



PORT SAN LUIS HARBOR DISTRICT, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2016



3950 Avila Beach Dr. / P.O. Box 249 · Avila Beach, CA 93424

[www.portsanluis.com](http://www.portsanluis.com)

(805) 595-5400



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2016

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Dave Kirk, President  
Mary Matakovich, Vice President  
Drew Brandy, Secretary  
Jim Blecha, Commissioner  
Bill Barrow, Commissioner

Andrea Lueker, Harbor Manager  
Phillip Sexton, Treasurer

Prepared by the Accounting Department

Port San Luis Harbor District, California  
3950 Avila Beach Dr. / P.O. Box 249, Avila Beach, CA 93424  
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Port San Luis Harbor District, California  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2016

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# **Introductory Section**

BOARD OF COMMISSIONERS

DAVE KIRK  
MARY MATAKOVICH  
DREW BRANDY  
BILL BARROW  
JIM BLECHA

*President*  
*Vice President*  
*Secretary*  
*Commissioner*  
*Commissioner*



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ANDREA LUEKER  
THOMAS D. GREEN  
PHILLIP J. SEXTON, CPA

*Harbor Manager*  
*Legal Counsel*  
*Treasurer*

December 13, 2016

To the Members of the Harbor Commission and  
Citizens of the Harbor District

**REPORT PURPOSE AND ORGANIZATION**

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Port San Luis Harbor District, a California special district, for the fiscal year ended June 30, 2016. California Government Code Section 26909 requires an annual audit of the District. This report is being issued in compliance with this requirement.

The CAFR consists of Management’s representations concerning the finances of the Port San Luis Harbor District (District). Management assumes full responsibility for the completeness and reliability of the information presented in the report, based upon a comprehensive framework of internal control that the District has established for this purpose. Because the cost of internal controls should not outweigh their benefits, the District’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement.

**Audited Financial Statements**

The District’s financial statements have been audited by Moss, Levy & Hartzheim, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide an opinion as to whether the financial statements of the District for the fiscal year ended June 30, 2016 are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District’s financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with the generally accepted accounting principles (GAAP). The independent auditor’s report is located on page 13, in the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis

(MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors on page 15.

## **Report Organization**

This report is organized in three sections:

The **Introductory** section includes the Table of Contents, this transmittal memorandum and general information on the District's governmental structure and the services provided. Included is an organizational chart and a list of principal officers.

The **Financial** section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, Required Supplementary Information (RSI) and notes, and individual fund statements and schedules.

The **Statistical** section offers operational, economic, and historical data that helps provide a context for assessing the government's economic condition.

## **PROFILE OF THE PORT SAN LUIS HARBOR DISTRICT**

The Port San Luis Harbor District was formed on January 27, 1954, under the California Harbors and Navigation Code. It is located on the California coast, about eight miles south of San Luis Obispo, just past the town of Avila Beach. According to the U.S. Census Bureau, 269,954 people lived in San Luis Obispo County in 2010.

### **Form of Government**

The District operates under a council-manager form of government. Policy making and legislative authority are vested in the Harbor Commission which consists of five elected members. The Harbor Commission is responsible for setting policy, adopting the District's budget and hiring the Harbor Manager, among other matters. The Harbor Manager is responsible, among other matters, for carrying out the policies, overseeing the daily operations, managing budgetary compliance, and appointing other employees. The Harbor Commission is elected to four year, staggered terms.

### **District Services**

The District provides a wide array of services. The District's Harbor Patrol department ensures the safety of District patrons as well as property in the Harbor. Additionally, the District also performs the maintenance of District facilities including, but not limited to, District piers, parking lots, beaches, and restrooms. Port San Luis Harbor District remains a regional destination for recreational fishers, who use the District's facilities for launching trailer-able boats to fish. In terms of business-type activities, the District provides moorings, diesel fuel, RV camping spaces, property leases for various types of businesses, and special events.

## **Budget Process**

The District's budget serves as the main financial planning tool for the District. The budget is prepared annually by the Harbor Manager on a consolidated as well as a fund basis. The proposed budget is brought to the Harbor Commission for review and eventual adoption. The Commission holds public hearings on the proposed budget and ultimately legally adopts the final budget.

The Harbor Commission level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is maintained at the fund, and budget category level, with more stringent control over major maintenance and capital assets, which are maintained at the line-item level. District staff requests approval from the Harbor Commission for budgetary transfers between budget category levels and any line-item additions to major maintenance and capital assets throughout the year.

## **ECONOMIC CONDITION**

### **Local Economy**

Economic trends have stabilized over the last couple years. Property Tax revenues in 2015/16 increased 5.6% from 2014/15 levels and are expected to increase 5% in 2016/17. According to data presented by the Bureau of Labor Statistics the unemployment rates in the San Luis Obispo Area have decreased to 4.3% (April 2015) from a high of 10.5% in January of 2010. In addition, from September 2015 to September 2016, the county added 2,700 jobs, which translates into a 2.3-percent annual job growth rate. Jobs that continue to see growth locally are in the leisure and hospitality industry, education and health, construction and service-related fields, such as hair salons and auto shops.

However, certain economic factors such as a volatile stock market, plunging oil prices, and a weaker Chinese economy may lead to a downturn in the economy in the near future. This may lead to a decrease in disposable income and negatively impact the District's Enterprise Fund revenue which relies on recreational spending. In addition, the largest employer in San Luis Obispo County, Pacific Gas & Electric Co., announced the closure of the Diablo Canyon power plant by 2025. Diablo provides 1,500 head-of-household jobs locally, and the effect of its closure in 2025 is certainly not inconsequential. Knowing the timeline of the plant's closure will allow the County and Harbor District to plan ways to make up lost tax dollars as well as allow those individuals employed at the plant plan for future employment.

### **Long-Term Financial Planning**

The District has adopted a number of financial policies that assist in the financial planning process. These policies help prioritize staffing resources, revenue generating opportunities, long-term capital projects, establish contingency amounts and describe the overall long-term planning processes. It is through these policies that the District develops its annual budget and long-term planning. Relevant financial policies are described below.

## Relevant Financial Policies

The following District policies and guidelines provide guidance for the fiscal activities of the District. Some of these policies include:

### *Financial Planning and Accountability:*

1. **Accountability/Transparency:** Information about how public monies are spent and the outcomes they achieve are to be clear, transparent and understandable.
2. **Balanced Budget/Fiscal Stability:** A structurally balanced budget (ongoing revenues equal to ongoing expenditures) for the combined General Fund, Capital Projects Fund and Enterprise Fund will be presented to the Harbor Commission at a scheduled public hearing. The Preliminary Budget will be adopted prior to June 15th each year and the Final Budget shall be adopted prior to June 30th.
3. **Identify & Mitigate Future Risk:** The Harbor Manager will identify issues, events and circumstances which pose significant risks and present strategies to reduce the impact of those risks.
4. **Contingency Funds:** Budget procedures state that the District should place 2% of revenues (not including grant revenues) into an overall budget contingency line item to be used by the Harbor Commission for unusual budget circumstances or emergencies.

### *Major Maintenance & Capital Purchases and Improvement:*

1. **Funding:** The District should provide at least \$200,000 annually to fund capital purchases and improvements and ongoing major maintenance of existing facilities. One-time increases in revenues or unanticipated budgetary savings should be set-aside in specified reserves to fund major maintenance and capital purchases and improvements (collectively "projects"). The District policy goal is to annually fund projects equal to annual depreciation expense. District staff will aggressively seek grants to fund projects.
2. **Budget Planning:** District staff will present to the Harbor Commission on an annual basis a five-year plan for project costs and funding needs. The development of the capital improvement budget will be incorporated into the development of the operating budget. Annually, an inventory of capital assets and condition of those assets will be presented to the Harbor Commission.
3. **Priority:** The following guidelines will provide a hierarchy of funding priorities for the annual budget:
  - Projects that ensure the safety of the general public and District employee's safety.
  - Major maintenance and capital assets that have been deemed to be in 'poor' condition and are essential to the operations of the District.
  - Projects that have the capacity to earn profits that can be used to offset costs for essential operations.
  - Projects that will greatly improve the service to the public and are used in the essential operation of the District.
  - Non-essential projects.

## *Fund Balance Policy*

The District's fund balance policy establishes a minimum level at which fund balance is to be maintained. The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain fund balance sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. The limits defined in the District's Fiscal Goals Policy is intended to "maintain a prudent level of financial resources to protect against reducing service levels or raising fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting).

The District's goal is to establish and maintain an operating reserve (aka unassigned fund balance) equal to 50% of the District's operating expenditures by 2018/19 fiscal year-end. Using 2016/17 estimated expenditures the operating reserve should equal \$2.4 million. The reserve shall never be lower than \$1.3 million to ensure that District cash flow needs are met.

## **Economic Outlook**

The District has seen positive growth in its revenues over the past five years. Property tax is the District's largest revenue source, making up approximately 60% of the District's revenues during the 2016 fiscal year. The District has seen a 17% increase in property taxes over the last five years, approximately 3.4% per year. While the District anticipates property taxes to continue to rise, the District could suffer a loss in unitary taxes as the Diablo Canyon power plant closes over the next nine years. For the 2016 fiscal year, the District received approximately \$396,000 in unitary taxes from the plant.

