

SAN MATEO COUNTY HARBOR DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

**San Mateo County Harbor District
 Basic Financial Statements
 For the year ended June 30, 2014**

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i
Elected Officials and Administrative Personnel	ii
FINANCIAL SECTION	
Independent Auditors’ Report	1-2
Management’s Discussion and Analysis (Required Supplementary Information)	3-10
Basic Financial Statements:	
Statements of Net Position.....	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows.....	14
Notes to Basic Financial Statements.....	15-26
Additional Information	27
Statements of Revenues, Expenses, and Changes in Net Position Harbor Commissioners	28
Statements of Revenues, Expenses, and Changes in Net Position Administration	29
Statements of Revenues, Expenses, and Changes in Net Position Pillar Point Harbor	30
Statements of Revenues, Expenses, and Changes in Net Position Oyster Point Marina.....	31
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	33

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

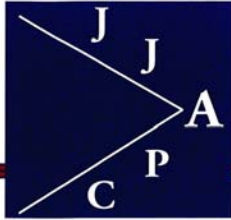
Elected Officials and Administrative Personnel

BOARD OF COMMISSIONERS

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

MANAGEMENT

Peter Grenell - General Manager



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo County Harbor District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 24, 2014

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Management's Discussion and Analysis

This section of San Mateo County Harbor District's basic financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. Since this management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the District's basic financial statements (pages 12 - 14) and the footnotes (pages 15 - 26).

Financial Highlights

At June 30, 2014, the District's Net Position increased \$5,043,503 to \$46,425,616 from \$41,382,113 in 2014. Operating revenues increased \$568,304 due to favorable fishing seasons. At times, Pillar Point Harbor was at 100% occupancy. The District also received a \$2 million dollar capital contribution for Dock 11 replacement at Oyster Point Marina. In addition, the District received \$2,124,194 for a Federal capital contribution for the Wave Attenuators on the Breakwater at Oyster Point Marina. Finally, percentage sales revenues have increased due to offloading fees and increases in concessioners' sales.

Operating expenses (with depreciation included) increased \$1,036,814 mostly due to an \$828,316 increase in depreciation as new assets were added to 2014. Contractual Services have nearly doubled to \$651,386 due to increased legal costs, Strategic planning, and the Facility Condition Survey study.

Using This Report

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole

	Net Position		Increase (Decrease)	Percent Change
	2014	2013		
As of June 30, 2014 and 2013				
Assets:				
Current assets	\$ 14,308,121	\$ 13,535,982	\$ 772,139	5.7%
Non-current assets	45,413,530	43,765,164	1,648,366	3.8%
Total assets	59,721,651	57,301,146	2,420,505	4.2%
Liabilities:				
Current liabilities	4,123,113	4,728,353	(605,240)	(12.8)%
Non-current liabilities	9,172,922	11,190,680	(2,017,758)	(18.0)%
Total liabilities	13,296,035	15,919,033	(2,622,998)	(16.5)%
Net position:				
Net investment in capital assets	39,480,261	35,584,239	3,896,022	10.9%
Restricted/Unrestricted net position:				
Restricted for debt service	1,775,629	1,737,296	38,333	2.2%
Unrestricted	5,169,726	4,060,578	1,109,148	27.3%
Total net position	\$ 46,425,616	\$ 41,382,113	\$ 5,043,503	12.2%

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

As can be seen from the table above, Net Position at June 30, 2014, increased to \$46,425,616 from \$41,382,113 in 2013. The increase in Net Position was primarily due to reduction in long term debt related to California Division of Boating and Waterways loan payment and the \$2 million dollar capital contribution from the City of South San Francisco for Oyster Point Marina dock replacement.

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

Operating results are summarized as follows:

	Operating Results			
	For the years ended June 30, 2014 and 2013			
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 3,997,068	\$ 3,428,764	\$ 568,304	16.6%
Operating expenses	<u>8,164,965</u>	<u>7,128,151</u>	<u>1,036,814</u>	<u>14.5%</u>
Operating loss	(4,167,897)	(3,699,387)	(468,510)	12.7%
Non-operating revenues	5,713,215	6,390,720	(677,505)	(10.6)%
Non-operating expenses	<u>(626,009)</u>	<u>(435,430)</u>	<u>(190,579)</u>	<u>43.8%</u>
Net income before contributions	919,309	2,255,903	(1,336,594)	(59.2)%
Capital Contributions	<u>4,124,194</u>	-	<u>4,124,194</u>	<u>100.0%</u>
Change in net position	5,043,503	2,255,903	2,787,600	123.6%
Net position:				
Beginning of year	<u>41,382,113</u>	<u>39,126,210</u>	<u>2,255,903</u>	<u>5.8%</u>
End of year	<u><u>\$ 46,425,616</u></u>	<u><u>\$ 41,382,113</u></u>	<u><u>\$ 5,043,503</u></u>	<u><u>12.2%</u></u>

