



**SAN MATEO COUNTY HARBOR DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Years Ended
June 30, 2024
(With Comparative Amounts as of June 30, 2023)**

NIGRO & NIGRO^{PC}

SAN MATEO COUNTY HARBOR DISTRICT
For the Fiscal Years Ended June 30, 2024
Table of Contents

FINANCIAL SECTION

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis..... | 4 |
| Basic Financial Statements: | |
| Balance Sheets | 9 |
| Statements of Revenues, Expenses and Changes in Net Position..... | 10 |
| Statements of Cash Flows..... | 11 |
| Notes to Financial Statements | 13 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Schedule of the District's Proportionate Share of the Plan's Net Pension Liability..... | 41 |
| Schedule of the District's Contributions to the Pension Plan | 42 |
| Schedule of Changes in the District's Total OPEB Liability and Related Ratios | 43 |
| Schedule of the District's Contributions to the OPEB Plan | 45 |

SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Statement of Revenues, Expenses and Changes in Net Position – Administration | 47 |
| Statement of Revenues, Expenses and Changes in Net Position – Pillar Point Harbor | 48 |
| Statement of Revenues, Expenses and Changes in Net Position – Oyster Point Marina..... | 49 |

OTHER INDEPENDENT AUDITORS' REPORTS

| | |
|---|----|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 50 |
|---|----|

Financial Section



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the San Mateo County Harbor District (District), which comprise the balance sheet as of June 30, 2024, and related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2024, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Statement of Revenues, Expenses and Changes in Net Position – Administration, Pillar Point Harbor and Oyster Point Marina are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 19, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California
February 19, 2025

SAN MATEO COUNTY HARBOR DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2024 (With Comparable Amounts as of June 30, 2023)

Management's Discussion and Analysis (MD&A) offers readers of San Mateo County Harbor District's financial statements a narrative overview of the District's financial activities for the years ended June 30, 2024 and 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2024, the District's net position increased 7.26%, or \$4,114,844 from the prior year's net position of \$56,708,347 to \$60,823,191, as a result of the year's operations.
- In fiscal year 2024, operating revenues decreased by 4.96%, or \$230,142 from \$4,635,313 to \$4,405,171 from the prior year, primarily due to a \$194,816 decrease in rents and concessions revenue.
- In fiscal year 2024, operating expenses before depreciation expense increased by 2.86% or \$312,890 from \$10,957,110 to \$11,270,000, from the prior year, primarily due to a \$919,590 increase in facilities and maintenance expenses, which offset decreases of \$229,331 and \$586,911 to salaries and benefits and materials and services, respectively.

REQUIRED FINANCIAL STATEMENTS

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

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

SAN MATEO COUNTY HARBOR DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2024 (With Comparable Amounts as of June 30, 2023)

FINANCIAL ANALYSIS OF THE DISTRICT

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

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

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

Condensed Balance Sheets

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>Change</u> |
|---|----------------------|----------------------|---------------------|
| Assets: | | | |
| Current assets | \$ 19,645,214 | \$ 24,164,535 | \$ (4,519,321) |
| Noncurrent | 2,504,664 | 2,067,547 | 437,117 |
| Capital assets, net | <u>50,683,826</u> | <u>41,156,828</u> | <u>9,526,998</u> |
| Total assets | <u>72,833,704</u> | <u>67,388,910</u> | <u>5,444,794</u> |
| Deferred outflows of resources | <u>2,577,917</u> | <u>3,056,986</u> | <u>(479,069)</u> |
| Total assets and deferred outflows of resources | <u>\$ 75,411,621</u> | <u>\$ 70,445,896</u> | <u>\$ 4,965,725</u> |
| Liabilities: | | | |
| Current liabilities | \$ 1,256,740 | \$ 1,263,628 | \$ (6,888) |
| Noncurrent liabilities | <u>9,873,005</u> | <u>9,529,627</u> | <u>343,378</u> |
| Total liabilities | <u>11,129,745</u> | <u>10,793,255</u> | <u>336,490</u> |
| Deferred inflows of resources | <u>3,458,685</u> | <u>2,944,294</u> | <u>514,391</u> |
| Net position: | | | |
| Net investment in capital assets | 50,683,826 | 41,156,828 | 9,526,998 |
| Unrestricted | <u>10,139,365</u> | <u>15,551,519</u> | <u>(5,412,154)</u> |
| Total net position | <u>60,823,191</u> | <u>56,708,347</u> | <u>4,114,844</u> |
| Total liabilities, deferred inflows and net position | <u>\$ 75,411,621</u> | <u>\$ 70,445,896</u> | <u>\$ 4,965,725</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$60,823,191 and \$56,708,347 as of June 30, 2024 and 2023, respectively.

SAN MATEO COUNTY HARBOR DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2024 (With Comparable Amounts as of June 30, 2023)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (83% as of June 30, 2024 and 73% as of June 30, 2023) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of years 2024 and 2023, the District showed a positive balance in its unrestricted net position of \$10,139,365 and \$15,551,519, respectively, which may be utilized in future years.

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

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>Change</u> |
|-------------------------------|----------------------|----------------------|---------------------|
| Revenues: | | | |
| Operating revenues | \$ 4,405,171 | \$ 4,635,313 | \$ (230,142) |
| Non-operating revenues | <u>12,437,124</u> | <u>10,417,509</u> | <u>2,019,615</u> |
| Total revenues | <u>16,842,295</u> | <u>15,052,822</u> | <u>1,789,473</u> |
| Expenses: | | | |
| Operating expenses | 11,270,000 | 10,957,110 | 312,890 |
| Depreciation | <u>1,581,757</u> | <u>1,314,651</u> | <u>267,106</u> |
| Total expenses | <u>12,851,757</u> | <u>12,271,761</u> | <u>579,996</u> |
| Capital contributions | <u>124,306</u> | <u>116,090</u> | <u>8,216</u> |
| Change in net position | <u>4,114,844</u> | <u>2,897,151</u> | <u>1,217,693</u> |
| Net position: | | | |
| Beginning of year | <u>56,708,347</u> | <u>53,811,196</u> | <u>2,897,151</u> |
| End of year | <u>\$ 60,823,191</u> | <u>\$ 56,708,347</u> | <u>\$ 4,114,844</u> |

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal year. In fiscal year 2024, the District's net position increased 7.26%, or \$4,114,844 from the prior year's net position of \$56,708,347 to \$60,823,191, as a result of the year's operations.

SAN MATEO COUNTY HARBOR DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2024 (With Comparable Amounts as of June 30, 2023)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

| Operating revenues: | June 30, 2024 | June 30, 2023 | Change |
|-------------------------------------|----------------------|----------------------|---------------------|
| Berth rental | \$ 3,597,281 | \$ 3,608,464 | \$ (11,183) |
| Launching fees | 119,305 | 150,973 | (31,668) |
| Rent and concessions | 600,806 | 795,622 | (194,816) |
| Events and permits | 28,694 | 15,764 | 12,930 |
| Other operating revenue | 59,085 | 64,490 | (5,405) |
| Total operating revenues | 4,405,171 | 4,635,313 | (230,142) |
| Non-operating revenues: | | | |
| Property taxes | 11,036,221 | 10,304,049 | 732,172 |
| Investment earnings | 1,161,275 | (204,622) | 1,365,897 |
| Grants and reimbursements | 217,170 | 312,571 | (95,401) |
| Other non-operating revenues | 22,458 | 5,511 | 16,947 |
| Total non-operating revenues | 12,437,124 | 10,417,509 | 2,019,615 |
| Capital contributions | 124,306 | 116,090 | 8,216 |
| Total revenue | \$ 16,966,601 | \$ 15,168,912 | \$ 1,797,689 |

In fiscal year 2024, operating revenues decreased by 4.96%, or \$230,142 from \$4,635,313 to \$4,405,171 from the prior year, primarily due to a \$194,816 decrease in rents and concessions revenue.