The District's enterprise fund revenues continue to grow. RV camping and parking in the Avila Beach parking lot accounted for approximately 21.8% of District revenues in the 2016 fiscal year. As part of the 2017 budget process, the Harbor Commission approved rate increases for both of these items and therefore the District anticipates that these revenues will continue to rise during the current fiscal year though there is some uncertainty about camping revenues going forward due to the pending Harbor Terrace development project slated for a 32 acre parcel in the District.

In 1978, the District purchased the site now known as Harbor Terrace, intending for the land to be financially and physically supportive of District operations. With a Coastal Development Permit in place and a developer/operator identified, the project is moving forward. Once completed, Harbor Terrace will feature space for marine gear and boat storage, District uses and overnight accommodations, including the more rustic walk-in tent camping, RV sites and self-contained cabins. The site will also feature commercial space and a swimming pool. While maintaining its essential functions in support of coastal dependent uses, the project will also increase visitor access to the District and the coast, and provide revenue to further support District operations.

The District's lease revenue has increased over the past three years at approximately 5% per annum. The increase is a combination of an improving economy and a diligent focus on attracting and retaining tenants that provide goods and services that are desired by our public.

The District continues to reach the budgetary goal of generating \$200,000 for Major Maintenance and Capital Projects. Increases in ongoing revenues are expected to keep pace with increases in ongoing District expenses.

The District continues to postpone maintenance projects due to lack of funding and/or staffing. The District's fiscal goal policy is to be able to fund major maintenance and capital projects at the same rate that capital assets are depreciating. For fiscal year ending June 30, 2016 the District spent \$475,300, including grant funded projects, and recorded depreciation expense of \$688,800. This was possible due to use of \$78,800 in grant funds. The District continues to be dependent on grant funds that can be used to restore and maintain current capital assets in order to meet the District's fiscal goal.

The Avila Pier was significantly damaged in storms in 1983 and largely rebuilt using funds from FEMA. Additionally, the base of the pier was rebuilt as a part of the Unocal funded clean-up of Avila Beach in 1998 – 2003. The balance of the pier is over 30 years old, and has suffered some level of deterioration of most of the 700+ piles. This will necessitate a multi-year program to replace piles that are damaged from the actions of the ocean and organisms that feed on the wood, plus replacement of missing piles. The District made the decision to close the Avila Pier in June of 2015 due to safety concerns. The District has made steady progress on the pier rehabilitation project by forming a nonprofit 501(c)(3) and working with a local marketing company to determine the feasibility of rehabilitation.

## **District Goals**

As part of the annual budget process, the Harbor Commission adopted a list of goals for the District moving forward. These goals include:

### *Provide for commercial and recreational boating and fishing activities*

- Extend mobile-hoist pier.
- Work with Yacht Club to increase boating access.
- Identify and secure funding for a new water taxi boat.
- Reconvene ad hoc mooring committee to review and update policies.

### *Provide coastal related opportunities*

- Continue progress on the Harbor Terrace Project.
- Avila pier rehabilitation project.
- Determine use of lighthouse duplex.

### *Be environmentally responsible*

- Continue to maintain Clean Marinas certificate.
- Continue to work with Division of Boating and Waterways to secure Surrendered and Abandoned Vessel Exchange funds.
- Implement Best Management Practices for sewer system.

- Look into creating a live-aboard policy.
- Continue to be energy efficient.

*Provide a safe environment*

- Participate in the County special events task force.
- Continue with high standards of safety training all staff.
- Research dock options for both District staff and members of the public.
- Review ordinance on seaworthiness.

*Be well-managed*

- Continue work on creating efficiencies through technology.
- Obtain recognition as a District of Distinction through CSDA.
- Continue to receive budget recognition from the Government Finance Officers Association (GFOA).
- Continue with professional development for staff and Commissioners.

*Financially sustainable*

- Aggressively pursue grant opportunities that can be used for preservation of existing infrastructure and deferred maintenance.
- Complete first stage of parking management plan.
- Increase fees to offset costs, where reasonable and where all cost savings options have been explored, before reducing service levels.
- Develop branded retail operations.

*Preserve marine heritage and character*

- Harford Pier Project:
  - Develop a Coastal Development Permit for future improvements to pier terminus.
- Continue to support commercial fishing heritage.
- Negotiate Commercial Fisherman's lease agreement.
- Continuing Advocacy for:
  - Federal Breakwater Repair.
  - Dredging and Regional Sediment Management.
  - Critical Harbor of Refuge.
  - Coast Guard presence in Port.
  - Denial of Marine Sanctuary application.
  - Other matters of mutual District, County, State and Federal interest.

The District is optimistic that it will be able to meet many of these goals during the 2017 fiscal year which all speak to the mission of the Harbor District, to serve the public with an array of commercial and recreational boating, fishing and coastal-related opportunities, while ensuring an environmentally responsible, safe, well-managed and financially sustainable harbor that preserves our marine heritage and character.

## **AWARD AND ACKNOWLEDGEMENT**

### **Distinguished Budget Presentation Award**

The Government Finance Officers Association (GFOA) awarded the Distinguished Budget Presentation Award to the Port San Luis Harbor District for its annual budgets for the 2014, 2015 and 2016 fiscal years. This award is the highest form of recognition in governmental budgeting.

### **Acknowledgements**

The preparation of this report would not have been possible without the dedicated services of the Accounting Department, the District Treasurer and the independent auditors. We would like to extend our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the members of the Harbor Commission and District Management for their continued interest in the quality of the District's financial reporting and internal control.

Respectfully submitted,



Andrea Lueker  
*Harbor Manager*



Phillip Sexton,  
*Treasurer*



## **Principal Officers as of June 30, 2016**

### **Harbor Commission**

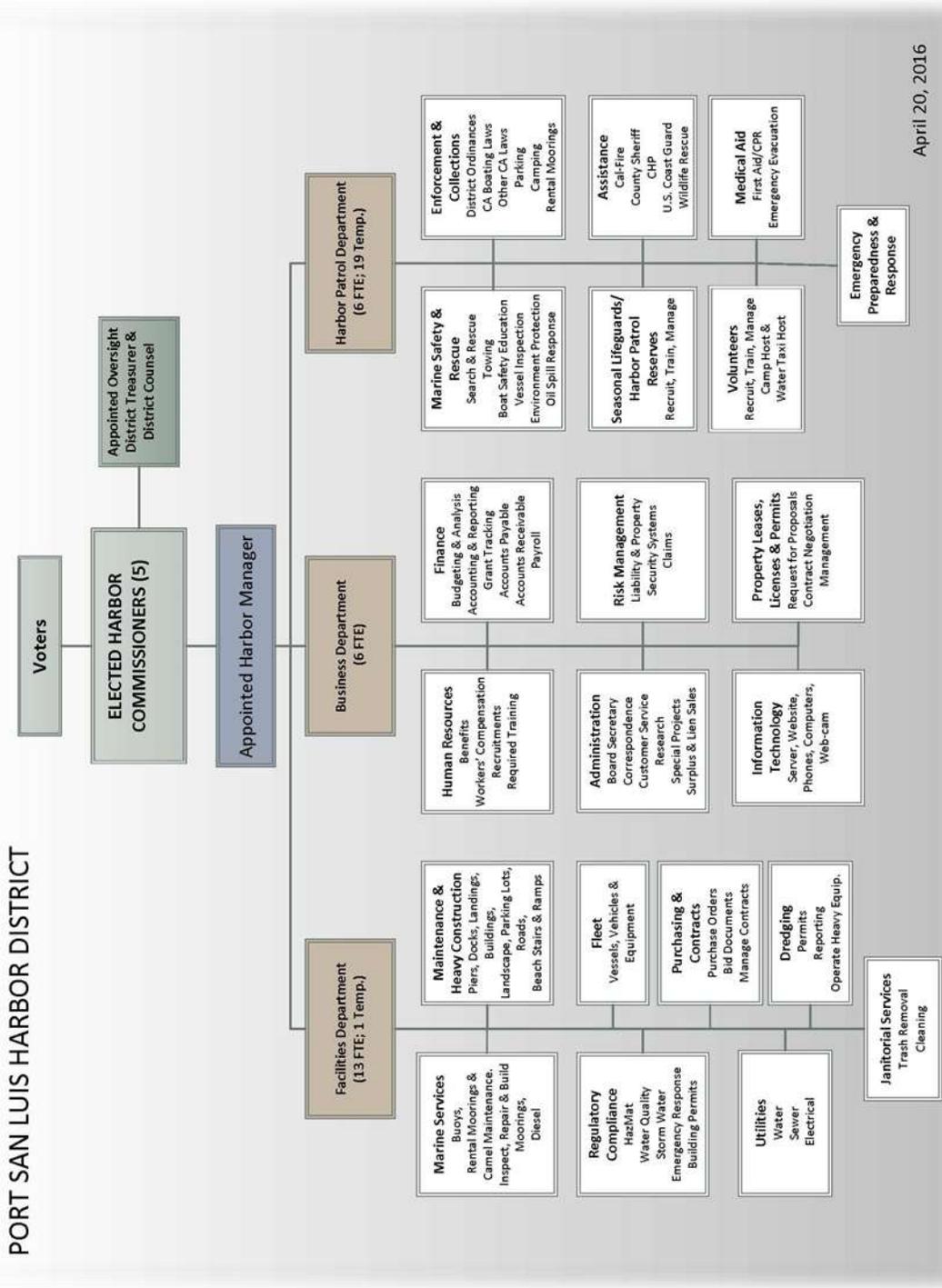
Dave Kirk, President  
Mary Matakovich, Vice President  
Drew Brandy, Secretary  
Jim Blecha, Commissioner  
Bill Barrow, Commissioner

### **Executive Management Team**

Andrea Lueker, Harbor Manager  
Kristen Stout, Business Manager  
Loch Dreizler, Facilities Manager  
Phillip Sexton, Treasurer



# Organizational Chart





# Financial Section



Moss, Levy & Hartzheim LLP

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Port San Luis Harbor District  
Avila Beach, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Port San Luis Harbor District (the District), as of and for the fiscal year ended June 30, 2016, 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 opinions 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 Government 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 from 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 risks 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 audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Port San Luis Harbor District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1 to the financial statements effective July 1, 2015, the Port San Luis Harbor District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Appreciation. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-19, the budgetary comparison information on page 49, the Schedule of Funding Progress for Postemployment Benefits Other than Pensions on page 50, the Schedule of Proportionate Share of Net Pension Liability on page 51, and the Schedule of Contributions on page 52 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 Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Port San Luis Harbor District's basic financial statements. The accompanying Introductory Section, Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Proprietary Fund and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Port San Luis Harbor District.