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

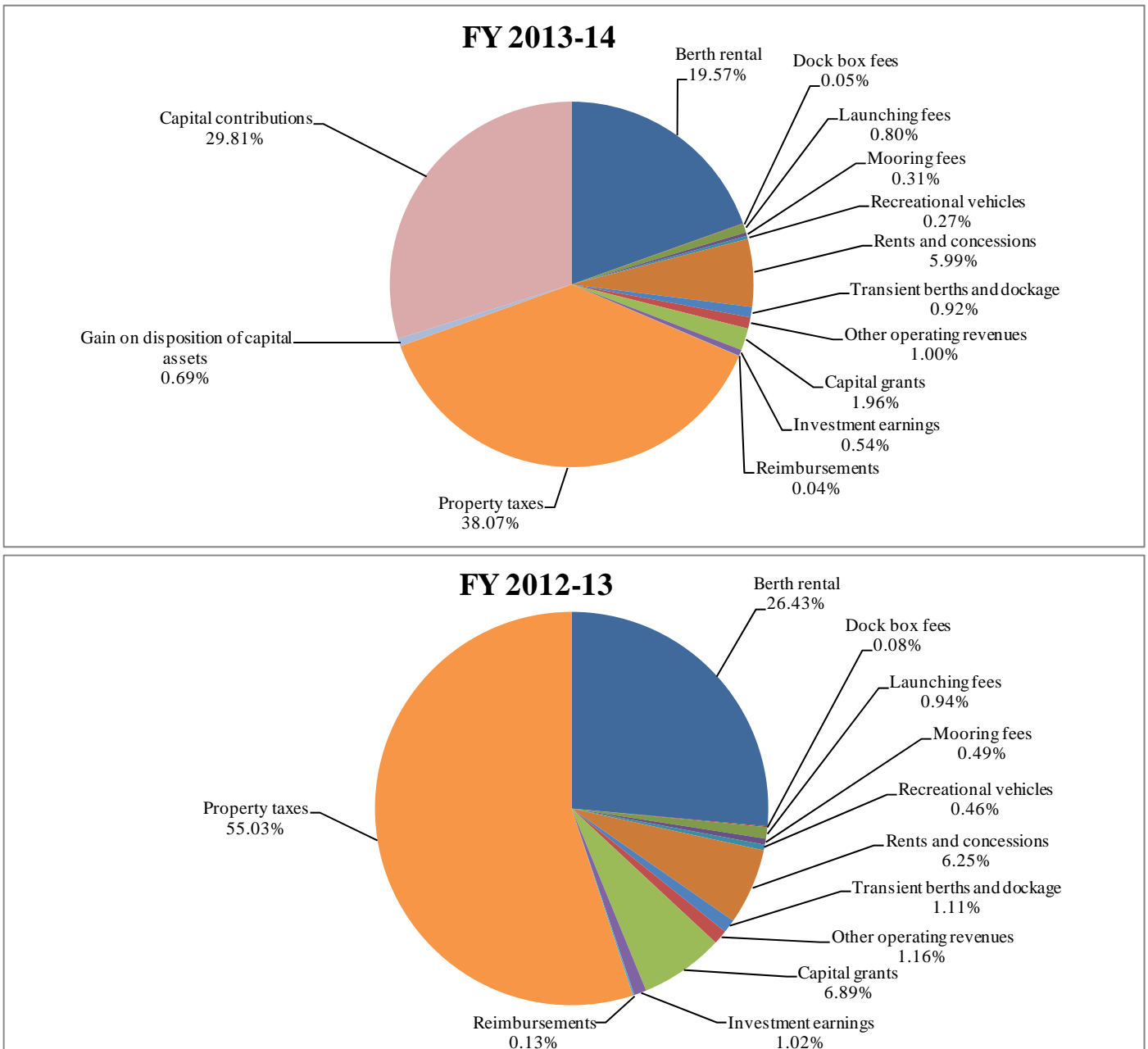
**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

The following is a graphic illustration of revenues by source:

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



San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

FY 2013-2014			FY 2012-2013		Increase (Decrease)
\$ 2,706,832	19.9%	Berth rental	\$ 2,454,496	25.0%	\$ 252,336
6,380	0.0%	Dock box fees	7,354	0.1%	(974)
110,073	0.8%	Launching fees	87,555	0.9%	22,518
42,346	0.3%	Mooring fees	45,938	0.5%	(3,592)
37,311	0.3%	Recreational vehicles	42,600	0.4%	(5,289)
828,309	6.1%	Rents and concessions	580,471	5.9%	247,838
127,675	0.9%	Transient berths and dockage	102,970	1.0%	24,705
138,142	1.0%	Other operating revenues	107,380	1.1%	30,762
271,420	2.0%	Capital grants	640,000	6.5%	(368,580)
75,043	0.6%	Investment earnings	94,969	1.0%	(19,926)
4,872	0.0%	Reimbursements	11,779	0.1%	(6,907)
5,266,831	38.7%	Property taxes	5,110,609	52.0%	156,222
95,049	0.7%	Gain on disposition of assets	29,674	0.3%	65,375
(224,746)	-1.7%	Termination Benefits	503,689	5.1%	(728,435)
4,124,194	30.3%	Capital Contributions	-	0.0%	4,124,194
\$ 13,609,731	100.0%	Totals	\$ 9,819,484	100.0%	\$ 3,790,247

A strong fishing season lead to more berth rentals for greater than thirty days increasing berth rentals. Transient dockage and launch fees also increased due to a stellar season. Rents and concessions increased due to COLA increases in base rents and percentage rents for offloading fees and retail sales. Capital contributions increased due to a \$2 million dollar cost reimbursement for Oyster Point Marina dock replacement and \$2.1 million for wave attenuators.

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

Management’s Discussion and Analysis, Continued

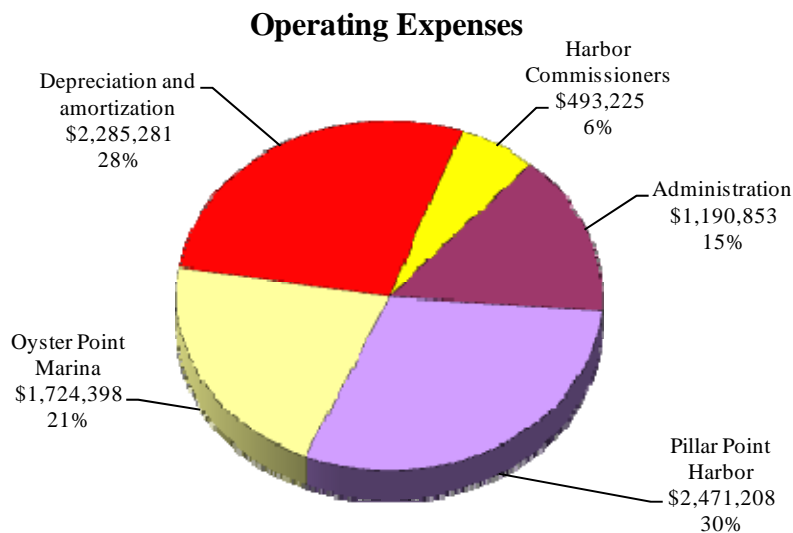
Financial Analysis of the District as a Whole, Continued

Operating expenses increased by \$1,036,814 as detailed below:

Operating Expenses				
For the years ended June 30, 2014 and 2013				
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
Harbor Commissioners	\$ 493,225	\$ 529,589	\$ (36,364)	(6.9)%
Administration	1,190,853	1,160,628	30,225	2.6%
Pillar Point Harbor	2,471,208	2,291,655	179,553	7.8%
Oyster Point Marina	1,724,398	1,689,314	35,084	2.1%
Depreciation and amortization	2,285,281	1,456,965	828,316	56.9%
Total	<u>\$ 8,164,965</u>	<u>\$ 7,128,151</u>	<u>\$ 1,036,814</u>	<u>14.5%</u>

Harbor Commission operating expenses increased due to legal costs but total costs are less than 2013 because the majority of the election expenses were expensed in 2013. Administration expenses and Oyster Point Marina expenses remained flat. Pillar Point Harbor saw increases in utilities and contractual services. Depreciation increased almost 60% due to the addition of \$5,191,101 in new assets (as detailed on page 22).

The following is a graphic illustration of 2013-14 operating expenses:



**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

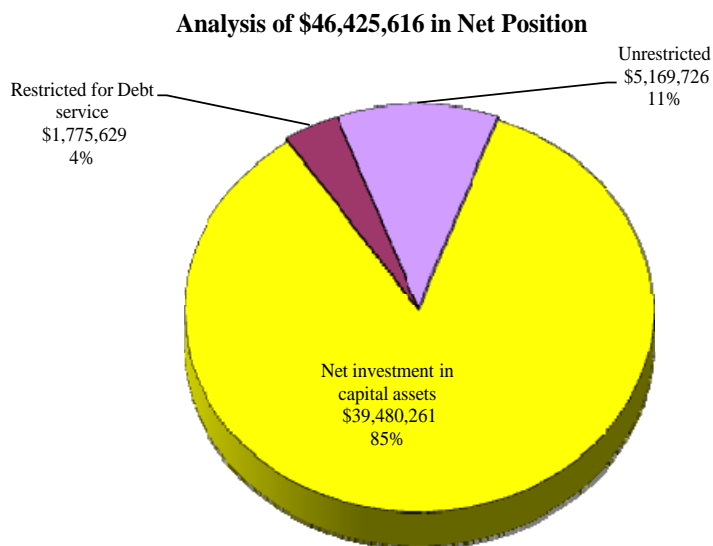
Net Position increased by \$5,043,503 as detailed below:

**Analysis of Net Position
As of June 30, 2014 and 2012**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net position:				
Net Investment in capital assets	\$ 39,480,261	\$ 35,584,239	\$ 3,896,022	10.9%
Restricted				
Debt service	1,775,629	1,737,296	38,333	2.2%
Unrestricted	<u>5,169,726</u>	<u>4,060,578</u>	<u>1,109,148</u>	<u>27.3%</u>
Total	<u>\$ 46,425,616</u>	<u>\$ 41,382,113</u>	<u>\$ 5,043,503</u>	<u>12.2%</u>

The change in Net Position is primarily due to reduction in long term debt related to California Division of Boating & Waterways loan payments and a \$2 million capital contribution from City of South San Francisco for OPM dock replacement. Two debt service payments were made this fiscal year.

The following is a graphic illustration of Net Position:



**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

Management's Discussion and Analysis, Continued

Cash Flows

Cash flows have increased approximately \$695,785 which is the result of a \$2 million dollar capital contribution for Oyster Point Marina Dock replacement.

Long-term Debt

No new debt was issued for the year. The District made two debt payments this year. One in December 2013 and another on June 30, 2014 (a due date of July 1st). The result is a decrease in loan balance from \$7,163,663 to \$5,933,269.

Economic Factors and Potential Future Results

The District's operating revenues are dependent on several factors including the strength of the fishing seasons. To date, the 2014 fishing season has been strong, which suggests that operating revenues will increase in the subsequent year. Overall economic recovery will also have a positive impact on operational revenues as people are able to purchase recreational vessels.

Contacting the District

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

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

Phone (650) 583-4400

Peter Grenell, General Manager.

BASIC FINANCIAL STATEMENTS

San Mateo County Harbor District

Statement of Net Position

June 30, 2014

(with comparative totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash and investments	\$ 12,204,651	\$ 11,547,199
Restricted cash and investments	1,775,629	1,737,296
Accounts receivable:		
Customers	283,090	175,665
Interest	21,001	21,088
Prepaid expenses and deposits	23,750	54,734
Total current assets	<u>14,308,121</u>	<u>13,535,982</u>
Noncurrent assets:		
Capital assets:		
Land	13,108,381	13,108,381
Construction in progress	790,124	4,171,771
Depreciable assets	60,663,357	53,883,829
Less accumulated depreciation	(29,148,332)	(27,398,817)
Total noncurrent assets	<u>45,413,530</u>	<u>43,765,164</u>
Total assets	<u>\$ 59,721,651</u>	<u>57,301,146</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 205,948	\$ 506,990
Accrued payroll	109,861	85,978
Customer deposits	289,743	288,977
Unearned revenue	3,517,561	3,658,493
Accrued interest payable	-	187,915
Due within one year	-	1,017,263
Total current liabilities	<u>4,123,113</u>	<u>5,745,616</u>
Noncurrent liabilities:		
Due after one year	5,933,269	7,163,662
Termination benefits payable	2,973,047	2,748,301
Accrued vacation and sick leave	266,606	261,454
Total noncurrent liabilities	<u>9,172,922</u>	<u>10,173,417</u>
Total liabilities	<u>13,296,035</u>	<u>15,919,033</u>
NET POSITION		
Net investment in capital assets	39,480,261	35,584,239
Restricted for debt service	1,775,629	1,737,296
Unrestricted	5,169,726	4,060,578
Total net position	<u>46,425,616</u>	<u>41,382,113</u>
Total liabilities and net position	<u>\$ 59,721,651</u>	<u>57,301,146</u>