Total Expenses

| Operating expenses: | June 30, 2024 | June 30, 2023 | Change |
|---------------------------------|----------------------|----------------------|-------------------|
| Salaries and benefits | \$ 7,290,236 | \$ 7,519,567 | \$ (229,331) |
| Facilities and maintenance | 1,774,580 | 854,990 | 919,590 |
| Professional and legal services | 249,320 | 151,294 | 98,026 |
| Materials and services | 1,310,828 | 1,897,739 | (586,911) |
| Vessel destruction | 256,785 | 177,150 | 79,635 |
| Insurance | 388,251 | 356,370 | 31,881 |
| Total operating expenses | 11,270,000 | 10,957,110 | 312,890 |
| Depreciation | 1,581,757 | 1,314,651 | 267,106 |
| Total expenses | \$ 12,851,757 | \$ 12,271,761 | \$ 579,996 |

In fiscal year 2024, operating expenses before depreciation expense increased by 2.86% or \$312,890 from \$10,957,110 to \$11,270,000, from the prior year, primarily due to a \$919,590 increase in facilities and maintenance expenses, which offset decreases of \$229,331 and \$586,911 to salaries and benefits and materials and services, respectively.

SAN MATEO COUNTY HARBOR DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2024 (With Comparable Amounts as of June 30, 2023)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Capital Assets

| <u>Description</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|---------------------------|----------------------|----------------------|
| Non-depreciable assets | \$ 27,125,672 | \$ 19,324,145 |
| Depreciable assets | 59,044,268 | 55,737,040 |
| Accumulated depreciation | <u>(35,486,114)</u> | <u>(33,904,357)</u> |
| Total capital assets, net | <u>\$ 50,683,826</u> | <u>\$ 41,156,828</u> |

At the end of year 2024 and 2023, the District's investment in capital assets amounted to \$50,683,826 and \$41,156,828 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$11,108,755 and \$3,451,162 for various projects and equipment for the years ended June 30, 2024 and 2023, respectively. See Note 5 for further information.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SAN MATEO COUNTY HARBOR DISTRICT

Balance Sheets

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

| ASSETS | 2024 | 2023 |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash and investments (Note 2) | \$ 17,687,160 | \$ 22,820,185 |
| Accrued interest receivable | 154,902 | 178,426 |
| Accounts receivable – customers, net (Note 3) | 764,291 | 836,699 |
| Grants and other receivables | 380,622 | 4,750 |
| Property tax receivable | - | 19,852 |
| Lease receivable (Note 4) | 581,556 | 295,640 |
| Prepaid items | 76,683 | 8,983 |
| Total current assets | 19,645,214 | 24,164,535 |
| Non-current assets: | | |
| Lease receivable (Note 4) | 2,504,664 | 2,067,547 |
| Capital assets – not being depreciated (Note 5) | 27,125,672 | 19,324,145 |
| Capital assets – being depreciated, net (Note 5) | 23,558,154 | 21,832,683 |
| Total non-current assets | 53,188,490 | 43,224,375 |
| Total assets | 72,833,704 | 67,388,910 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources related to OPEB (Note 9) | 132,131 | 353,115 |
| Deferred outflows of resources related to pensions (Note 8) | 2,445,786 | 2,703,871 |
| Total deferred outflows of resources | 2,577,917 | 3,056,986 |
| Total assets and deferred outflows of resources | \$ 75,411,621 | \$ 70,445,896 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 567,781 | \$ 533,780 |
| Customer deposits | 440,700 | 494,230 |
| Unearned revenue | 66,546 | 66,546 |
| Long-term liabilities – due within one year: | | |
| Compensated absences (Note 6) | 181,713 | 169,072 |
| Total current liabilities | 1,256,740 | 1,263,628 |
| Non-current liabilities: | | |
| Long-term liabilities – due in more than one year: | | |
| Compensated absences (Note 6) | 337,468 | 313,991 |
| Unearned revenue – WETA (Note 7) | 2,595,272 | 2,661,818 |
| Total OPEB liability (Note 9) | 2,853,788 | 2,937,280 |
| Net pension liability (Note 8) | 4,086,477 | 3,616,538 |
| Total non-current liabilities | 9,873,005 | 9,529,627 |
| Total liabilities | 11,129,745 | 10,793,255 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources related to leases (Note 4) | 2,941,711 | 2,242,370 |
| Deferred inflows of resources related to OPEB (Note 9) | 70,517 | 185,135 |
| Deferred inflows of resources related to pensions (Note 8) | 446,457 | 516,789 |
| Total deferred inflows of resources | 3,458,685 | 2,944,294 |
| NET POSITION | | |
| Investment in capital assets | 50,683,826 | 41,156,828 |
| Unrestricted | 10,139,365 | 15,551,519 |
| Total net position | 60,823,191 | 56,708,347 |
| Total liabilities, deferred inflows of resources and net position | \$ 75,411,621 | \$ 70,445,896 |

SAN MATEO COUNTY HARBOR DISTRICT*Statements of Revenues, Expenses and Changes in Net Position
June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Berth rental | \$ 3,597,281 | \$ 3,608,464 |
| Launching fees | 119,305 | 150,973 |
| Rent and concessions | 600,806 | 795,622 |
| Events and permits | 28,694 | 15,764 |
| Other operating revenue | 59,085 | 64,490 |
| Total operating revenues | <u>4,405,171</u> | <u>4,635,313</u> |
| OPERATING EXPENSES | | |
| Salaries and benefits | 7,290,236 | 7,519,567 |
| Facilities and maintenance | 1,774,580 | 854,990 |
| Professional and legal services | 249,320 | 151,294 |
| Materials and services | 1,310,828 | 1,897,739 |
| Vessel destruction | 256,785 | 177,150 |
| Insurance | 388,251 | 356,370 |
| Total operating expenses before depreciation | <u>11,270,000</u> | <u>10,957,110</u> |
| Operating loss before depreciation | (6,864,829) | (6,321,797) |
| Depreciation expense | (1,581,757) | (1,314,651) |
| Operating loss | <u>(8,446,586)</u> | <u>(7,636,448)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Property taxes | 11,036,221 | 10,304,049 |
| Investment earnings | 1,161,275 | (204,622) |
| Grants and reimbursements | 217,170 | 312,571 |
| Other non-operating revenues | 22,458 | 5,511 |
| Total non-operating revenue(expense), net | <u>12,437,124</u> | <u>10,417,509</u> |
| Net income before capital contributions | <u>3,990,538</u> | <u>2,781,061</u> |
| CAPITAL CONTRIBUTIONS | | |
| Federal capital grants | 30,369 | 75,478 |
| State capital grants | 93,937 | 40,612 |
| Total capital contributions | <u>124,306</u> | <u>116,090</u> |
| Change in net position | 4,114,844 | 2,897,151 |
| Net position: | | |
| Beginning of year | <u>56,708,347</u> | <u>53,811,196</u> |
| End of year | <u>\$ 60,823,191</u> | <u>\$ 56,708,347</u> |

SAN MATEO COUNTY HARBOR DISTRICT*Statements of Cash Flows**June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers and others | \$ 3,912,697 | \$ 4,415,685 |
| Cash paid to employees for salaries and benefits | (6,573,552) | (6,008,440) |
| Cash paid to vendors and suppliers for materials and services | (3,945,763) | (3,417,361) |
| Net cash used in operating activities | <u>(6,606,618)</u> | <u>(5,010,116)</u> |
| Cash flows from non-capital financing activities: | | |
| Proceeds from property taxes | 11,056,073 | 10,284,197 |
| Proceeds from grants | 217,170 | 312,571 |
| Net cash provided by non-capital financing activities | <u>11,273,243</u> | <u>10,596,768</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (11,108,755) | (3,451,162) |
| Proceeds from capital grants | 124,306 | 116,090 |
| Net cash used in capital and related financing activities | <u>(10,984,449)</u> | <u>(3,335,072)</u> |
| Cash flows from investing activities: | | |
| Change in fair-value of investments | 527,290 | (660,407) |
| Investment earnings | 657,509 | 332,864 |
| Net cash provided by (used in) investing activities | <u>1,184,799</u> | <u>(327,543)</u> |
| Net increase(decrease) in cash and cash equivalents | <u>(5,133,025)</u> | <u>1,924,037</u> |
| Cash and cash equivalents: | | |
| Beginning of year | <u>22,820,185</u> | <u>20,896,148</u> |
| End of year | <u>\$ 17,687,160</u> | <u>\$ 22,820,185</u> |