The accompanying Introductory Section, Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Proprietary Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The statistical section has 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the Port San Luis Harbor 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.

*Moss, Kelly & Hutzheim LLP*

Santa Maria, California  
December 8, 2016

## Management's Discussion and Analysis

This section of Port San Luis Harbor District's ("District") annual financial report represents an analysis of the District's financial performance and financial condition for the year ended June 30, 2016. This information should be read in conjunction with the District's financial statements, which follow the Management's Discussion and Analysis.

### Financial Highlights

- The District's government-wide net position was \$9,198,131 at June 30, 2016. This was an increase of \$160,808 for the year.
- Revenues of \$5,347,311 were \$15,607 or 0.3% less than prior year revenues. Service revenues increased by \$54,443, grant revenues decreased by \$249,623, while general revenues increased by \$179,573.
- Expenses of \$5,186,503 were \$260,871, or 5.3%, more than prior year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information and statistical information in addition to the basic financial statements themselves.

**Governmental-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows and cash uses in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities and business-type activities include administration, operations, maintenance of structures and public infrastructure, and safety and services. Governmental activities are related to general public use, while business-type activities support services that require the user to pay rent, fees, or charges for the use of the service (mooring operations, RV park use, property leases, licenses, etc.).

The government-wide financial statements can be found on pages 24-26 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District can be divided into governmental funds and a proprietary fund.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds are narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position (page 29) and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (page 31) provide users visibility as to the differences between the respective statements at June 30, 2016 and the current year changes thereto.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital outlay fund, both of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 27-31 of this report.

**Proprietary Funds.** The District maintains one proprietary (enterprise) fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its activities that generate operating revenues such as 1) leases of real property to proprietors for restaurants, fish markets, fishing expeditions, mooring rentals, fuel, boat launching and bait and tackle shops 2) mooring rental for both recreational and fishing vessels 3) space storage for gear and trailer boats 4) overnight RV space rentals 5) parking and 6) boat haul out and repair facilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The District adopts an annual appropriated budget for its proprietary fund. A budgetary comparison statement has been provided for the enterprise fund to demonstrate compliance with this budget.

The proprietary fund financial statements can be found on pages 32-34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-52 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligation to provide post-employment benefits for its retirees and the District's pension plans. Required supplementary information can be found on pages 53-57 of this report.

**Statistical section.** The statistical section of the financial report offers operational, economic and historical data that provide a context for assessing the District's economic condition. It is designed to meet five objectives: 1) provide information on financial trends, 2) provide information on revenue capacity, 3) provide information on debt capacity, 4) provide demographic and economic information, and 5) provide operating information. The statistical section can be found on pages 60-72 of this report.

### **Government-wide Financial Analysis**

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 exceeded liabilities by \$9,198,131 at the close of the most recent fiscal year. Of this amount \$8,529,295 is invested in capital assets (net of debt) such as land, buildings, piers, beaches, machinery, and equipment. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Additionally, the District has \$12,230 restricted for future capital projects. The remaining amount of \$656,606 is unrestricted. This unrestricted amount is available for unforeseen events, general operating purposes, capital asset replacement and for future development opportunities that will provide the District with additional revenue sources.

**Port San Luis Harbor District's Net Position  
As of June 30th**

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$2,034,300	\$2,037,109	\$2,674,395	\$2,291,247	\$4,708,695	\$4,328,356
Capital assets	5,783,990	6,115,009	2,748,637	2,910,474	8,532,627	9,025,483
Total assets	<u>7,818,290</u>	<u>8,152,118</u>	<u>5,423,032</u>	<u>5,201,721</u>	<u>13,241,322</u>	<u>13,353,839</u>
Deferred pensions	296,738	149,294	137,280	136,229	434,018	285,523
Total deferred outflows of resources	<u>296,738</u>	<u>149,294</u>	<u>137,280</u>	<u>136,229</u>	<u>434,018</u>	<u>285,523</u>
Long-term liabilities	731,673	917,318	195,876	207,200	927,549	1,124,518
Net pension liability	1,908,342	1,556,396	882,856	610,531	2,791,198	2,166,927
Other liabilities	391,094	409,293	137,770	176,618	528,864	585,911
Total liabilities	<u>3,031,109</u>	<u>2,883,007</u>	<u>1,216,502</u>	<u>994,349</u>	<u>4,247,611</u>	<u>3,877,356</u>
Deferred pensions	156,976	520,504	72,622	204,179	229,598	724,683
Total deferred inflows of resources	<u>156,976</u>	<u>520,504</u>	<u>72,622</u>	<u>204,179</u>	<u>229,598</u>	<u>724,683</u>
Net position:						
Invested in capital assets, net of related debt	5,780,658	6,109,778	2,748,637	2,910,474	8,529,295	9,020,252
Restricted for capital projects	12,230	154,050	-	-	12,230	154,050
Unrestricted	<u>(865,945)</u>	<u>(1,365,927)</u>	<u>1,522,551</u>	<u>1,228,948</u>	<u>656,606</u>	<u>(136,979)</u>
Total net position	<u>\$4,926,943</u>	<u>\$4,897,901</u>	<u>\$4,271,188</u>	<u>\$4,139,422</u>	<u>\$9,198,131</u>	<u>\$9,037,323</u>

The District implemented GASB 68 effective July 1, 2014.

Compliance with GASB 68 requires that the District's net pension liability for its Safety and Miscellaneous members be recorded on the Statement of Net Position, which reduces unrestricted net position and, in some cases, creates a negative unrestricted net position or deficit.

The deferred pension outflows and deferred pension inflows reported on the Statement of Net Position represent the unamortized portion of changes to the net pension liability to be recognized in future periods.

During the year ended June 30, 2016, the District's government-wide net position increased by \$160,808. Program revenues were \$2,139,678 which includes \$78,833 in operating and capital grants and contributions. General revenues were \$3,207,633, consisting primarily of property tax revenues. Expenses of the District for the year ended June 30, 2016 totaled \$5,186,503.

**Port San Luis Harbor District's Changes in Net Position**  
**Fiscal year ended June 30th**

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 2,060,845	\$ 2,006,402	\$ 2,060,845	\$ 2,006,402
Operating grants and contributions	69,974	37,000	-	-	69,974	37,000
Capital grants and contributions	-	-	8,859	291,456	8,859	291,456
General revenues:						
Property taxes	3,181,468	3,011,338	-	-	3,181,468	3,011,338
Investment income & other	5,444	10,347	20,721	6,375	26,165	16,722
Total revenues	<u>3,256,886</u>	<u>3,058,685</u>	<u>2,090,425</u>	<u>2,304,233</u>	<u>5,347,311</u>	<u>5,362,918</u>
Expenses:						
Administration	1,134,580	1,316,743	986,333	725,515	2,120,913	2,042,258
Operations	131,448	105,034	370,377	365,736	501,825	470,770
Maintenance	1,219,212	1,156,489	455,634	439,270	1,674,846	1,595,759
Safety and services	877,904	806,265	11,015	10,580	888,919	816,845
Total expenses	<u>3,363,144</u>	<u>3,384,531</u>	<u>1,823,359</u>	<u>1,541,101</u>	<u>5,186,503</u>	<u>4,925,632</u>
Transfer between funds	135,300	-	(135,300)	-	-	-
Increase (decrease) in net position	29,042	(325,846)	131,766	763,132	160,808	437,286
Net position, beginning of fiscal year	4,897,901	7,162,694	4,139,422	4,136,885	9,037,323	11,299,579
Prior period adjustment	-	(1,938,947)	-	(760,595)	-	(2,699,542)
Net position, beginning of fiscal year, restated	4,897,901	5,223,747	4,139,422	3,376,290	9,037,323	8,600,037
Net position, end of fiscal year	<u>\$ 4,926,943</u>	<u>\$ 4,897,901</u>	<u>\$ 4,271,188</u>	<u>\$ 4,139,422</u>	<u>\$ 9,198,131</u>	<u>\$ 9,037,323</u>

**Governmental activities.** Total revenues for the governmental activities for the year ended June 30, 2016 were \$3,256,886 including \$3,181,468 of property tax revenue and \$69,974 of operating and capital contributions and grants. Governmental activities expenses were \$3,363,144. Additionally, the District transferred \$135,300 from the enterprise fund resulting in an increase in net position of \$29,042.