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

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	2014	2013
OPERATING REVENUES:		
Berth rental	\$ 2,706,832	\$ 2,454,496
Dock box fees	6,380	7,354
Launching fees	110,073	87,555
Mooring fees	42,346	45,938
Recreational vehicles	37,311	42,600
Rents and concessions	828,309	580,471
Transient berths and dockage	127,675	102,970
Other operating revenues	138,142	107,380
Total operating revenues	3,997,068	3,428,764
OPERATING EXPENSES:		
Harbor Commissioners	493,225	529,589
Administration	1,190,853	1,160,628
Pillar Point Harbor	2,471,208	2,291,655
Oyster Point Marina	1,724,398	1,689,314
Depreciation and amortization	2,285,281	1,456,965
Total operating expenses	8,164,965	7,128,151
Operating income (loss)	(4,167,897)	(3,699,387)
NONOPERATING REVENUES (EXPENSES):		
Capital grants	271,420	640,000
Investment earnings	75,043	94,969
Reimbursements	4,872	11,779
Property taxes	5,266,831	5,110,609
County administrative fees	(45,131)	(30,504)
Gain (loss) on disposition of capital assets	95,049	29,674
Termination benefits	(224,746)	503,689
Interest expense	(350,616)	(398,171)
LAFCO fees	(5,516)	(6,755)
Total nonoperating revenues (expenses)	5,087,206	5,955,290
Income (loss) before contributions	919,309	2,255,903
Capital contributions:		
Federal contributions	2,124,194	-
City of South San Francisco contributions	2,000,000	-
Total capital contributions	4,124,194	-
Net Income	5,043,503	2,255,903
CHANGE IN NET POSITION:		
Beginning of year	41,382,113	39,126,210
End of year	\$ 46,425,616	\$ 41,382,113

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

San Mateo County Harbor District

Statement of Cash Flows

For the year ended June 30, 2014

(with comparative amounts for the year ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,749,477	\$ 3,425,587
Payments to suppliers	(2,522,733)	(1,912,135)
Payments to or on behalf of employees	(3,597,973)	(3,505,075)
Net cash provided (used) by operating activities	(2,371,229)	(1,991,623)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes net of collection fees	5,221,700	5,080,105
Receipts from capital grants	271,420	640,000
Receipts from reimbursements	4,872	11,779
Payments to LAFCO	(5,516)	-
Net cash provided (used) by noncapital financing activities	5,492,476	5,731,884
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long-term debt	(2,247,656)	(972,584)
Interest payments on long-term debt	(538,531)	(427,266)
Capital contributions	2,000,000	-
Acquisition and construction of capital assets	(1,809,454)	(3,269,808)
Proceeds from the sale of assets	95,049	29,674
Net cash provided (used) by capital and related financing activities	(2,500,592)	(4,639,984)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	75,130	104,340
Net cash provided (used) by investing activities	75,130	104,340
Net increase (decrease) in cash and cash equivalents	695,785	(795,383)
CASH AND INVESTMENTS:		
Beginning of year	13,284,495	14,079,878
End of year	<u>\$ 13,980,280</u>	<u>\$ 13,284,495</u>
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 12,204,651	\$ 11,547,199
Restricted cash and investments	1,775,629	1,737,296
Total cash and investments	\$ 13,980,280	\$ 13,284,495
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (4,167,897)	\$ (3,699,387)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,285,281	1,456,965
Change in assets and liabilities:		
Accounts receivable	(107,425)	(71,491)
Prepaid expenses	30,984	(36,698)
Accounts payable and accrued liabilities	(301,042)	277,143
Accrued payroll	23,883	(16,774)
Deposits and unearned revenue	(140,166)	68,314
Termination benefits payable	1	-
Accrued vacation and sick leave	5,152	30,305
Net cash provided (used) by operating activities	\$ (2,371,229)	\$ (1,991,623)

There was a noncash capital and related financing activity due to a capital contribution from the Army Corp of Engineers for wave attenuators constructed during the fiscal year ended June 30, 2014 in the amount of \$2,124,194.

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of the Reporting Entity

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

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

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Capital Assets

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

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

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Capital Assets, continued

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

E. Property Taxes

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

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

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

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

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Accrued Vacation and Sick Leave

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

G. Comparative Data

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

H. Reclassifications

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

2. CASH AND INVESTMENTS

A. Composition

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

	June 30, 2014			
	FDIC insured	Not rated	Fair Value	June 30, 2013
Cash in bank	\$ 250,000	\$ 485,647	\$ 735,647	\$ 1,927,510
Petty cash	-	2,300	2,300	2,300
Local Agency Investment Fund (LAIF)	-	6,885	6,885	6,868
San Mateo County Pooled Investment Fund	-	13,235,448	13,235,448	11,347,817
Total	<u>\$ 250,000</u>	<u>\$ 13,730,280</u>	<u>\$ 13,980,280</u>	<u>\$ 13,284,495</u>
Financial Statement presentation:				
Cash and investments			\$ 12,204,651	\$ 11,547,199
Restricted cash and investments			<u>1,775,629</u>	<u>1,737,296</u>
Total			<u>\$ 13,980,280</u>	<u>\$ 13,284,495</u>

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

A. Composition, Continued

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

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

B. Authorized Investments

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

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

C. Fair Value of Investments

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

D. Investments Authorized by Debt Agreements

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

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

E. Interest Rate and Credit Risk

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

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014, these investments matured in an average of 232 days.