SAN MATEO COUNTY HARBOR DISTRICT*Statements of Cash Flows (continued)**June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|-----------------------|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (8,446,586) | \$ (7,636,448) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 1,581,757 | 1,314,651 |
| Allowance for doubtful accounts expense | (69,810) | (191,031) |
| Other non-operating revenues | 22,458 | 5,511 |
| Change in assets - (increase)decrease: | | |
| Accounts receivable - customers, net | 142,218 | (117,797) |
| Other receivables | (375,872) | (4,750) |
| Lease receivable | (723,033) | (259,591) |
| Prepaid items | (67,700) | 165,854 |
| Change in deferred outflows of resources - (increase)decrease | | |
| Deferred outflows of resources related to OPEB | 220,984 | (8,266) |
| Deferred outflows of resources related to pensions | 258,085 | (1,438,806) |
| Change in liabilities - increase(decrease): | | |
| Accounts payable and accrued expenses | 34,001 | 20,182 |
| Customer deposits and unearned revenue | (53,530) | 86,401 |
| Compensated absences | 36,118 | 11,007 |
| Unearned revenue - WETA | (66,546) | (66,545) |
| Total OPEB liability | (83,492) | 172,896 |
| Net pension liability | 469,939 | 3,330,717 |
| Change in deferred inflows of resources - increase(decrease) | | |
| Deferred inflows of resources related to leases | 699,341 | 162,320 |
| Deferred inflows of resources related to OPEB | (114,618) | (132,239) |
| Deferred inflows of resources related to pensions | (70,332) | (424,182) |
| Total adjustments | <u>1,839,968</u> | <u>2,626,332</u> |
| Net cash used in operating activities | <u>\$ (6,606,618)</u> | <u>\$ (5,010,116)</u> |
| Non-cash investing, capital and financing transactions: | | |
| Change in fair-value of investments | <u>\$ 527,290</u> | <u>\$ (660,407)</u> |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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

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

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

B. Basis of Presentation, Basis of Accounting

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

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

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

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

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

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

3. Receivables and Allowance for Doubtful Accounts

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

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

4. Lease Receivable and Deferred Inflows of Resources

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

5. Prepays

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

6. Capital Assets

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

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Compensated Absences

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

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

9. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2022

Measurement Date June 30, 2023

Measurement Period July 1, 2022 to June 30, 2023

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

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

Valuation Date June 30, 2022

Measurement Date June 30, 2024

Measurement Period July 1, 2023 to June 30, 2024

11. Net Position

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

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

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

D. Use of Estimates

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

E. Grant Funding

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

F. Capital Contributions

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

G. Property Taxes

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

The property tax calendar is as follows:

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 2 – CASH AND INVESTMENTS

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

| <u>Description</u> | <u>June 30, 2024</u> |
|----------------------|----------------------|
| Cash and investments | \$ 17,687,160 |
| Total | <u>\$ 17,687,160</u> |

Cash and investments consisted of the following:

| <u>Description</u> | <u>June 30, 2024</u> |
|---|----------------------|
| Cash on hand | \$ 1,687 |
| Deposits held with financial institutions | 1,016,177 |
| Deposits held with investment pools | <u>16,669,296</u> |
| Total | <u>\$ 17,687,160</u> |

Demand Deposits

At June 30, 2024, the carrying amount of the District's demand deposits was \$1,016,177, and the financial institution balance was \$1,005,765. The \$10,412 net difference as of June 30, 2024, represents outstanding checks, deposits-in-transit and/or other reconciling items.

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

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

Custodial Credit Risk

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk (continued)

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District’s bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and SMCIF). As of June 30, 2024, \$755,765 of District deposits was exposed to custodial credit risk.

Investments

The District’s investments as of June 30, 2024 were as follows:

| <u>Type of Investments</u> | <u>Measurement Input</u> | <u>Credit Rating</u> | <u>June 30,2024 Fair Value</u> | <u>Maturity</u> |
|--|--------------------------|----------------------|--------------------------------|--------------------------|
| | | | | <u>12 Months or Less</u> |
| External investment pools: | | | | |
| California Local Agency Investment Fund (LAIF) | Level 1 | N/A | \$ 7,858 | \$ 7,858 |
| California Asset Management Program (CAMP) | Level 1 | AAAm | 1,501,114 | 1,501,114 |
| San Mateo County Investment Fund (SMCIF) | Level 1 | AAAF/S-1+ | 15,160,324 | 15,160,324 |
| Total investments | | | <u>\$ 16,669,296</u> | <u>\$ 16,669,296</u> |

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> |
|---|-------------------------|--|
| State and local agency bonds | 5-years | None |
| U.S. treasury obligations | 5-years | None |
| Government sponsored agency securities | 5-years | None |
| Banker’s acceptances | 180 days | 40% |
| Commercial paper – non-pooled funds | 270 days | 25% |
| Commercial paper – pooled funds | 270 days | 40% |
| Negotiable certificates of deposit | 5-years | 30% |
| Non-negotiable certificates of deposit | 5-years | None |
| Placement service/certificates of deposit | 5-years | 50% |
| Repurchase agreements | 1-year | None |
| Reverse repurchase & securities lending agreement | 92 days | 20% |
| Medium-term notes | 5-years | 30% |
| Mortgage pass-through securities | 5-years | 20% |
| Asset backed securities | 5-years | None |
| Mutual funds | 5-years | 20% |
| Money market mutual funds | 5-years | 20% |
| Public bank organizations | 5-years | None |
| Supranational obligations | 5-years | 30% |
| Collateralized bank deposits | 5-years | None |
| County pooled investment funds | None | None |
| California Local Agency Investment Fund (LAIF) | None | None |
| Joint powers authority pool | None | None |
| Voluntary investment program fund | None | None |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 2 – CASH AND INVESTMENTS (continued)

Investment in California Local Agency Investment Fund (LAIF)

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

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, the District held \$7,858 in LAIF.

California Asset Management Program (CAMP) Pool – External Pool (continued)

The CAMP Pool is a permitted investment for all local agencies under CGC Section 53601(p). CAMP is directed by a Board of Trustees, which is made up of experienced finance directors and treasurers of California public agencies that are members of the JPA. CAMP determines fair value on its investment portfolio based on amortized cost. The Authority measures the value of its CAMP Pool investment at the fair value amount provided by CAMP. On June 30, 2024, the CAMP Pool had a total portfolio of approximately \$20.5 billion of which all was invested in non-derivative financial products. The average maturity of the CAMP Pool's investments was 38 days as of June 30, 2024. For financial reporting purposes, the Agency considers CAMP Pool a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, the Authority held \$1,501,114 in the CAMP Pool.

Investment in San Mateo County Pooled Investment Fund (SMCIF)

The District is a voluntary participant in the San Mateo County Investment Pool (SMCIF) that is regulated by the California Government Code under the oversight of the Treasurer of the County of San Mateo, California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's prorated share of the fair value provided by the SMCIF for the entire SMCIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the SMCIF, which are recorded on an amortized cost basis. As of June 30, 2024, the District held \$15,160,324 in SMCIF.