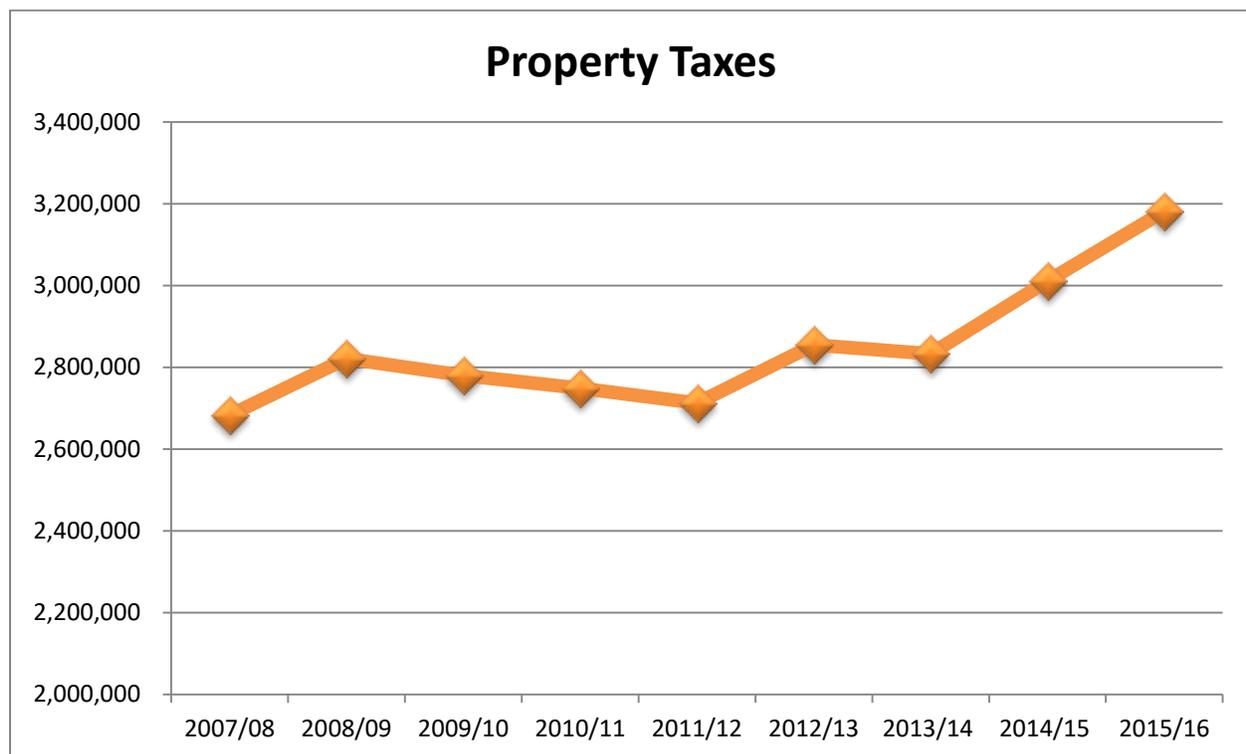
**Business-type activities.** Revenues for the business-type activities totaled \$2,090,425 for the fiscal year. Operating expenses were \$1,823,359. As mentioned above, the enterprise fund transferred \$135,300 to the general fund. The excess of revenues over expenses resulted in an increase in net position of \$131,766 for the enterprise activities.

## Financial Analysis of the District's Funds

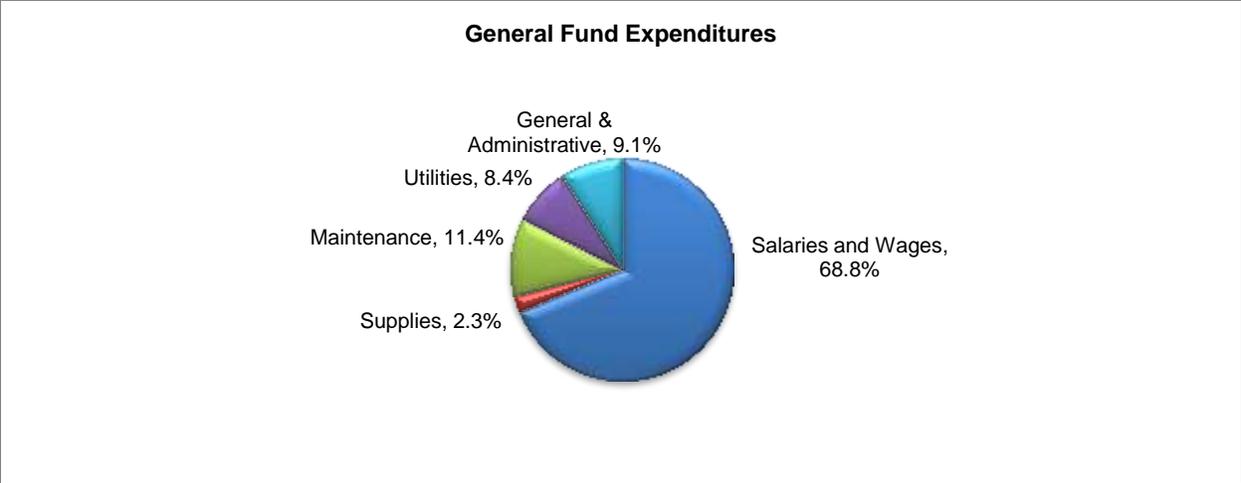
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The governmental funds are represented by two funds, general governmental services (“general fund”) and capital projects. At June 30, 2016, the District’s governmental funds reported total assets of \$2,034,300 and a combined fund balance of \$1,664,028. Of the \$2,034,300 in assets \$2,030,662 is held in cash and investments. The liability balance was \$370,272 at June 30, 2016. Accordingly, current assets are sufficient to meet current obligations.

The general fund revenues were \$3,263,684 with \$3,181,468 coming from property tax revenue, \$69,974 from grants, and \$12,242 from use of money and property. This was an increase of \$206,320 from last year’s revenues of \$3,057,364.

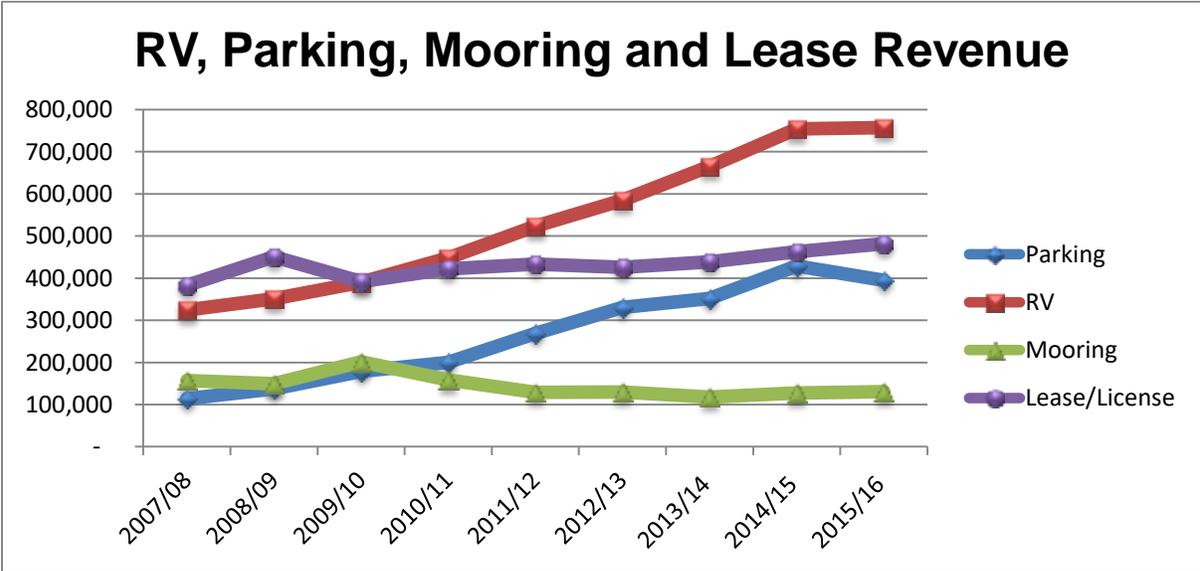


General fund expenditures totaled \$3,248,364, a \$156,055 increase from the prior year. The District increased its staffing levels at the start of the fiscal year, reinstating the funding for both a Harbor Patrol Officer and Port Maintenance Worker position and eliminated the funding for a Temporary Port Maintenance Worker position. Of the total expenditures, 68.8% are for salaries, wages and benefits, 9.1% for general and administrative, 8.4% for utilities and the remaining 13.7% are for supplies and maintenance.