The District invests in the San Mateo County Treasury (County), which sponsors an investment pool to invest funds of the County and external public entities, such as the District. The County's pool activity is governed by California Government Code Sections 27000.1 and 53607 as well as the County's Investment Policy, which delegate the County Treasurer to invest in securities issued by the United States, certain corporate bonds and notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, the State of California Local Agency Investment Fund, and securities lending transactions. Participants' equity in the County's investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of banking costs and administrative fees, are apportioned to pool participants every quarter

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's only investments are in the California Local Agency Investment Fund, San Mateo County Investment Fund and in Money Market accounts which are not rated at June 30, 2014.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS

Changes in capital assets and depreciation for the years ended June 30, 2014, and 2013, were as follows:

	Balance July 1, 2013	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2014
Capital Assets					
Nondepreciable:					
Land	\$ 13,108,381	\$ -	\$ -	\$ -	\$ 13,108,381
Construction in progress	4,171,771	1,809,454	-	(5,191,101)	790,124
Total nondepreciable assets	<u>17,280,152</u>	<u>1,809,454</u>	<u>-</u>	<u>(5,191,101)</u>	<u>13,898,505</u>
Depreciable:					
Autos and trucks	65,334	-	-	60,758	126,092
Boats and radar	589,146	-	(16,202)	-	572,944
Signs	74,519	-	-	-	74,519
Breakwater	17,815,478	2,124,194	-	543,093	20,482,765
Utilities	212,405	-	-	-	212,405
Channels	4,466,126	-	-	427,034	4,893,160
Launch Ramps	4,030,623	-	-	-	4,030,623
Piers	6,216,940	-	-	1,492,487	7,709,427
Bulkheads	747,397	-	-	-	747,397
Buildings and improvements	8,185,571	-	-	588,269	8,773,840
Docks	6,909,057	-	(493,701)	1,974,314	8,389,670
Parking Lots	3,221,069	-	-	-	3,221,069
Walkways/Paths	1,096,199	-	-	-	1,096,199
Machinery and Equipment	253,965	-	(25,864)	105,146	333,247
Total depreciable assets	<u>53,883,829</u>	<u>2,124,194</u>	<u>(535,767)</u>	<u>5,191,101</u>	<u>60,663,357</u>
Less: accumulated depreciation	<u>(27,398,817)</u>	<u>(2,285,282)</u>	<u>535,767</u>	<u>-</u>	<u>(29,148,332)</u>
Total depreciable assets (net)	<u>26,485,012</u>	<u>(161,088)</u>	<u>-</u>	<u>5,191,101</u>	<u>31,515,025</u>
Total capital assets	<u>\$ 43,765,164</u>	<u>\$ 1,648,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,413,530</u>

Beginning values reflect amounts as valued on a consolidated basis. The total valuation amounts are presented in representative categories and have been redistributed to reflect balances at June 30, 2014.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT

A. Long-Term Debt Activity

	Original Issue Amount	Balance July 1, 2013	Retirements	Balance June 30, 2014	Due Within One Year
California Division of Boating and Waterways, 4.5%, due 12/31/19	\$ 19,777,000	\$ 8,180,926	\$ (2,247,656)	\$ 5,933,270	\$ -
Total long-term debt	<u>\$ 19,777,000</u>	8,180,926	<u>\$ (2,247,656)</u>	5,933,270	<u>\$ -</u>
Amount due within one year		(1,017,263)		-	
Total Long-term due after one year		<u>\$ 7,163,663</u>		<u>\$ 5,933,269</u>	

	Original Issue Amount	Balance July 1, 2012	Retirements	Balance June 30, 2013	Due Within One Year
California Division of Boating and Waterways, 4.5%, due 12/31/19	\$ 19,777,000	\$ 9,153,509	\$ (972,583)	\$ 8,180,926	\$ 1,017,263
Total long-term debt	<u>\$ 19,777,000</u>	9,153,509	<u>\$ (972,583)</u>	8,180,926	<u>\$ 1,017,263</u>
Amount due within one year		(972,583)		(1,017,263)	
Total Long-term due after one year		<u>\$ 8,180,926</u>		<u>\$ 7,163,663</u>	

B. California Division of Boating and Waterways

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

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

On July 18, 2001, the District executed an "Approval of Concept" agreement with the Division in order to receive another live-year moratorium on the principal portions of the debt service payments for the years 2002 through 2005. The District made interest only payments from 2001 through 2005. Beginning 2006, the District made principal and interest payments on the outstanding loan balance.