Fair Value Measurement Input

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2024, the District's investment in the LAIF was not rated as noted in the previous table, and the District's investment in the SMCIF was rated AAf/S-1+.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 2 – CASH AND INVESTMENTS (continued)

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 – ACCOUNTS RECEIVABLE

The balance at June 30, consists of the following:

| <u>Description</u> | <u>June 30, 2024</u> |
|--------------------------------------|----------------------|
| Accounts receivable - customers | \$ 974,297 |
| Allowance for uncollectible accounts | <u>(210,006)</u> |
| Accounts receivable – customers, net | <u>\$ 764,291</u> |

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

Changes in the District's lease receivable for the year ended June 30, 2024 was as follows:

| <u>Description</u> | <u>Balance</u> <u>July 1, 2023</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2024</u> |
|-------------------------------------|---------------------------------------|---------------------|-----------------------|--|
| Ketch Joanne (Restaurant) | \$ 721,471 | \$ - | \$ (721,471) | \$ - |
| Pillar Point Harbor RV Park | 590,186 | 935,636 | (590,186) | 935,636 |
| Mavericks Surf Shop LLC | 59,329 | - | (38,611) | 20,718 |
| Order at the Corner | 232,718 | - | (232,718) | - |
| McHenry's Fisheries | 204,450 | - | (38,213) | 166,237 |
| Morning Star LLC | 204,450 | - | (38,213) | 166,237 |
| Three Captains Seafood | 204,450 | - | (38,213) | 166,237 |
| Oyster Point Yacht Club | 55,830 | - | (5,723) | 50,107 |
| Lather.Rinse.Repeat | 90,303 | - | (19,618) | 70,685 |
| Granada Community Services District | - | 551,619 | (24,318) | 527,301 |
| Pelagic Restaurant Group | - | 1,071,896 | (88,834) | 983,062 |
| Total lease receivable | <u>\$ 2,363,187</u> | <u>\$ 2,559,151</u> | <u>\$ (1,836,118)</u> | <u>\$ 3,086,220</u> |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

The District is reporting a total lease receivable of \$3,086,220 and a total related deferred inflows of resources of \$2,941,711 for the year ending June 30, 2024. Also, the District is reporting total lease revenue of \$530,381 and interest revenue of \$79,734 related to lease payments received from the leases stated below for the year ending June 30, 2024.

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

Ketch Joanne Restaurant

The District, on January 1, 2022, entered into a lease agreement for 120 months as lessor of building space. An initial lease receivable was recorded in the amount of \$819,829. As of June 30, 2024, the value of the lease receivable was \$0. The lease is required to make monthly fixed payments of \$7,028 for the first 12-month period, then increases approximately 4.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$0 as of June 30, 2024. The District recognized lease revenue of \$81,983 and interest revenue of \$14,429 during the fiscal year. This lease has been evaluated by the District and has been terminated as of June 30, 2024.

Pillar Point Harbor RV Park

Effective July 1, 2024, the District entered into a revised lease for 24 months as lessor for the use of improved land for an RV Park. The lease has an option to extend for an additional 36 months through June 30, 2029. An initial lease receivable was recorded in the amount of \$935,636. As of June 30, 2024, the value of the lease receivable was \$935,636. The lease is required to make monthly fixed payments of \$15,782 for the duration of the initial lease term. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$935,636 as of June 30, 2024. The District recognized lease revenue from the previous agreement in the amount of \$22,340 and interest revenue of \$11,804 during the fiscal year. This lease was evaluated and renegotiated by the District and with the existing lease completed as of June 30, 2024.

Mavericks Surf Shop, LLC

The District, on January 1, 2022, entered into a lease agreement for 60 months as lessor for the use of building space. An initial lease receivable was recorded in the amount of \$104,567. As of June 30, 2024, the value of the lease receivable was \$20,718. The lease is required to make monthly fixed payments of \$2,700 for the first 12-month period, then increases 4% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$52,284 as of June 30, 2024. The District recognized lease revenue of \$26,142 and interest revenue of \$1,187 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

Order At The Corner

The District, on July 1, 2022, renewed a continuous lease for 132 months as lessor for the use of a building space. An initial lease receivable was recorded in the amount of \$205,531. As of June 30, 2024, the value of the lease receivable was \$0. The lease is required to make monthly fixed payments of \$1,981 for the first 12-month period, then increases annually based on an agreed upon amount. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$0 as of June 30, 2024. The District recognized lease revenue of \$24,632 and interest revenue of \$4,654 during the fiscal year. This lease has been evaluated by the District and has been terminated as of June 30, 2024.

McHenry's Fisheries

The District, on July 1, 2022, renewed a continuous lease for 84 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of \$273,619. As of June 30, 2024, the value of the lease receivable was \$166,237. The lease is required to make monthly fixed payments of \$3,231 for the first 12-month period, then increases 4% annually on September 1st. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$156,354 as of June 30, 2024. The District recognized lease revenue of \$39,088 and interest revenue of \$4,089 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Morning Star, LLC

The District, on July 1, 2022, renewed a continuous lease for 84 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of \$273,619. As of June 30, 2024, the value of the lease receivable was \$166,237. The lease is required to make monthly fixed payments of \$3,231 for the first 12-month period, then increases 4% annually on September 1st. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$156,354 as of June 30, 2024. The District recognized lease revenue of \$39,088 and interest revenue of \$4,089 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Three Captains Seafood

The District, on July 1, 2022, renewed a continuous lease for 84 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of \$273,619. As of June 30, 2024, the value of the lease receivable was \$166,237. The lease is required to make monthly fixed payments of \$3,231 for the first 12-month period, then increases 4% annually on September 1st. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$156,354 as of June 30, 2024. The District recognized lease revenue of \$39,088 and interest revenue of \$4,089 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

Oyster Point Yacht Club

The District, on January 1, 2022, renewed a continuous lease for 60 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of \$66,942. As of June 30, 2024, the value of the lease receivable was \$50,107. The lease is required to make monthly fixed payments of \$570 over the course of the agreement. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$48,684 as of June 30, 2024. The District recognized lease revenue of \$6,086 and interest revenue of \$1,117 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Lather Rinse Repeat

The District, on January 1, 2022, renewed a continuous lease for 72 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of \$108,728. As of June 30, 2024, the value of the lease receivable was \$70,685. The lease is required to make monthly fixed payments of \$1,717 over the for the first 12-month period, then increases 4% annually. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$72,484 as of June 30, 2024. The District recognized lease revenue of \$18,122 and interest revenue of \$1,806 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Granada Community Services District

The District, on December 1, 2023, entered into a lease for 120 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of \$551,618. As of June 30, 2024, the value of the lease receivable was \$527,301. The lease is required to make monthly fixed payments of \$5,050 over the for the first 12-month period, then increases 3% annually. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$496,456 as of June 30, 2024. The District recognized lease revenue of \$55,163 and interest revenue of \$11,032 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

Pelagic Restaurant Group

The District, on November 10, 2023, entered into a lease for 60 months as lessor for the use of District property. An initial lease receivable was recorded in the amount of \$1,071,896. As of June 30, 2024, the value of the lease receivable was \$983,062. The lease is required to make monthly fixed payments of \$14,000 over the for the first 12-month period, then increases based on an agreed upon payment schedule. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$893,247 as of June 30, 2024. The District recognized lease revenue of \$178,649 and interest revenue of \$21,438 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

Minimum future lease receipts are as follows:

| Fiscal Year | Principal | Interest | Total |
|--------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 581,556 | \$ 61,724 | \$ 643,280 |
| 2026 | 618,913 | 50,093 | 669,006 |
| 2027 | 652,760 | 37,715 | 690,475 |
| 2028 | 629,986 | 24,660 | 654,646 |
| 2029 | 341,422 | 12,060 | 353,482 |
| 2030-2033 | 261,583 | 11,865 | 273,448 |
| Total | 3,086,220 | \$ 198,117 | \$ 3,284,337 |
| Current | (581,556) | | |
| Long-term | <u>\$ 2,504,664</u> | | |

Changes in the District’s deferred inflows of resources related to leases for June 30, 2024 is as follows:

| Description | Balance July 1, 2023 | Additions | Deductions | Balance June 30, 2024 |
|-------------------------------------|---------------------------------|---------------------|-----------------------|----------------------------------|
| Ketch Joanne (Restaurant) | \$ 655,863 | \$ - | \$ (655,863) | \$ - |
| Pillar Point Harbor RV Park | 580,835 | 935,636 | (580,835) | 935,636 |
| Mavericks Surf Shop LLC | 52,284 | - | (26,142) | 26,142 |
| Order at the Corner | 221,686 | - | (221,686) | - |
| McHenry's Fisheries | 195,442 | - | (39,088) | 156,354 |
| Morning Star LLC | 195,442 | - | (39,088) | 156,354 |
| Three Captains Seafood | 195,442 | - | (39,088) | 156,354 |
| Oyster Point Yacht Club | 54,770 | - | (6,086) | 48,684 |
| Lather.Rinse.Repeat | 90,606 | - | (18,122) | 72,484 |
| Granada Community Services District | - | 551,619 | (55,163) | 496,456 |
| Pelagic Restaurant Group | - | 1,071,896 | (178,649) | 893,247 |
| Total deferred inflows | <u>\$ 2,242,370</u> | <u>\$ 2,559,151</u> | <u>\$ (1,859,810)</u> | <u>\$ 2,941,711</u> |