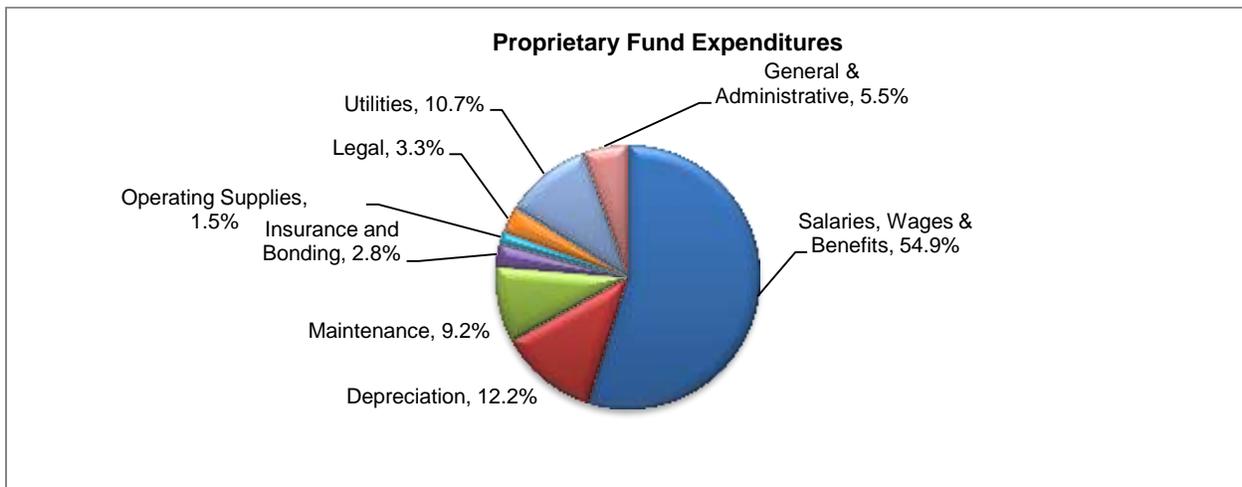


The capital projects fund had project costs of \$141,820. The District purchased a new backhoe, lifeguard tower, and Harbor Patrol boat engine.

*Proprietary funds.* The proprietary fund carries on business-like activities. Operating revenues less cost of goods sold were \$2,060,845 for the fiscal year, an increase of \$54,443 over the prior year. This was primarily due to increases in administrative, lease and license, and citation revenue. RV camping and mooring revenues increased slightly while parking revenues decreased. Other non-operating revenues totaled \$20,721.



Operating expenses were \$1,823,359 for the fiscal year, a \$282,258 or an 18.3% increase from the prior fiscal year. The majority of the reported increase is due to costs related to the District's net pension liability increase. Approximately 54.9% of the costs are salaries, wages and benefits, 12.2% is depreciation and amortization, 10.7% is utilities, and 2.8% is insurance. The remaining 19.4% is for supplies, maintenance, legal services, and general and administrative costs.



### General Fund Budgetary Highlights

The Final Budget included estimates of approximately \$3,049,000 in revenues and \$3,147,650 in expenditures, a decrease in fund balance of \$98,650. In comparison, the fund balance increased \$150,620, an increase over budget of \$249,270. This increase included a \$135,300 transfer from the enterprise fund.

### Capital Assets

The District's investment of capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$8,532,627 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, District facilities, and piers. The total decrease in the District's investment in capital assets for the current fiscal year was 5.5%.

#### Port San Luis Harbor District's Capital Assets

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 565,230	\$ 565,230	\$ 598,565	\$ 598,565	\$ 1,163,795	\$ 1,163,795
Buildings, facilities and improvements	12,154,863	12,141,464	5,388,179	5,336,464	17,543,042	17,477,928
Equipment and Machinery	1,341,012	1,284,639	678,979	696,338	2,019,991	1,980,977
Construction in progress	-	-	-	-	-	-
Less accumulated depreciation	(8,277,115)	(7,876,324)	(3,917,086)	(3,720,893)	(12,194,201)	(11,597,217)
Net capital assets	<u>\$ 5,783,990</u>	<u>\$ 6,115,009</u>	<u>\$ 2,748,637</u>	<u>\$ 2,910,474</u>	<u>\$ 8,532,627</u>	<u>\$ 9,025,483</u>

Capital asset events included a new backhoe, lifeguard tower, and Harbor Patrol boat engine.

### **Economic Factors and Next Year's Budget and Rates**

The District's budgeted overall revenues, including grant revenue, for next year are \$5,567,400 while budgeted expenditures are \$6,007,800. The \$440,400 variance will be funded by assigned reserve balances. The District's 2016/17 budget outlook is in accord with expected economic conditions.

### **Request for Information**

This financial report is designed to provide a general overview of the Port San Luis Harbor District's finances and to demonstrate the District's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to the Port San Luis Harbor District, P.O. Box 249, Avila Beach, CA 93424.

**PORT SAN LUIS HARBOR DISTRICT****STATEMENT OF NET POSITION**

June 30, 2016

	<u>Governmental Activities</u>	<u>Business -type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,030,662	\$ 2,515,464	\$ 4,546,126
Accounts receivable	185	63,910	64,095
Grants receivable	3,453	24,413	27,866
Interest receivable		6,117	6,117
Inventory		63,766	63,766
Prepaid items		725	725
Capital assets:			
Nondepreciable	565,230	598,565	1,163,795
Depreciable, net	<u>5,218,760</u>	<u>2,150,072</u>	<u>7,368,832</u>
 Total assets	 <u>7,818,290</u>	 <u>5,423,032</u>	 <u>13,241,322</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pensions	<u>296,738</u>	<u>137,280</u>	<u>434,018</u>
 Total deferred outflows of resources	 <u>296,738</u>	 <u>137,280</u>	 <u>434,018</u>
 <b>LIABILITIES</b>			
Accounts payable	47,947	28,216	76,163
Accrued expenses	53,087	22,782	75,869
Accrued interest payable	3,332		3,332
Unearned revenue	269,238	61,880	331,118
Refundable deposits		18,090	18,090
Noncurrent liabilities:			
Due within one year	17,490	6,802	24,292
Due in more than one year	731,673	195,876	927,549
Net pension liability	<u>1,908,342</u>	<u>882,856</u>	<u>2,791,198</u>
 Total liabilities	 <u>3,031,109</u>	 <u>1,216,502</u>	 <u>4,247,611</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	<u>156,976</u>	<u>72,622</u>	<u>229,598</u>
 Total deferred inflows of resources	 <u>156,976</u>	 <u>72,622</u>	 <u>229,598</u>
 <b>NET POSITION</b>			
Net investment in capital assets	5,780,658	2,748,637	8,529,295
Restricted for capital projects	12,230		12,230
Unrestricted	<u>(865,945)</u>	<u>1,522,551</u>	<u>656,606</u>
 Total net position	 <u>\$ 4,926,943</u>	 <u>\$ 4,271,188</u>	 <u>\$ 9,198,131</u>

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
Administration	\$ 1,134,580	\$ -	\$ 69,974	\$ -
Operations	131,448			
Maintenance	1,219,212			
Safety and services	877,904			
Total governmental activities	<u>3,363,144</u>		<u>69,974</u>	
Business-type activities:				
Administration	986,333	98,260		8,859
Operations	370,377	1,528,314		
Maintenance	455,634	395,133		
Safety and services	11,015	39,138		
Total business-type activities	<u>1,823,359</u>	<u>2,060,845</u>		<u>8,859</u>
Total government	<u>\$ 5,186,503</u>	<u>\$ 2,060,845</u>	<u>\$ 69,974</u>	<u>\$ 8,859</u>

General Revenues

Taxes:

Property taxes and assessments

Investment income and earnings

Loss on disposal of capital assets

Other

Total general revenues

Internal Activity

Transfers

Change in net position

Net position, beginning of fiscal year

Net position, end of fiscal year

The notes to basic financial statements are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

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Governmental Activities	Business-type Activities	Total
\$ (1,064,606)	\$ -	\$ (1,064,606)
(131,448)		(131,448)
(1,219,212)		(1,219,212)
(877,904)		(877,904)
(3,293,170)		(3,293,170)
	(879,214)	(879,214)
	1,157,937	1,157,937
	(60,501)	(60,501)
	28,123	28,123
	246,345	246,345
(3,293,170)	246,345	(3,046,825)
3,181,468		3,181,468
12,242	10,222	22,464
(6,798)		(6,798)
	10,499	10,499
3,186,912	20,721	3,207,633
135,300	(135,300)	
29,042	131,766	160,808
4,897,901	4,139,422	9,037,323
\$ 4,926,943	\$ 4,271,188	\$ 9,198,131

**PORT SAN LUIS HARBOR DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2016

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	General Fund	Capital Projects Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 2,018,432	\$ 12,230	\$ 2,030,662
Accounts receivable	185		185
Grants receivable	<u>3,453</u>		<u>3,453</u>
 Total assets	 <u><u>\$ 2,022,070</u></u>	 <u><u>\$ 12,230</u></u>	 <u><u>\$ 2,034,300</u></u>

continued

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2016

	General Fund	Capital Projects Fund	Total
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 47,947	\$ -	\$ 47,947
Payroll and related liabilities	53,087		53,087
Unearned revenue	269,238		269,238
<b>Total liabilities</b>	<b>370,272</b>		<b>370,272</b>
Fund Balances:			
Restricted:			
Capital projects		12,230	12,230
Assigned:			
Avila Pier	45,000		45,000
Dredge	11,535		11,535
Election	45,000		45,000
Facilities	141,500		141,500
Vehicle replacement	170		170
OPEB	41,400		41,400
Equipment	3,250		3,250
Building improvements	62,210		62,210
Hoist	9,500		9,500
Crane	14,738		14,738
Utility	45,800		45,800
Harbor terrace	65,520		65,520
Computer equipment	10,729		10,729
Safety equipment	12,000		12,000
Coastal gateway	14,790		14,790
TRAN	135,300		135,300
Waste treatment plant	20,000		20,000
Water tank	31,000		31,000
Discretionary	1,310		1,310
Unassigned	941,046		941,046
<b>Total fund balances</b>	<b>1,651,798</b>	<b>12,230</b>	<b>1,664,028</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,022,070</b>	<b>\$ 12,230</b>	<b>\$ 2,034,300</b>

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

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Total fund balances - governmental funds \$ 1,664,028

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 14,061,105	
Accumulated depreciation	<u>8,277,115</u>	5,783,990

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported.