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

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT, Continued

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

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

On June 2, 2014, the District revised their payment schedule and made a onetime early payment. The District does not have a payment due in fiscal year 2014-15 as a result of the early payment.

C. Repayment Schedule

Future annual repayment requirements are as follows:

Year Ending June 30,	California Division of Boating and Waterways	
	Principal	Interest
2015	-	-
2016	979,573	413,520
2017	1,165,522	227,572
2018	1,219,066	174,028
2019	1,275,069	118,024
2020	1,294,039	59,448
Total	<u>\$ 5,933,269</u>	<u>\$ 992,592</u>
Due within one year	\$ -	\$ -
Due after one year	5,933,269	992,592
Total	<u>\$ 5,933,269</u>	<u>\$ 992,592</u>

5. NET POSITION

Net Position is restricted for debt service for the California Division of Boating and Waterways in the amount of \$1,775,629.

San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

6. INSURANCE

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

<u>Program</u>	<u>Deductible</u>
Auto	\$1,000,000
General Liability	\$1,000,000 to \$2,000,000
Docks and Piers	\$21,900,000
Building	\$3,362,122
Workers' compensation	\$1,000,000
Employers' liability	\$2,000,000
Commercial Umbrella - Excess	\$10,000,000

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

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

A. Plan Description

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

B. Funding Policy

All full-time District employees are eligible to participate in the Plan. The District pays 7% for employees hired before July 2009 and 2% for employees hired after with regards to the employee share as part of an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 19.432% of annual payroll. For employees hired on or after January 1, 2013 the employee pay 6.25% and the employer pays 6.25% for a total of 12.5% of annual payroll. The contribution requirements of the plan members are established by state statute.

C. Annual Pension Cost

For 2014, the District's annual pension cost of \$419,233 for CALPERS was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% of investment rate of return (net of administrative expenses), and (b) 3.3% to 14.2% projected annual salary increases that vary by age, duration of service and type of employment. Both (a) and (b) included an inflation component of 2.75% and annual production growth of 0.25%.

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

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

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 349,552	100%	-
June 30, 2013	386,075	100%	-
June 30, 2014	419,233	100%	-

8. TERMINATION BENEFITS

A. Plan Description

Employees hired prior to July 1, 2009 that were employed with the District after January 1, 1981, are entitled to continue to receive health, dental, life insurance and vision benefits upon leaving District employment if they were not terminated for good cause and had a minimum of twelve years of service to the District at time of termination. These benefits may only be collected for a period of time that is equal to half of the time the employee was employed with the District. The current balance in termination benefits payable as of June 30, 2014 is \$2,973,074.

9. COMMITMENTS AND CONTINGENCIES

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

ADDITIONAL INFORMATION

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Position
Harbor Commissioners
For the year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
OPERATING EXPENSES:		
Advertising and promotion	19,546	7,935
Auto expenses	-	114
Contractual services	155,556	20,871
Dues and subscriptions	433	-
Insurance	14,456	14,456
Office expense	1,328	999
Postage	17	132
Salaries and benefits	103,970	97,840
Training, seminars and professional development	3,934	3,257
Travel, conferences and meetings	5,498	7,010
Elections	188,487	376,975
Total operating expenses	<u>493,225</u>	<u>529,589</u>
Operating income (loss)	<u>(493,225)</u>	<u>(529,589)</u>
NONOPERATING REVENUES (EXPENSES):		
Termination benefits	25,050	40,727
Shared revenues	468,175	488,862
Total nonoperating revenues (expenses)	<u>493,225</u>	<u>529,589</u>
Income before contributions	<u>-</u>	<u>-</u>
Net Income (Loss)	-	-
CHANGE IN NET POSITION:		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>

San Mateo County Harbor District

Statement of Revenues, Expenses, and Changes in Net Position

Administration

For the year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
OPERATING EXPENSES:		
Advertising and promotion	1,899	2,651
Auto expenses	1,048	952
Bank charges	560	557
Contractual services	141,498	93,092
Dues and subscriptions	12,976	14,834
Insurance	605	-
Office expense	12,978	10,190
Personnel expenses	1,521	-
Postage	2,853	1,741
Rent	98,106	95,390
Repairs and maintenance	6,039	16,173
Salaries and benefits	897,164	908,793
Telephone and communications	10,321	9,911
Training, seminars and professional development	1,536	-
Travel, conferences and meetings	1,749	6,344
Depreciation and amortization	14,571	8,314
Total operating expenses	<u>1,205,424</u>	<u>1,168,942</u>
Operating income (loss)	<u>(1,205,424)</u>	<u>(1,168,942)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	75,043	94,969
Reimbursements	1,136	1,279
Property taxes	5,266,831	5,110,609
County administrative fees	(45,131)	(30,504)
Gain (loss) on disposition of capital assets	95,049	29,674
Termination benefits	(1,061)	(6,872)
Shared revenues	862,576	(1,767,555)
LAFCO fees	(5,516)	(6,755)
Total nonoperating revenues (expenses)	<u>6,248,927</u>	<u>3,424,845</u>
Net Income	5,043,503	2,255,903
CHANGE IN NET POSITION:		
Beginning of year	41,382,113	39,126,210
End of year	<u>\$ 46,425,616</u>	<u>\$ 41,382,113</u>