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2024, will be amortized in future periods as follows:

| Amortization Period Fiscal Year Ended June 30 | Deferred Inflows of Resources |
|--|--|
| 2025 | \$ 588,552 |
| 2026 | 562,411 |
| 2027 | 562,411 |
| 2028 | 562,411 |
| 2029 | 427,024 |
| Thereafter | 238,902 |
| Total | <u>\$ 2,941,711</u> |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2024, were as follows:

| Description | Balance July 1, 2023 | Additions | Deletions/ Transfers | Balance June 30, 2024 |
|---------------------------------------|-------------------------|----------------------|-------------------------|--------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 14,385,155 | \$ 6,664,240 | \$ - | \$ 21,049,395 |
| Construction-in-process | 4,938,990 | 2,117,343 | (980,056) | 6,076,277 |
| Total non-depreciable assets | 19,324,145 | 8,781,583 | (980,056) | 27,125,672 |
| Depreciable assets: | | | | |
| Autos and Trucks | 243,403 | 21,626 | - | 265,029 |
| Boats and Radar | 1,007,386 | - | - | 1,007,386 |
| Breakwater | 12,896,267 | - | - | 12,896,267 |
| Utilities | 1,155,521 | - | - | 1,155,521 |
| Launch Ramps | 3,957,424 | - | - | 3,957,424 |
| Piers | 6,131,836 | - | - | 6,131,836 |
| Bulkheads | 100,000 | - | - | 100,000 |
| Buildings and Improvements | 9,828,390 | 3,174,997 | - | 13,003,387 |
| Docks | 11,058,431 | - | - | 11,058,431 |
| Parking lots | 1,930,860 | - | - | 1,930,860 |
| Walkways/Path | 5,920,788 | - | - | 5,920,788 |
| Machinery and Equipment | 484,748 | 110,605 | - | 595,353 |
| Signs | 420,705 | - | - | 420,705 |
| Software | 601,281 | - | - | 601,281 |
| Total depreciable assets | 55,737,040 | 3,307,228 | - | 59,044,268 |
| Accumulated depreciation: | | | | |
| Autos and Trucks | (157,351) | (31,218) | - | (188,569) |
| Boats and Radar | (743,374) | (60,571) | - | (803,945) |
| Breakwater | (11,078,090) | (259,127) | - | (11,337,217) |
| Utilities | (609,805) | (39,372) | - | (649,177) |
| Launch Ramps | (3,316,291) | (152,086) | - | (3,468,377) |
| Piers | (2,412,120) | (141,061) | - | (2,553,181) |
| Bulkheads | (58,925) | (2,004) | - | (60,929) |
| Buildings and Improvements | (5,018,485) | (268,150) | - | (5,286,635) |
| Docks | (7,309,229) | (233,524) | - | (7,542,753) |
| Parking lots | (1,728,349) | (21,317) | - | (1,749,666) |
| Walkways/Path | (1,146,130) | (234,567) | - | (1,380,697) |
| Machinery and Equipment | (295,400) | (57,596) | - | (352,996) |
| Signs | (15,776) | (21,035) | - | (36,811) |
| Software | (15,032) | (60,129) | - | (75,161) |
| Total accumulated depreciation | (33,904,357) | (1,581,757) | - | (35,486,114) |
| Total depreciable assets, net | 21,832,683 | 1,725,471 | - | 23,558,154 |
| Total capital assets, net | \$ 41,156,828 | \$ 10,507,054 | \$ (980,056) | \$ 50,683,826 |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 6 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2024, were as follows:

| <u>Balance</u> <u>July 1, 2023</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2024</u> | <u>Due Within</u> <u>One Year</u> | <u>Due in More</u> <u>Than One Year</u> |
|---------------------------------------|------------------|------------------|--|--------------------------------------|--|
| \$ 483,063 | \$ 192,992 | \$ (156,874) | \$ 519,181 | \$ 181,713 | \$ 337,468 |

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

On September 10, 2009, the District entered into an Oyster Point Marina lease agreement with the Department of Boating and Waterways (DBW) for a period of fifty-five (55) years. Conditionally, the DBW received a payment in the amount of \$3,660,000 from California Emergency Management Agency on the Water Emergency Transportation Authority's (WETA) behalf. This payment was allocated to the District's outstanding debt principal of the consolidated loan agreement between the District and DBW. The District recognizes income for this payment proportionally over the life of the lease and on an annual basis. As of June 30, 2024, the District's total unearned revenues related to WETA were \$2,595,272.

Changes in unearned revenue - WEFA for the year ended June 30, 2024, were as follows:

| <u>Balance</u> <u>July 1, 2023</u> | <u>Additions</u> | <u>Amortization</u> | <u>Balance</u> <u>June 30, 2024</u> |
|---------------------------------------|------------------|---------------------|--|
| \$ 2,661,818 | \$ - | \$ (66,546) | \$ 2,595,272 |

NOTE 8 – PENSION PLAN

Summary

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

| <u>Description</u> | <u>2024</u> |
|-----------------------------------|--------------|
| Pension related deferred outflows | \$ 2,445,786 |
| Net pension liability | 4,086,477 |
| Pension related deferred inflows | 446,457 |

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plan

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

| | Miscellaneous Plans | |
|---|-----------------------------|--------------------------------|
| | Classic Tier 1 | PEPRA Tier 2 |
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2.5% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5-years or service | 5-years or service |
| Benefits payments | monthly for life | monthly for life |
| Retirement age | 50 - 67 & up | 52 - 67 & up |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.0% |
| Required member contribution rates | 8.000% | 7.750% |
| Required employer contribution rates – FY 2024 | 13.340% | 7.680% |

Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2023, (Measurement Date) the following members were covered by the benefit terms:

| Plan Members | Miscellaneous Plans | | Total |
|------------------------------------|----------------------------|-------------------------|--------------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Active members | 7 | 34 | 41 |
| Transferred and terminated members | 22 | 22 | 44 |
| Retired members and beneficiaries | 50 | - | 50 |
| Total plan members | 79 | 56 | 135 |

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on when service was earned, with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

Contributions

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

Contributions for the fiscal year ended June 30, 2024, were as follows:

| Contribution Type | Miscellaneous Plans | | Total |
|--------------------------|---------------------|--------------|------------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Contributions – employer | \$ 357,583 | \$ 276,614 | \$ 634,197 |

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

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2023, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 8 – PENSION PLAN (continued)

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

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

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2024:

| <u>Plan Type and Balance Descriptions</u> | <u>Plan Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Change in Plan Net Pension Liability</u> |
|--|-------------------------------------|------------------------------------|---|
| CalPERS – Miscellaneous Plan: | | | |
| Balance as of June 30, 2022 (Measurement Date) | \$ 22,621,063 | \$ 19,004,525 | \$ 3,616,538 |
| Balance as of June 30, 2023 (Measurement Date) | \$ 23,941,444 | \$ 19,854,967 | \$ 4,086,477 |
| Change in Plan Net Pension Liability | \$ 1,320,381 | \$ 850,442 | \$ 469,939 |

The District’s proportionate share percentage of the net pension liability for the June 30, 2023, measurement date was as follows:

| | <u>Percentage Share of Risk Pool</u> | | <u>Change Increase/ (Decrease)</u> |
|---|---|---|------------------------------------|
| | <u>Fiscal Year Ending June 30, 2024</u> | <u>Fiscal Year Ending June 30, 2023</u> | |
| Measurement Date | June 30, 2023 | June 30, 2022 | |
| Percentage of Risk Pool Net Pension Liability | 0.077289% | 0.077289% | 0.000000% |
| Percentage of Plan (PERF C) Net Pension Liability | 0.031310% | 0.031310% | 0.000000% |

For the year ended June 30, 2024, the District recognized pension expense of \$1,291,890. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Pension contributions made after the measurement date | \$ 634,197 | \$ - |
| Difference between actual and proportionate share of employer contributions | - | (414,073) |
| Adjustment due to differences in proportions | 694,474 | - |
| Differences between expected and actual experience | 208,759 | (32,384) |
| Differences between projected and actual earnings on pension plan investments | 661,637 | - |
| Changes in assumptions | 246,719 | - |
| Total Deferred Outflows/(Inflows) of Resources | \$ 2,445,786 | \$ (446,457) |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 8 – PENSION PLAN (continued)

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

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

An amount of \$634,197 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

| Amortization Period Fiscal Year Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|--|--|
| 2025 | \$ 519,793 |
| 2026 | 346,492 |
| 2027 | 479,861 |
| 2028 | 18,986 |
| Total | <u>\$ 1,365,132</u> |

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022, total pension liability. The June 30, 2023, total pension liability was based on the following actuarial methods and assumptions:

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 8 – PENSION PLAN (continued)

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

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

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

¹ An expected inflation rate of 2.3% is used for this period.