Long-term liabilities and interest payable relating to governmental activities consist of:

OPEB payable	\$ 293,178	
Capital lease obligation	2,537	
Note payable	303,922	
Net pension liability	1,908,342	
Compensated absences payable	<u>149,526</u>	(2,657,505)

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of net position, it is recognized in the period that it is incurred. (3,332)

Deferred outflows and inflows of resources relating to pension: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred inflows of resources relating to pensions	(156,976)	
Deferred outflows of resources relating to pensions	<u>296,738</u>	<u>139,762</u>

Total net position - governmental activities \$ 4,926,943

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Total
<b>Revenues:</b>			
Property taxes and assessments	\$ 3,181,468	\$ -	\$ 3,181,468
Grant income	69,974		69,974
Use of money and property	12,242		12,242
<b>Total revenues</b>	<b>3,263,684</b>		<b>3,263,684</b>
<b>Expenditures:</b>			
Salaries and wages	1,329,536		1,329,536
Employee benefits	799,533		799,533
Contract services	105,762		105,762
Supplies	73,468		73,468
Maintenance	371,573		371,573
Capital outlay		141,820	141,820
Utilities	272,372		272,372
General and administrative	296,120		296,120
<b>Total expenditures</b>	<b>3,248,364</b>	<b>141,820</b>	<b>3,390,184</b>
Excess of revenues over (under) expenditures	15,320	(141,820)	(126,500)
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	135,300		135,300
<b>Total other financing sources (uses)</b>	<b>135,300</b>		<b>135,300</b>
Net change in fund balances	150,620	(141,820)	8,800
Fund balances, beginning of fiscal year	1,501,178	154,050	1,655,228
Fund balances, end of fiscal year	<u>\$ 1,651,798</u>	<u>\$ 12,230</u>	<u>\$ 1,664,028</u>

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2016**

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Net change in fund balances - governmental funds	\$ 8,800
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay additions of \$141,820 was less than depreciation expense of \$466,041 in the period.</p>	(324,221)
<p>In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.</p>	187,131
<p>In governmental funds, expenses incurred during the period but not expended to be liquidated with expendable available financial resources are not recorded. In the government-wide statements, these expenses are recorded during the period related to the liabilities that are still outstanding at year-end.</p>	1,944
<p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid). This fiscal year, vacation used exceeded the amounts earned by \$44,907.</p>	44,907
<p>In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:</p>	(41,747)
<p>In governmental funds, gains and losses on the sale of capital assets is not recorded. In the statement of activities, gains and losses on sales of capital assets are recorded. The loss on the disposal of capital assets was:</p>	(6,798)
<p>In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:</p>	<u>159,026</u>
Change in net position - governmental activities	<u><u>\$ 29,042</u></u>

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2016

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and investments	\$ 2,515,464
Accounts receivable, net of allowance	63,910
Grants receivable	24,413
Interest receivable	6,117
Prepaid items	725
Inventory	<u>63,766</u>
Total current assets	<u>2,674,395</u>
<b>Capital Assets:</b>	
Land	598,565
Plant and facilities	5,388,179
Machinery and equipment	678,979
Less: accumulated depreciation	<u>(3,917,086)</u>
Net capital assets	<u>2,748,637</u>
Total assets	<u>5,423,032</u>
<b>Deferred Outflows of Resources</b>	
Deferred pensions	<u>137,280</u>
Total deferred outflows of resources	<u>137,280</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	28,216
Payroll and related items	22,782
Unearned revenue	61,880
Deposits	18,090
Compensated absences	<u>6,802</u>
Total current liabilities	<u>137,770</u>
<b>Noncurrent Liabilities:</b>	
Compensated absences	61,222
OPEB payable	134,654
Net pension liability	<u>882,856</u>
Total noncurrent liabilities	<u>1,078,732</u>
Total liabilities	<u>1,216,502</u>
<b>Deferred Inflows of Resources</b>	
Deferred pensions	<u>72,622</u>
Total deferred inflows of resources	<u>72,622</u>
<b>Net Position</b>	
Net investment in capital assets	2,748,637
Unrestricted	<u>1,522,551</u>
Total net position	<u>\$ 4,271,188</u>

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2016

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	Enterprise Fund
<b>Operating Revenues:</b>	
Moorage operations	\$ 130,299
Service charges and fees	537,274
Leases, licenses, and rentals	1,371,278
Diesel sales	21,994
	<u>2,060,845</u>
Total operating revenues	<u>2,060,845</u>
<b>Operating Expenses:</b>	
Salaries and wages	527,497
Payroll taxes and benefits	467,419
Contract labor	5,801
Depreciation	222,804
Maintenance and repairs	167,084
Insurance and bonding	51,680
Operating supplies	26,836
Legal	59,449
Utilities	195,110
General and administrative overhead	99,679
	<u>1,823,359</u>
Total operating expenses	<u>1,823,359</u>
Operating income	<u>237,486</u>
<b>Non-Operating Income (Expenses):</b>	
Investment income and earnings	10,222
Gain on sale of capital assets	7,967
Miscellaneous income	2,532
	<u>20,721</u>
Total non-operating revenues (expenses)	<u>20,721</u>
<b>Capital Contributions:</b>	
Grant revenue	8,859
	<u>8,859</u>
Total capital contributions	<u>8,859</u>
<b>Transfers:</b>	
Transfers out	<u>(135,300)</u>
Total transfers	<u>(135,300)</u>
Change in net position	<u>131,766</u>
Total net position, beginning of fiscal year	<u>4,139,422</u>
Total net position, end of fiscal year	<u><u>\$ 4,271,188</u></u>

The notes to basic financial statements are an integral part of this statement.

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2016

	Enterprise Fund
<b>Cash Flows From Operating Activities:</b>	
Receipts from customers and users	\$ 2,016,499
Payments to suppliers	(603,040)
Payments to employees	(866,215)
Net cash provided by operating activities	<u>547,244</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Grant revenue received	11,073
Sales proceeds of capital assets	9,320
Purchase of capital assets	(62,320)
Net cash used by capital and related financing activities	<u>(41,927)</u>
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>	
Transfer to other funds	(135,300)
Miscellaneous revenues	2,532
Net cash provided by non-capital and related financing activities	<u>(132,768)</u>
<b>Cash Flows from Investing Activities:</b>	
Investment income	7,525
Net cash provided by investing activities	<u>7,525</u>
Net increase in cash and cash equivalents	380,074
Cash and cash equivalents, beginning of fiscal year	<u>2,135,390</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 2,515,464</u>
Reconciliation to Statement of Net Position:	
Cash and investments	<u>\$ 2,515,464</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 237,486
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	222,804
Change in operating assets, liabilities, deferred outflows, and deferred inflows:	
(Increase) decrease in accounts receivable	(9,045)
(Increase) decrease in prepaid expenses	768
(Increase) decrease in inventory	5,686
(Increase) decrease in deferred outflows	(1,051)
Increase (decrease) in accounts payable	(3,855)
Increase (decrease) in accrued payroll	3,668
Increase (decrease) in unearned revenue	(4,785)
Increase (decrease) in deposits	(30,516)
Increase (decrease) in accrued compensation	(33,597)
Increase (decrease) in net pension liability	272,325
Increase (decrease) in deferred inflows	(131,557)
Increase (decrease) in OPEB payable	18,913
Net cash provided by operating activities	<u>\$ 547,244</u>

The notes to basic financial statements are an integral part of this statement.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Port San Luis Harbor District (District) was formed on January 27, 1954, under the California Harbors and Navigation Code. It is governed by an elected board of five commissioners. The District was created to provide stewardship for the use and development of the land and water areas under its jurisdiction.

**B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation**

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental entities.

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These statements include separate columns for the governmental activities and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the District.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation (Continued)**

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified - accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the fiscal year that resources were expended, rather than as capital assets. The proceeds of long-term debt are recorded as an *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenditures/expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

The District reports the following major governmental funds:

The *General Fund* is the District’s primary operating fund. The General Fund is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the District that are not accounted for through other funds. For the District, the General Fund includes such activities as public protection, public ways and facilities, and recreational services.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital assets and facilities (other than those financed by proprietary funds).

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation (Continued)**

The District reports the following major proprietary fund:

The *Enterprise Fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with proprietary funds' principal ongoing operations.

**C. Budgetary Basis of Accounting**

In accordance with the provisions of 6093.3 of the California Harbors and Navigation Code, the District prepares and legally adopts a final budget for each fiscal year on or before August 30. Budgeted expenditures are approved through a resolution to adopt the final budget. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded unless subsequent amendments to the budget are approved by the District's Board of Commissioners.

A preliminary budget is adopted each fiscal year. Expenditures are controlled at the budget category within the budget fund for the District. The budget category within a budget fund is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between budget categories within the same budget fund are authorized by the District Manager's office and must be approved by the Board of Commissioners. Supplementary appropriations normally financed by unanticipated revenues during the fiscal year must be approved by the Board of Commissioners. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year as approved by the Board of Commissioners.

**D. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date required.

The District follows the practice of pooling cash and investments, which represent deposits, time certificates of deposit, and U.S. Government securities. The securities are stated at fair market value.

The District considers all cash and investments held in the Treasury and mutual funds as cash equivalents.