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Position
Pillar Point Harbor
For the year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

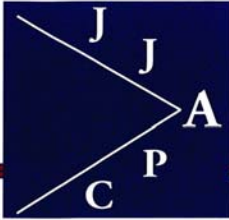
	2014	2013
OPERATING REVENUES:		
Berth rental	\$ 1,558,965	\$ 1,383,157
Launching fees	88,325	70,561
Mooring fees	42,346	45,938
Recreational vehicles	37,311	42,600
Rents and concessions	457,280	355,757
Transient berths and dockage	85,796	81,309
Other operating revenues	110,805	88,233
Total operating revenues	2,380,828	2,067,555
OPERATING EXPENSES:		
Advertising and promotion	10,076	18,290
Auto expenses	256	418
Bad debts (recoveries)	20,944	54,643
Bank charges	17,519	14,918
Contractual services	168,864	92,938
Dues and subscriptions	138	60
Insurance	112,167	122,927
Office expense	19,389	21,405
Personnel expenses	80	3,900
Postage	3,091	3,069
Rent	3,828	3,270
Operating expenses	225,929	237,947
Salaries and benefits	1,525,379	1,440,550
Sewer fees	44,129	42,146
Telephone and communications	25,140	23,143
Training, seminars and professional development	538	4,749
Travel, conferences and meetings	681	1,376
Uniforms	9,721	10,528
Utilities	276,766	184,778
Vessel destruction	6,573	10,600
Depreciation and amortization	821,391	552,723
Total operating expenses	3,292,599	2,844,378
Operating income (loss)	(911,771)	(776,823)
NONOPERATING REVENUES (EXPENSES):		
Reimbursements	3,736	10,500
Termination benefits	(218,844)	216,664
Shared revenues	1,297,291	753,605
Interest expense	(170,412)	(203,946)
Total nonoperating revenues (expenses)	911,771	776,823
Net Income	-	-
CHANGE IN NET POSITION:		
Beginning of year	-	-
End of year	\$ -	\$ -

San Mateo County Harbor District
Statement of Revenues, Expenses, and Changes in Net Position
Oyster Point Marina
For the year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Berth rental	\$ 1,147,867	\$ 1,071,339
Dock box fees	6,380	7,354
Launching fees	21,748	16,994
Rents and concessions	371,029	224,714
Transient berths and dockage	41,879	21,661
Other operating revenues	27,337	19,147
Total operating revenues	<u>1,616,240</u>	<u>1,361,209</u>
OPERATING EXPENSES:		
Advertising and promotion	5,116	12,178
Auto expenses	117	224
Bad debts	49,259	51,122
Bank charges	12,289	8,862
Contractual services	185,467	119,188
Dues and subscriptions	138	-
Insurance	112,167	125,302
Office expense	13,317	9,086
Personnel expenses	80	15
Postage	3,053	2,207
Equipment rental	3,828	3,057
Operating expenses	82,324	85,506
Salaries and benefits	1,100,496	1,071,423
Telephone and communications	14,452	13,551
Training, seminars and professional development	1,790	-
Travel, conferences and meetings	495	6,154
Uniforms	6,748	7,049
Utilities	109,142	114,060
Vessel destruction	24,120	60,330
Depreciation and amortization	1,449,319	895,928
Total operating expenses	<u>3,173,717</u>	<u>2,585,242</u>
Operating income (loss)	<u>(1,557,477)</u>	<u>(1,224,033)</u>
NONOPERATING REVENUES (EXPENSES):		
Capital grants	271,420	640,000
Termination benefits	(29,891)	253,170
Shared revenues	(2,628,042)	525,088
Interest expense	(180,204)	(194,225)
Total nonoperating revenues (expenses)	<u>(2,566,717)</u>	<u>1,224,033</u>
Income before contributions	<u>(4,124,194)</u>	<u>-</u>
Capital contributions:		
Federal contributions	2,124,194	-
City of South San Francisco contributions	2,000,000	-
Total capital contribution:	<u>4,124,194</u>	<u>-</u>
Net Income	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION:		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>

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JJACPA, Inc.

A Professional Accounting Services Corp.

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

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

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of San Mateo County Harbor District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

November 24, 2014

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**