)</u>	<u>31,233,513</u>	<u>(24,091,381)</u>	<u>(25,941,853)</u>
Total depreciable assets (net)	<u>21,613,892</u>	<u>(1,653,600)</u>	<u>(20,902,319)</u>	<u>28,631,679</u>	<u>27,689,652</u>
Total capital assets	<u>\$ 22,230,753</u>	<u>\$ (742,155)</u>	<u>\$ (21,276,336)</u>	<u>\$ 41,740,060</u>	<u>\$ 41,952,322</u>

For 2011-12, the District had a comprehensive infrastructure valuation performed. 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, 2012. The total valuation adjustment of \$20,259,805 was recorded as a capital contribution to reflect the increase in the investment in capital assets.

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012**

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT

A. Long-Term Debt Activity

	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	\$ 19,777,000	\$ 10,083,374	\$ (929,865)	\$ 9,153,509	\$ 972,583
Total long-term debt	<u>\$ 19,777,000</u>	10,083,374	<u>\$ (929,865)</u>	9,153,509	<u>\$ 972,583</u>
Amount due within one year		(929,865)		(972,583)	
Total Long-term due after one year		<u>\$ 9,153,509</u>		<u>\$ 8,180,926</u>	

	Original Issue Amount	Balance July 1, 2010	Retirements	Balance June 30, 2011	Due Within One Year
California Department of Boating and Waterways, 4.5%, due 12/31/19	\$ 19,770,000	\$ 10,972,398	\$ (889,024)	\$ 10,083,374	\$ 929,865
Total long-term debt	<u>\$ 19,770,000</u>	10,972,398	<u>\$ (889,024)</u>	10,083,374	<u>\$ 929,865</u>
Amount due within one year		(889,024)		(929,865)	
Total Long-term due after one year		<u>\$ 10,083,374</u>		<u>\$ 9,153,509</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 five-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, 2012

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 with the Water Emergency Transportation Authority (WETA) and the City of South San Francisco to build a commuter ferry terminal at Oyster Point Marina. The construction of the ferry terminal required the removal of 134 of the 589 berths at Oyster Point Marina. In return for the loss of the physical docks and future revenue stream of those docks, WETA agreed to pay \$3.66 million to the District to pay down the loan with the 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
2013	\$ 972,583	\$ 398,170
2014	1,017,263	352,464
2015	1,063,996	304,657
2016	1,112,876	254,655
2017	1,164,002	202,355
2018-2020	3,822,789	268,684
Total	<u>\$ 9,153,509</u>	<u>\$ 1,780,985</u>
Due within one year	\$ 972,583	\$ 398,170
Due after one year	8,180,926	1,382,815
Total	<u>\$ 9,153,509</u>	<u>\$ 1,780,985</u>

5. NET ASSETS

Net assets 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, 2012

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 2011-12 was 17.748% of annual payroll. The contribution requirements of the plan members are established by state statute.

C. Annual Pension Cost

For 2012, the District's annual pension cost of \$349,552 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) 7.75% of investment rate of return (net of administrative expenses), and (b) 3.25% to 14.45% projected annual salary increases that vary by age, duration of service and type of employment. Both (a) and (b) included an inflation component of 3% and annual production growth of 0.25%.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2012

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, 2010	\$ 387,640	100%	-
June 30, 2011	407,977	100%	-
June 30, 2012	349,552	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, 2012 is \$3,251,991.

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 Assets
Harbor Commissioners
For the year ended June 30, 2012

(with comparative totals for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
OPERATING EXPENSES:		
Advertising and promotion	1,196	1,351
Auto expenses	256	90
Bank charges- payroll processing		-
Contractual services	8,902	5,507
Dues and subscriptions	114	211
Insurance	9,534	9,918
Office expense	446	330
Postage	160	165
Salaries and benefits	101,585	98,380
Training, seminars and professional development	1,725	4,715
Travel, conferences and meetings	3,235	3,167
Depreciation and amortization	-	-
Total operating expenses	<u>127,153</u>	<u>123,834</u>
Operating income (loss)	<u>(127,153)</u>	<u>(123,834)</u>
NONOPERATING REVENUES (EXPENSES):		
Termination benefits	35,912	90
Shared revenues	91,241	123,744
Total nonoperating revenues (expenses)	<u>127,153</u>	<u>123,834</u>
Income before contributions	<u>-</u>	<u>-</u>
Net Income	-	-
CHANGE IN NET ASSETS:		
Beginning of year	-	
End of year	<u>\$ -</u>	<u>\$ -</u>

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Assets
Administration
For the year ended June 30, 2012