**E. Investments**

Investments are stated at fair value.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Inventories**

Inventories in the enterprise fund consist of fuel and mooring equipment. Inventory for fuel is valued at the lower of cost (first-in, first-out) or market. Inventory for mooring equipment is valued at first-in first-out.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**H. Capital Assets**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and estimated useful life exceeding one reporting period.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, streets, sidewalks, piers, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the applicable governmental or business-type activity column in the government-wide financial statements. Depreciation is charged as an expense against operations. The estimated useful lives are as follows:

Equipment	2 to 10 years
Improvements	5 to 60 years

**I. Long-term Obligations**

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

**J. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Sick and vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**K. Fund Balances**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Fund Balances (Continued)**

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenses/expenditures in the reimbursing fund and as reductions of expenses/expenditures in the fund that is reimbursed.

All other interfund transactions except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources as a consumption of net position by the government that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred inflows of resources the District has reported.

**N. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 72

For the fiscal year ended June 30, 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “*Fair Value Measurement and Application*.” This Statement is effective for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of the GASB Statement No. 72 and the impact on the District’s financial statements are explained in Note 2-Cash and Investments.

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

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**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Future Accounting Pronouncements**

GASB Statements listed below will be implemented in future financial statements:

Statement No. 74	"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provisions of this statement are effective for fiscal years beginning after July 15, 2016.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

**NOTE 2 - CASH AND INVESTMENTS**

The District pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

On June 30, 2016, the District had the following cash and investments:

Deposits:		
Cash on hand		\$ 1,030
Cash in banks		<u>240,933</u>
		<u>241,963</u>
Pooled Investment Funds:		
Cash and investments in San Luis Obispo County Treasury		39,159
State of California Local Agency Investment Fund (LAIF)		<u>3,927,204</u>
		<u>3,966,363</u>
Investments:		
U.S. Government Securities Fund		<u>337,800</u>
		<u>337,800</u>
Total Cash and Investments		<u>\$ 4,546,126</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the San Luis Obispo County Investment Pool of \$39,159, however, this external pool is not measured under Level 1, 2, or 3.

The District has the following recurring fair value measurements as of June 30, 2016:

	<b>Fair Value Measurement Using</b>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>			
Debt securities			
Mutual funds	\$ 337,800	\$ 337,800	\$ -
Total investments measured at fair value	<u>337,800</u>	<u>\$ 337,800</u>	<u>\$ -</u>
Investments measured at amortized cost			
	LAIF	<u>3,927,204</u>	
	Total investments	<u>\$ 4,265,004</u>	

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes, bonds	5 YR	100%	No Limit
Federal Agencies	5 YR	100%	No Limit
Federal Instrumentalities	5 YR	100%	No Limit
State and Local Agencies			
District's Own Bonds	5 YR	100%	No Limit
State Instruments	5 YR	10%	No Limit
Other Local Agency (within CA Only)	5 YR	10%	No Limit
Repurchase Agreements/Reserve repurchase agreements	1 YR	20%	No Limit
Prime Commercial Paper	270 days	15%	10%
Bankers' Acceptances	180 days	40%	30%
Collateralized Bank Deposits	5 YR	100%	No Limit
Medium-Term Notes	5 YR	30%	No Limit
Local Agency Investment Fund (LAIF)	N/A	100%	No Limit
Money Market Mutual Funds	1 YR	15%	No Limit
Mutual Funds	N/A	20%	10%
Negotiable Certificates of Deposit	5 YR	30%	No Limit
Mortgage Pass-Through Securities	5 YR	20%	No Limit
County Investment Pool	N/A	100%	No Limit

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Disclosures Relating to 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 longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
San Luis Obispo County Investment Pool	\$ 39,159	\$ 39,159	\$ -	\$ -	\$ -
U.S. Government Securities Fund	337,800	337,800			
LAIF	<u>3,927,204</u>	<u>3,927,204</u>			
<b>Total</b>	<b>\$ <u>4,304,163</u></b>	<b>\$ <u>4,304,163</u></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
San Luis Obispo County Investment Pool	\$ 39,159	N/A	\$ -	\$ -	\$ -	\$ 39,159
U.S. Government Securities Fund	337,800	N/A		337,800		
LAIF	<u>3,927,204</u>	N/A				<u>3,927,204</u>
<b>Total</b>	<b>\$ <u>4,304,163</u></b>		<b>\$ -</b>	<b>\$ <u>337,800</u></b>	<b>\$ -</b>	<b>\$ <u>3,966,363</u></b>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk (continued)

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. 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 government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts 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 that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**NOTE 3 - PROPERTY TAXES**

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

**Tax Collections** - are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

**Tax Levy Apportionments** - Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

**Property Tax Administration Fees** - The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and is reported as an administrative expense.

**Tax Levies** - are limited to 1% of fair value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

**Tax Levy Dates** - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

**Property Valuations** - are established by the Assessor of the County of San Luis Obispo for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of fair value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 4 – CAPITAL ASSETS**

	Balance July, 1 2015	Additions	Deletions	Balance June 30, 2016
<b>Governmental Activities</b>				
Nondepreciable capital assets:				
Land	\$ 565,230	\$ -	\$ -	\$ 565,230
Total nondepreciable capital assets	565,230			565,230
Depreciable capital assets:				
Buildings and improvements	12,141,464	25,895	12,496	12,154,863
Equipment	1,284,639	115,925	59,552	1,341,012
Total depreciable capital assets	13,426,103	141,820	72,048	13,495,875
Less accumulated depreciation	7,876,324	466,041	65,250	8,277,115
Net depreciable capital assets	5,549,779	(324,221)	6,798	5,218,760
Net capital assets	<u>\$ 6,115,009</u>	<u>\$ (324,221)</u>	<u>\$ 6,798</u>	<u>\$ 5,783,990</u>

	Balance July, 1 2015	Additions	Deletions	Balance June 30, 2016
<b>Business-Type Activities</b>				
Nondepreciable capital assets:				
Land	\$ 598,565	\$ -	\$ -	\$ 598,565
Total nondepreciable capital assets	598,565			598,565
Depreciable capital assets:				
Plant and facilities	5,336,464	53,920	2,205	5,388,179
Machinery and equipment	696,338	8,400	25,759	678,979
Total depreciable capital assets	6,032,802	62,320	27,964	6,067,158
Less accumulated depreciation	3,720,893	222,804	26,611	3,917,086
Net depreciable capital assets	2,311,909	(160,484)	1,353	2,150,072
Net capital assets	<u>\$ 2,910,474</u>	<u>\$ (160,484)</u>	<u>\$ 1,353</u>	<u>\$ 2,748,637</u>

Depreciation expense was charged as follows:

Governmental Activities	\$ 466,041
Business-type Activities	222,804
	<u>\$ 688,845</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 5 – LONG-TERM DEBT**

**Changes in long-term liabilities**

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
<b>Governmental activities:</b>					
OPEB payable	\$ 251,431	\$ 53,395	\$ 11,648	\$ 293,178	\$ -
Net pension liability	1,556,396	526,834	174,888	1,908,342	
Note payable	488,359		184,437	303,922	
Capital lease payable	5,231		2,694	2,537	2,537
Compensated absences	194,433	30,706	75,613	149,526	14,953
	<u>\$ 2,495,850</u>	<u>\$ 610,935</u>	<u>\$ 449,280</u>	<u>\$ 2,657,505</u>	<u>\$ 17,490</u>
<b>Business-type activities:</b>					
OPEB payable	\$ 115,741	\$ 24,192	\$ 5,279	\$ 134,654	\$ -
Net pension liability	610,531	353,234	80,909	882,856	
Compensated absences	101,621	11,151	44,748	68,024	6,802
	<u>\$ 827,893</u>	<u>\$ 388,577</u>	<u>\$ 130,936</u>	<u>\$ 1,085,534</u>	<u>\$ 6,802</u>

**A. Compensated Absences**

A total of twelve to twenty days vacation and twelve days sick leave per year may be accumulated by each employee. Employees may only accumulate vacation time up to 240 hours and sick leave up to 960 hours. The District accrues a liability for compensated absences which meet the following criteria.

- A. The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees services already rendered.
- B. The obligation is related to rights that vest or accumulate.
- C. Payment of the compensation is probable.
- D. The amount can be reasonably estimated.

**B. Tax and Revenue Anticipation Note**

On January 22, 2013, the District entered into a Note Purchase Contract with San Luis Obispo County Treasurer in an amount not to exceed \$1,200,000. The Note is in the form of a Tax Revenue Anticipation Note (TRAN) which pledges property tax revenues for payment of principal and interest on the Note. The principal amount borrowed of \$1,116,378 was used to pay-down side fund retirement liabilities with CalPERS. The Note's annual interest rate is 2.60% versus the side fund retirement liability interest rate of 7.5% previously paid by the District to CalPERS. Interest payments are due annually on January 31 and the principal payment was due on January 30, 2018. The District prepaid \$464,911 and \$163,108 towards the principal due during the 2013/14 and 2014/15 fiscal years respectively. On January 29, 2016, the District prepaid \$184,437 towards the principal balance. The updated payment schedule is as follows:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ -	7,996
2018	303,922	3,578
	<u>\$ 303,922</u>	<u>\$ 11,574</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 6 – CAPITAL LEASE PAYABLE**

On March 6, 2012, the District entered into a capital lease agreement with Avaya Financial Services for a new phone system. The lease carries an interest rate of 7.99% with 60 monthly payments of \$251.18. Future minimum lease payments are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>
2017	<u>\$ 2,635</u>
Total minimum lease payments	2,635
Less amount representing interest	<u>(98)</u>
Present value on net minimum lease payments	<u><u>\$ 2,537</u></u>

**NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

The District provides a defined benefit healthcare plan (the “Retiree Health Plan”). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members. Spouses are also covered throughout his or her life. The District only pays the required minimum employer premium each year. For calendar year 2016, the required minimum contribution was \$125 per month and is adjusted based on the medical care portion of the Consumer Price Index. Benefit provisions are established by the Board of Commissioners.