² Figures are based on the 2022 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 8 – PENSION PLAN (continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| Plan Type | Net Pension Liability at June 30, 2024 | | |
|------------------------------|--|--------------------------------|-----------------------------|
| | Discount Rate - 1% 5.90% | Current Discount Rate 6.90% | Discount Rate + 1% 7.90% |
| CalPERS – Miscellaneous Plan | \$ 7,324,456 | \$ 4,086,477 | \$ 1,421,343 |

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plans

At June 30, 2024, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2024.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Summary

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

| <u>Description</u> | <u>2024</u> |
|---|-------------|
| OPEB related deferred outflows | \$ 132,131 |
| Total other post-employment benefits obligation | 2,853,788 |
| OPEB related deferred inflows | 70,517 |

A. General Information about the OPEB Plan

Plan description

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

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

Benefits provided

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

Employees covered by benefit terms

At June 30, 2024, the measurement date, membership in the plan consisted of the following:

| | <u>2024</u> |
|---|-------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 12 |
| Inactive plan members entitled to but not yet receiving benefit payments | - |
| Active plan members | 6 |
| Total | <u>18</u> |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

A. General Information about the OPEB Plan (continued)

Contributions

The contribution requirements of Plan members and the District are established and amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. For the year ended June 30, 2024, the District's contributions to the Plan were \$215,553 in current year insurance premiums and other benefit payments.

B. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions

The total OPEB liability in the June 30, 2024, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------------|---|
| Valuation Date | June 30, 2022 |
| Measurement Date | June 30, 2024 |
| Actuarial Cost Method | Entry age normal, level percentage of payroll |
| Asset Valuation Method | No assets held in trust |
| Actuarial Assumptions: | |
| Discount Rate | 3.97% |
| Long-Term Expected | |
| Rate of Return on Investments | 3.97% |
| Inflation | 2.50% |
| Payroll increases | 3.00% |
| Healthcare Trend Rates | Pre-65 - 5.50% trending down 0.25% annually to 5.25% by 2029 and later Post-65 - 4.5% trending down 0.25% annually to 4.0% by 2029 and later |
| Morbidity | CalPERS 2019 Study |
| Mortality | CalPERS 2019 Study |
| Disability | Not valued |
| Retirement | 2019 CalPERS Public Agency Miscellaneous experience study; 2.5% @55 and 2.0% @62 |
| Percent Married | 80% of future retirees would enroll a spouse |

Discount Rate

The discount rate used to measure the total OPEB liability was 3.97 percent. For OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the District's Total OPEB liability is based on the Fidelity GO AA 20 Years Municipal Index.

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

C. Changes in the Total OPEB Liability

| | Increase (Decrease) | | |
|--------------------------|-------------------------|--------------------------------|-------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Total OPEB Liability |
| Balance at July 1, 2023 | \$ 2,937,280 | \$ - | \$ 2,937,280 |
| Changes for the year: | | | |
| Service cost | 45,707 | - | 45,707 |
| Interest | 111,023 | - | 111,023 |
| Changes in assumptions | (24,669) | - | (24,669) |
| Benefit payments | (215,553) | - | (215,553) |
| Net changes | (83,492) | - | (83,492) |
| Balance at June 30, 2024 | <u>\$ 2,853,788</u> | <u>\$ -</u> | <u>\$ 2,853,788</u> |

Sensitivity of the total OPEB liability to changes in the discount rate

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

| 1% Decrease 2.97% | Discount Rate 3.97% | 1% Increase 4.97% |
|----------------------|------------------------|----------------------|
| <u>\$ 3,091,208</u> | <u>\$ 2,853,788</u> | <u>\$ 2,644,564</u> |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

| 1% Decrease 4.5% | Healthcare Cost Trend Rates 5.5% | 1% Increase 6.5% |
|---------------------|--|---------------------|
| <u>\$ 2,561,879</u> | <u>\$ 2,853,788</u> | <u>\$ 3,202,904</u> |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$238,427. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <u>Account Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in assumptions | \$ 66,135 | \$ (70,517) |
| Differences between expected and actual experience | 65,996 | - |
| Total Deferred Outflows/(Inflows) of Resources | \$ 132,131 | \$ (70,517) |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Amortization Period Fiscal Year Ended June 30</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--|---|
| 2025 | \$ 22,637 |
| 2026 | 42,502 |
| 2027 | <u>(3,525)</u> |

NOTE 10 – DEFERRED COMPENSATION SAVINGS PLAN

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

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

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 11 – RISK MANAGEMENT

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

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

| | | |
|---|--|----------------------|
| A. Entity | SDRMA | |
| B. Purpose | To provide risk financing and risk management services to California public agencies | |
| C. Participants | As of June 30, 2024 – 503 member agencies | |
| D. Governing board | Seven representatives employed by members | |
| E. District payments for FY 2024: | | |
| Property/Liability policy | \$412,160 | |
| Workers' compensation policy | \$195,502 | |
| F. Condensed financial information | June 30, 2024 | |
| Statement of net position: | | June 30, 2024 |
| Total assets | | \$ 162,654,367 |
| Deferred outflows | | <u>1,620,957</u> |
| Total liabilities | | <u>78,404,034</u> |
| Deferred inflows | | <u>384,924</u> |
| Net position | | <u>\$ 85,486,366</u> |
| Statement of revenues, expenses and changes in net position: | | |
| Total revenues | | \$ 117,667,940 |
| Total expenses | | <u>(104,002,777)</u> |
| Change in net position | | 13,665,163 |
| Beginning – net position | | <u>71,521,203</u> |
| Ending – net position | | <u>\$ 85,186,366</u> |
| G. Member agencies share of year-end financial position | | Not Calculated |

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 11 – RISK MANAGEMENT (continued)

At June 30, 2024, the District participated in the liability and property programs of the SDRMA as follows:

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

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

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials' personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2024, 2023 and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024, 2023 and 2022.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

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

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

Grant Awards

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

SAN MATEO COUNTY HARBOR DISTRICT

Notes to Financial Statements

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Construction Contracts

The District has a variety of agreements with private parties relating to the construction of various projects and improvements. The financing of the construction contracts is being provided primarily from the District's replacement reserves. As of June 30, 2024, the District has committed approximately \$8,493,938 to complete contracts related to projects in construction-in-process.

Litigation

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

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 19, 2025, the date on which the financial statements were available to be issued.

Required Supplementary Information

SAN MATEO COUNTY HARBOR DISTRICT

*Schedule of the District's Proportionate Share of the Plan's (PERF C) Net Pension Liability
For the Year Ended June 30, 2024*

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Measurement Date | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered | Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability |
|-------------------------|---|--|-----------------------------------|---|--|
| June 30, 2014 | 0.048480% | \$ 3,016,578 | \$ 2,064,270 | 146.13% | 81.15% |
| June 30, 2015 | 0.134530% | 3,690,808 | 2,000,338 | 184.51% | 79.89% |
| June 30, 2016 | 0.106240% | 4,497,813 | 2,022,481 | 222.39% | 75.87% |
| June 30, 2017 | 0.127140% | 5,012,109 | 2,361,865 | 212.21% | 75.39% |
| June 30, 2018 | 0.128200% | 4,831,494 | 2,814,510 | 171.66% | 75.26% |
| June 30, 2019 | 0.067380% | 2,698,394 | 2,749,582 | 98.14% | 85.55% |
| June 30, 2020 | 0.068850% | 2,904,343 | 3,074,857 | 94.45% | 85.21% |
| June 30, 2021 | 0.015050% | 285,821 | 3,592,149 | 7.96% | 98.61% |
| June 30, 2022 | 0.077289% | 3,616,538 | 3,581,625 | 100.97% | 84.01% |
| June 30, 2023 | 0.081723% | 4,086,477 | 3,783,046 | 108.02% | 82.93% |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal years June 30, 2018 to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

From fiscal year June 30, 2023 to June 30, 2024:

There were no significant changes in assumptions.