(with comparative totals for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Other operating revenues	\$ -	\$ 260
Total operating revenues	<u>-</u>	<u>260</u>
OPERATING EXPENSES:		
Advertising and promotion	1,339	394
Auto expenses	1,742	2,240
Bank charges	2,461	
Contractual services	76,992	58,693
Dues and subscriptions	14,966	17,941
Insurance	605	2,034
Office expense	8,293	11,167
Personnel expenses	2,570	
Postage	2,664	1,809
Rent	94,698	90,547
Repairs and maintenance	8,567	1,999
Salaries and benefits	853,257	782,219
Telephone and communications	13,221	9,295
Training, seminars and professional development	16	-
Travel, conferences and meetings	5,198	10,405
Depreciation and amortization	8,314	8,314
Total operating expenses	<u>1,094,903</u>	<u>997,057</u>
Operating income (loss)	<u>(1,094,903)</u>	<u>(996,797)</u>
NONOPERATING REVENUES (EXPENSES):		
Capital grants	1,367	872
Investment earnings	123,219	133,166
Reimbursements	3,154	91,317
Property taxes	4,486,449	4,271,109
County administrative fees	(26,345)	(28,363)
Gain (loss) on disposition of capital assets	(15,954)	-
Termination benefits	(16,264)	(10,734)
Shared revenues	(3,153,731)	(2,442,920)
LAFCO fees	(4,674)	-
Total nonoperating revenues (expenses)	<u>1,397,221</u>	<u>2,014,447</u>
Income before contributions	<u>302,318</u>	<u>1,017,650</u>
Capital contributions:		
Capital asset valuation adjustment	20,259,805	-
Total capital contributions	<u>20,259,805</u>	<u>-</u>
Net Income	<u>20,562,123</u>	<u>1,017,650</u>
CHANGE IN NET ASSETS:		
Beginning of year	18,564,087	17,546,437
End of year	<u>\$ 39,126,210</u>	<u>\$ 18,564,087</u>

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Assets
Pillar Point Harbor
For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

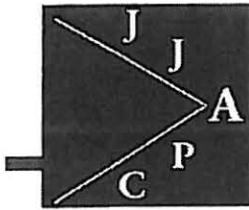
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Berth rental	\$ 1,311,860	\$ 1,255,385
Launching fees	80,990	68,091
Mooring fees	44,097	42,410
Recreational vehicles	37,505	23,814
Rents and concessions	344,326	393,471
Transient berths and dockage	56,360	60,628
Other operating revenues	146,775	83,629
Total operating revenues	<u>2,021,913</u>	<u>1,927,428</u>
OPERATING EXPENSES:		
Advertising and promotion	4,201	5,024
Auto expenses	747	10,709
Bad debts (recoveries)	(1,201)	53,376
Bank charges	12,605	14,790
Contractual services	68,017	108,955
Dues and subscriptions	313	-
Insurance	116,590	114,936
Office expense	44,290	88,540
Personnel expenses	803	-
Postage	3,051	3,172
Rent	4,152	19,739
Operating expenses	257,770	296,756
Salaries and benefits	1,309,152	1,221,719
Sewer fees	34,599	-
Telephone and communications	21,079	13,520
Training, seminars and professional development	53	138
Travel, conferences and meetings	100	4,592
Uniforms	11,269	8,380
Utilities	182,459	186,935
Vessel destruction	17,500	35,904
Depreciation and amortization	550,051	656,792
Total operating expenses	<u>2,637,600</u>	<u>2,843,977</u>
Operating income (loss)	<u>(615,687)</u>	<u>(916,549)</u>
NONOPERATING REVENUES (EXPENSES):		
Reimbursements	(4,750)	-
Insurance settlements	789	47,324
Termination benefits	(659,478)	36,445
Shared revenues	1,505,537	1,080,598
Interest expense	(226,411)	(247,818)
Total nonoperating revenues (expenses)	<u>615,687</u>	<u>916,549</u>
Income before contributions	<u>-</u>	<u>-</u>
Net Income	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS:		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Assets
Oyster Point Marina
For the year ended June 30, 2012

(with comparative totals for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Berth rental	\$ 1,102,874	\$ 1,010,482
Dock box fees	8,953	5,674
Launching fees	24,903	24,049
Rents and concessions	286,288	289,235
Transient berths and dockage	57,188	107,991
Other operating revenues	21,999	41,415
Total operating revenues	<u>1,502,205</u>	<u>1,478,846</u>
OPERATING EXPENSES:		
Advertising and promotion	2,518	21,195
Auto expenses	134	6,515
Bad debts	13,185	62,200
Bank charges	11,750	15,897
Contractual services	127,235	119,684
Dues and subscriptions	138	138
Insurance	118,976	113,100
Licenses and permits	-	539
Office expense	26,527	44,066
Personnel expenses	289	-
Postage	2,141	2,149
Equipment rental	3,745	3,752
Operating expenses	82,668	39,730
Salaries and benefits	1,001,267	1,067,146
Telephone and communications	10,633	7,228
Training, seminars and professional development	16	
Travel, conferences and meetings	1,735	3,517
Uniforms	6,851	8,651
Utilities	127,956	130,572
Vessel destruction	32,152	21,433
Depreciation and amortization	889,979	700,773
Total operating expenses	<u>2,459,895</u>	<u>2,368,285</u>
Operating income (loss)	<u>(957,690)</u>	<u>(889,439)</u>
NONOPERATING REVENUES (EXPENSES):		
Capital grants	26,992	50,606
Reimbursements	-	2,500
Termination benefits	(410,797)	(166,414)
Shared revenues	1,556,953	1,238,578
Interest expense	(215,458)	(235,831)
Total nonoperating revenues (expenses)	<u>957,690</u>	<u>889,439</u>
Income before contributions	<u>-</u>	<u>-</u>
Net Income	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS:		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>

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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 the accompanying basic financial statements of the San Mateo County Harbor District (District) as of and for the year ended June 30, 2012, and have issued our report thereon dated May 13, 2013. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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*.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

May 13, 2013

JJACPA, Inc.
JJACPA, Inc.