SAN MATEO COUNTY HARBOR DISTRICT

*Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2024*

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Fiscal Year | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--------------------|--|---|---|------------------------|---|
| June 30, 2015 | \$ 376,892 | \$ (376,892) | \$ - | \$ 2,000,338 | 18.84% |
| June 30, 2016 | 409,949 | (409,949) | - | 2,022,481 | 20.27% |
| June 30, 2017 | 474,656 | (474,656) | - | 2,361,865 | 20.10% |
| June 30, 2018 | 543,875 | (543,875) | - | 2,814,510 | 19.32% |
| June 30, 2019 | 598,183 | (2,898,183) | (2,300,000) | 2,749,582 | 21.76% |
| June 30, 2020 | 587,323 | (587,323) | - | 3,074,857 | 19.10% |
| June 30, 2021 | 537,760 | (537,760) | - | 3,592,149 | 14.97% |
| June 30, 2022 | 554,340 | (554,340) | - | 3,581,625 | 15.48% |
| June 30, 2023 | 599,299 | (599,299) | - | 3,783,046 | 15.84% |
| June 30, 2024 | 634,197 | (634,197) | - | 4,439,019 | 14.29% |

Notes to Schedule:

| Fiscal Year | Valuation Date | Actuarial Cost Method | Asset Valuation | Inflation | Investment Rate of Return |
|--------------------|-----------------------|------------------------------|------------------------|------------------|----------------------------------|
| June 30, 2015 | June 30, 2013 | Entry Age | Fair Value | 2.75% | 7.65% |
| June 30, 2016 | June 30, 2014 | Entry Age | Fair Value | 2.75% | 7.65% |
| June 30, 2017 | June 30, 2015 | Entry Age | Fair Value | 2.75% | 7.65% |
| June 30, 2018 | June 30, 2016 | Entry Age | Fair Value | 2.75% | 7.15% |
| June 30, 2019 | June 30, 2017 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2020 | June 30, 2018 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2021 | June 30, 2019 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2022 | June 30, 2020 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2023 | June 30, 2021 | Entry Age | Fair Value | 2.30% | 6.90% |
| June 30, 2024 | June 30, 2022 | Entry Age | Fair Value | 2.30% | 6.90% |

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

SAN MATEO COUNTY HARBOR DISTRICT

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2024*

| Fiscal Year Ended | Last Ten Fiscal Years* | | | | |
|--|------------------------|---------------|---------------|---------------|---------------|
| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| Measurement Date | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| Total OPEB liability: | | | | | |
| Service cost | \$ 45,707 | \$ 46,252 | \$ 106,638 | \$ 93,557 | \$ 89,084 |
| Interest | 111,023 | 111,017 | 63,189 | 78,587 | 83,162 |
| Changes in assumptions | (24,669) | 148,803 | (449,613) | 342,399 | 179,142 |
| Differences between expected and actual experience | - | 148,490 | - | 204,026 | - |
| Benefit payments | (215,553) | (281,666) | (279,217) | (223,283) | (180,909) |
| Net change in total OPEB liability | (83,492) | 172,896 | (559,003) | 495,286 | 170,479 |
| Total OPEB liability - beginning | 2,937,280 | 2,764,384 | 3,323,387 | 2,828,101 | 2,657,622 |
| Total OPEB liability - ending | \$ 2,853,788 | \$ 2,937,280 | \$ 2,764,384 | \$ 3,323,387 | \$ 2,828,101 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered payroll | \$ 725,784 | \$ 711,707 | \$ 859,768 | \$ 1,011,382 | \$ 1,212,882 |
| District's net OPEB liability as a percentage of covered payroll | 393.20% | 412.71% | 321.53% | 328.60% | 233.17% |

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2020 – There were no changes of benefits terms.
 Measurement Date June 30, 2021 – There were no changes of benefits terms.
 Measurement Date June 30, 2022 – There were no changes of benefits terms.
 Measurement Date June 30, 2023 – There were no changes of benefits terms.
 Measurement Date June 30, 2024 – There were no changes of benefits terms.

Changes in Assumptions:

Measurement Date June 30, 2020 – There were no changes in assumptions except change in discount rate.
 Measurement Date June 30, 2021 – There were no changes in assumptions except change in discount rate.
 Measurement Date June 30, 2022 – There were no changes in assumptions except change in discount rate.
 Measurement Date June 30, 2023 – There were no changes in assumptions except change in discount rate.
 Measurement Date June 30, 2024 – There were no changes in assumptions except change in discount rate.

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

SAN MATEO COUNTY HARBOR DISTRICT

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios (continued)
For the Year Ended June 30, 2024*

| | Last Ten Fiscal Years* | |
|---|------------------------|----------------------|
| Fiscal Year Ended | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
| Measurement Date | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
| Total OPEB liability: | | |
| Service cost | \$ 81,531 | \$ 79,156 |
| Interest | 88,748 | 88,214 |
| Changes in assumptions | 118,534 | - |
| Differences between expected and actual experience | - | - |
| Benefit payments | <u>(164,137)</u> | <u>(141,302)</u> |
| Net change in total OPEB liability | 124,676 | 26,068 |
| Total OPEB liability - beginning | <u>2,532,946</u> | <u>2,506,878</u> |
| Total OPEB liability - ending | <u>\$ 2,657,622</u> | <u>\$ 2,532,946</u> |
| Covered payroll | <u>\$ 1,221,622</u> | <u>\$ 1,126,238</u> |
| District's total OPEB liability as a percentage of covered payroll | <u>217.55%</u> | <u>224.90%</u> |

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2018 – There were no changes of benefits terms.

Measurement Date June 30, 2019 – There were no changes of benefits terms.

Changes in Assumptions:

Measurement Date June 30, 2018 – There were no changes in assumptions.

Measurement Date June 30, 2019 – There were no changes in assumptions except change in discount rate.

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

SAN MATEO COUNTY HARBOR DISTRICT
Schedule of the District's Contributions to the OPEB Plan
For the Year Ended June 30, 2024

| Fiscal Year Ended | Last Ten Fiscal Years* | | | | |
|---|------------------------|---------------|---------------|---------------|---------------|
| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| Actuarially determined contribution* (Pay-as-you-go funding with No Plan Assets) | \$ 215,553 | \$ 281,666 | \$ 279,217 | \$ 223,283 | \$ 180,909 |
| Contributions in relation to the actuarially determined contributions | (215,553) | (281,666) | (279,217) | (223,283) | (180,909) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 725,784 | \$ 711,707 | \$ 859,768 | \$ 1,011,382 | \$ 1,212,882 |
| Contributions as a percentage of covered payroll | 29.70% | 38.81% | 32.48% | 22.08% | 14.92% |

Notes to Schedule:

| Valuation Date | June 30, 2022 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 |
|--|---------------|---------------|---------------|---------------|---------------|
| Methods and Assumptions Used to Determine Contribution Rates: | | | | | |
| Actuarial cost method | Entry Age |
| Amortization method | (1) | (1) | (1) | (1) | (1) |
| Amortization period | 20-years | 20-years | 20-years | 20-years | 20-years |
| Asset valuation method | Fair Value |
| Discount rate | 3.97% | 3.86% | 3.69% | 4.00% | 4.15% |
| Inflation | 2.50% | 2.50% | 2.50% | 2.75% | 2.75% |
| Payroll increases | 3.00% | 3.00% | 3.00% | 2.75% | 2.75% |
| Mortality | (2) | (2) | (2) | (2) | (2) |
| Morbidity | Not Valued |
| Disability | Not Valued |
| Retirement | (3) | (3) | (3) | (3) | (3) |
| Percent Married - Spouse Support | 80% | 80% | 80% | 80% | 80% |
| Healthcare trend rates | (4) | (4) | (4) | (4) | (4) |

(1) Closed period, level percent of pay

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

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

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

Post-65 - 4.50% trending down annually to 4.00% in 2029 and later

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

SAN MATEO COUNTY HARBOR DISTRICT

Schedule of the District's Contributions to the OPEB Plan (continued)

For the Year Ended June 30, 2024

| | Last Ten Fiscal Years* | |
|---|-------------------------------|----------------------|
| Fiscal Year Ended | June 30, 2019 | June 30, 2018 |
| Actuarially determined contribution* (Pay-as-you-go funding with No Plan Assets) | \$ 164,137 | \$ 141,302 |
| Contributions in relation to the actuarially determined contributions | <u>(164,137)</u> | <u>(141,302)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 1,221,622</u> | <u>\$ 1,126,238</u> |
| Contributions as a percentage of covered payroll | <u>13.44%</u> | <u>12.55%</u> |

Notes to Schedule:

| | | |
|-----------------------|---------------|---------------|
| Valuation Date | June 30, 2018 | June 30, 2017 |
|-----------------------|---------------|---------------|

Methods and Assumptions Used to Determine Contribution Rates:

| | | |
|----------------------------------|------------|------------|
| Actuarial cost method | Entry Age | Entry Age |
| Amortization method | (1) | (1) |
| Amortization period | 20-years | 20-years |
| Asset valuation method | Fair Value | Fair Value |
| Discount rate | 4.25% | 4.50% |
| Inflation | 2.75% | 2.75% |
| Payroll increases | 2.75% | 2.75% |
| Mortality | (2) | (2) |
| Morbidity | Not Valued | Not Valued |
| Disability | Not Valued | Not Valued |
| Retirement | (3) | (3) |
| Percent Married - Spouse Support | 80% | 80% |
| Healthcare trend rates | (4) | (4) |

(1) Closed period, level percent of pay

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

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

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

Post-65 - 4.50% trending down annually to 4.00% in 2029 and later

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

Supplementary Information

SAN MATEO COUNTY HARBOR DISTRICT*Schedule of Revenues, Expenses, and Changes in Net Position – Administration
For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|---|-------------------------|-------------------------|
| OPERATING REVENUES | | |
| Rent and concessions | \$ 89,604 | \$ 80,600 |
| Total operating revenues | <u>89,604</u> | <u>80,600</u> |
| OPERATING EXPENSES | | |
| Advertising and promotion | 5,665 | 5,480 |
| Elections | - | 294,011 |
| Insurance | 80,050 | 71,146 |
| Information technology | 165,143 | 130,136 |
| Legal fees | 321,885 | 185,645 |
| Materials and supplies | 229,040 | 505,204 |
| Repairs and maintenance | 50,413 | 91,692 |
| Salaries and wages | 1,680,670 | 1,316,277 |
| Benefits – current employees | 849,116 | 882,392 |
| Benefits – retirees/former employees | 3,833 | 23,770 |
| Travel, training, and seminars | 44,561 | 31,472 |
| Utilities | 16,672 | 14,835 |
| Total operating expenses before depreciation | <u>3,447,048</u> | <u>3,552,060</u> |
| Operating income before depreciation | (3,357,444) | (3,471,460) |
| Depreciation expense | <u>(179,341)</u> | <u>(125,353)</u> |
| Operating income | <u>(3,536,785)</u> | <u>(3,596,813)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Property taxes | 11,036,221 | 10,304,049 |
| Investment earnings | 1,161,304 | (204,507) |
| Other non-operating revenues | <u>4,178</u> | <u>4,346</u> |
| Total non-operating revenue(expense), net | <u>12,201,703</u> | <u>10,103,888</u> |
| Change in net position | <u><u>8,664,918</u></u> | <u><u>6,507,075</u></u> |

SAN MATEO COUNTY HARBOR DISTRICT*Schedule of Revenues, Expenses, and Changes in Net Position – Pillar Point Harbor
For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Berth Rental | \$ 2,042,661 | \$ 2,076,029 |
| Launching fees | 83,632 | 109,008 |
| Rent and concessions | 382,543 | 586,784 |
| Events and permits | 28,024 | 14,459 |
| Other operating revenue | 37,905 | 39,672 |
| Total operating revenues | <u>2,574,765</u> | <u>2,825,952</u> |
| OPERATING EXPENSES | | |
| Advertising and promotion | 11,567 | 3,746 |
| Insurance | 189,286 | 175,306 |
| Information technology | 98,367 | 96,752 |
| Legal fees | (72,565) | (48,895) |
| Materials and supplies | 411,805 | 446,528 |
| Repairs and maintenance | 1,089,565 | 293,195 |
| Salaries and wages | 1,803,580 | 1,765,518 |
| Benefits – current employees | 1,094,972 | 1,373,585 |
| Benefits – retirees/former employees | 105,006 | 150,077 |
| Travel, training, and seminars | 9,628 | 15,049 |
| Utilities | 356,537 | 295,817 |
| Vessel destruction | 93,442 | 134,000 |
| Total operating expenses before depreciation | <u>5,191,190</u> | <u>4,700,678</u> |
| Operating income before depreciation | (2,616,425) | (1,874,726) |
| Depreciation expense | (768,148) | (549,919) |
| Operating income | <u>(3,384,573)</u> | <u>(2,424,645)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Grants and reimbursements | 64,299 | 264,119 |
| Other non-operating revenues | 18,160 | 1,045 |
| Total non-operating revenue(expense), net | <u>82,459</u> | <u>265,164</u> |
| Net income before capital contributions | <u>(3,302,114)</u> | <u>(2,159,481)</u> |
| CAPITAL CONTRIBUTIONS | | |
| Federal capital grants | 30,369 | 75,478 |
| State capital grants | 93,937 | 40,612 |
| Total capital contributions | <u>124,306</u> | <u>116,090</u> |
| Change in net position | <u>(3,177,808)</u> | <u>(2,043,391)</u> |

SAN MATEO COUNTY HARBOR DISTRICT*Schedule of Revenues, Expenses, and Changes in Net Position – Oyster Point Marina
For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Berth Rental | \$ 1,554,620 | \$ 1,532,435 |
| Launching fees | 35,673 | 41,965 |
| Rent and concessions | 128,659 | 128,238 |
| Events and permits | 670 | 1,305 |
| Other operating revenue | 21,180 | 24,818 |
| Total operating revenues | <u>1,740,802</u> | <u>1,728,761</u> |
| OPERATING EXPENSES | | |
| Advertising and promotion | 2,143 | 888 |
| Insurance | 118,915 | 109,919 |
| Information technology | 95,028 | 87,454 |
| Legal fees | - | 14,545 |
| Materials and supplies | 221,395 | 263,687 |
| Repairs and maintenance | 89,409 | 66,165 |
| Salaries and wages | 1,030,853 | 1,070,263 |
| Benefits – current employees | 594,279 | 794,292 |
| Benefits – retirees/former employees | 127,927 | 143,394 |
| Travel, training, and seminars | 16,485 | 17,330 |
| Utilities | 171,985 | 93,285 |
| Vessel destruction | 163,343 | 43,150 |
| Total operating expenses before depreciation | <u>2,631,762</u> | <u>2,704,372</u> |
| Operating income before depreciation | (890,960) | (975,611) |
| Depreciation expense | (634,268) | (639,379) |
| Operating income | <u>(1,525,228)</u> | <u>(1,614,990)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment earnings | (29) | (115) |
| Grants and reimbursements | 152,871 | 48,452 |
| Other non-operating revenues | 120 | 120 |
| Total non-operating revenue(expense), net | <u>152,962</u> | <u>48,457</u> |
| Change in net position | <u>(1,372,266)</u> | <u>(1,566,533)</u> |

Other Independent Auditors' Reports



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Mateo County Harbor District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise San Mateo County Harbor District's basic financial statements, and have issued our report thereon dated February 19, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Murrieta, California
February 19, 2025