Funding Policy

The District’s Board of Commissioners will not be funding the plan in the current fiscal year. The Board will review the funding requirements and policy annually. However, the Board of Commissioners assigned \$41,400 of the general fund balance for future OPEB liabilities.

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 30 years. The following table shows the components of the District’s annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 73,591
Interest on net OPEB obligation	14,420
Adjustment to annual required contribution	<u>(10,424)</u>
Annual OPEB cost (expense)	77,587
Contributions made	<u>16,927</u>
Increase in net OPEB obligation	60,660
Net OPEB obligation - beginning of fiscal year	<u>367,172</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 427,832</u></u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

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**NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the last five fiscal years is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Contribution</u>	<u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2012	\$ 63,991	\$ 5,719	9%	\$ 187,099
June 30, 2013	\$ 63,970	\$ 9,805	15%	\$ 241,264
June 30, 2014	\$ 76,266	\$ 13,211	17%	\$ 304,319
June 30, 2015	\$ 76,965	\$ 14,112	18%	\$ 367,172
June 30, 2016	\$ 77,587	\$ 16,927	22%	\$ 427,832

Funding Status and Funding Progress

As of July 1, 2013, the actuarial accrued liability (AAL) for benefits was \$821,325, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amount determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress present multiyear trend information about whether the actuarial value of the Plan’s assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

**NOTE 8 – PENSION PLANS**

**A. General Information about the Pension Plans**

*Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the District’s separate Safety (Police) and Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit 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.

*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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Pre-Retirement Option Settlement. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 8 – PENSION PLANS (Continued)**

**A. General Information about the Pension Plans (Continued)**

*Benefits Provided (Continued)*

Contribution rates are based on the Actuarial Valuation Report as of June 30, 2013. The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Classic Member Hired Prior to January 1, 2013*	New Member Hired On or after January 1, 2013	
Hire Date			
Benefit formula	2.7% @ 55	2% @ 62	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50-55	52-67	
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	
Required employee contribution rates	8%	6.250%	
Required employer contribution rates	10.298%	6.237%	
	Safety		
	Classic Member Hired Prior to January 1, 2013*	New Member Hired On or after January 1, 2013	New Member Hired On or after January 1, 2013 2nd Tier
Hire Date			
Benefit formula	3% @ 50	2% @ 50	2% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50-57	50-55
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9%	11.500%	9%
Required employer contribution rates	17.557%	11.153%	13.813%

\* A new employee may transfer into the Classic Member formula if he/she comes from another agency participating in the CalPERS or reciprocal retirement system and did not have more than a six month break in service.

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were as follows below for the fiscal year ended June 30, 2016:

Misc	\$ 214,723
Safety	79,430
	\$ 294,153

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

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**NOTE 8 – PENSION PLANS (Continued)**

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

At June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Misc	\$2,278,374
Safety	<u>512,824</u>
Total	\$2,791,198

The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2015, the District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and June 30, 2015 was as follows:

Safety		Miscellaneous	
Proportion-June 30, 2014	0.00719%	Proportion-June 30, 2014	0.02764%
Proportion-June 30, 2015	0.00747%	Proportion-June 30, 2015	0.03319%
Change-Increase (Decrease)	0.00028%	Change-Increase (Decrease)	0.00555%

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$274,844. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 925	\$ -
Changes in assumptions		152,759
Net difference between projected and actual earnings on retirement plan investments		76,839
Changes in proportion and differences between District contributions and proportionate share of contributions	208,799	69,859
District contributions subsequent to the measurement date	294,153	
Adjustment due to differences in proportion		
	<u>\$ 503,877</u>	<u>\$ 299,457</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$294,153 reported as 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 year ended June 30, 2017.

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 8 – PENSION PLANS (Continued)**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal year Ending June 30,	<u>Amount</u>
2017	\$ (60,262)
2018	(61,547)
2019	(64,933)
2020	<u>97,009</u>
	<u>\$ (89,733)</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%
Mortality (2)	Derived using CalPERS' Membership Data for all Funds

- (1) Net of pension plan investment and administrative expenses including inflation
- (2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012 funding valuation report.

*Change of Assumptions*

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 expenses. The discount rate was changed from 7.5% (net of administrative expenses in 2014) to 7.65% as of June 30, 2015 to correct the adjustment which previously reduced the discount rate for administrative expenses.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

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**NOTE 8 – PENSION PLANS (Continued)**

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

*Discount Rate (Continued)*

testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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 as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits were calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% was used for this period.

(b) An expected inflation of 3.0% was used for this period.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate*

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65 percent) or 1- percentage point higher (8.65 percent) than the current rate:

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

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**NOTE 8 – PENSION PLANS (Continued)**

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

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate (Continued)*

	1% Decrease <u>6.65%</u>	Discount Rate <u>7.65%</u>	1% Increase <u>8.65%</u>
District's proportionate share of the net pension plan liability	\$ 4,558,464	\$ 2,791,198	\$ 1,334,050

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plans**

At June 30, 2016, the District had no amount outstanding for contributions to the pension plans required for the fiscal year ended June 30, 2016.

**NOTE 9 – NET POSITION**

The government-wide activity and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

*Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents net position of the District, not restricted for any project or other purpose.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

State and Federal Financial Assistance

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

**NOTE 11 – RISK MANAGEMENT**

Consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the District's risk management activities are managed in the District's purchased insurance policies.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PORT SAN LUIS HARBOR DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes and assessments	\$ 3,034,400	\$ 3,034,400	\$ 3,181,468	\$ 147,068
Grant income			69,974	69,974
Use of money and property	14,600	14,600	12,242	(2,358)
Total revenues	<u>3,049,000</u>	<u>3,049,000</u>	<u>3,263,684</u>	<u>214,684</u>
<b>Expenditures:</b>				
Salaries and wages	1,307,700	1,307,700	1,329,536	(21,836)
Employee benefits	810,500	810,500	799,533	10,967
Contract services	121,500	121,500	105,762	15,738
Supplies	72,000	72,600	73,468	(868)
Maintenance	151,900	168,400	371,573	(203,173)
Utilities	282,600	291,500	272,372	19,128
General and administrative	366,800	375,450	296,120	79,330
Total expenditures	<u>3,113,000</u>	<u>3,147,650</u>	<u>3,248,364</u>	<u>(100,714)</u>
Excess of revenues over (under) expenditures	<u>(64,000)</u>	<u>(98,650)</u>	<u>15,320</u>	<u>113,970</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in			135,300	135,300
Total other financing sources (uses)			<u>135,300</u>	<u>135,300</u>
Net change in fund balance	(64,000)	(98,650)	150,620	249,270
Fund balance, beginning of fiscal year	<u>1,501,178</u>	<u>1,501,178</u>	<u>1,501,178</u>	
Fund balance, end of fiscal year	<u>\$ 1,437,178</u>	<u>\$ 1,402,528</u>	<u>\$ 1,651,798</u>	<u>\$ 249,270</u>

**PORT SAN LUIS HARBOR DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS**

**OTHER THAN PENSIONS**

For the Fiscal Year Ended June 30, 2016

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The following table provides required supplementary information regarding the District's postemployment healthcare benefits.

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (UAAL) (a-b)</u>	<u>Funded Status (b/a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of payroll ([a-b]/c)</u>
7/1/2009	\$ 564,431	\$ -	\$ 564,431	0%	\$ 1,342,761	42.0%
7/1/2010	\$ 493,493	\$ -	\$ 493,493	0%	\$ 1,349,423	36.6%
7/1/2013	\$ 821,325	\$ -	\$ 821,325	0%	\$ 1,520,000	54.0%

**PORT SAN LUIS HARBOR DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
 Last 10 Years\*  
 As of June 30, 2016

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The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.040665%	0.034824%
Proportionate share of the net pension liability	\$ 2,791,198	\$ 2,166,927
Covered- employee payroll	\$ 1,471,763	\$ 1,443,877
Proportionate share of the net pension liability as percentage of covered-employee payroll	189.65%	150.08%
Plan's total pension liability	\$ 31,771,217,402	\$ 31,008,247,094
Plan's fiduciary net position	\$ 24,907,305,871	\$ 24,939,920,209
Plan fiduciary net position as a percentage of the total pension liability	78.40%	80.43%

\*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**PORT SAN LUIS HARBOR DISTRICT****SCHEDULE OF CONTRIBUTIONS**

Last 10 Years\*

As of June 30, 2016

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 221,986	\$ 198,992
Contribution in relation to the actuarially determined contributions	294,153	255,797
Contribution deficiency (excess)	<u>\$ (72,167)</u>	<u>\$ (56,805)</u>
Covered- employee payroll	\$ 1,507,959	\$ 1,471,763
Contributions as a percentage of covered-employee payroll	19.51%	13.52%

**Notes to Schedule**

Valuation Date:	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	Level percentage of payroll, closed
Discount rate	7.50%
Price Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality	Derived using CalPERs' Membership data for all funds.
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Valuation Date	6/30/15
Discount Rate	7.65%

\*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**OTHER SUPPLEMENTARY INFORMATION**

**PORT SAN LUIS HARBOR DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**BUDGET AND ACTUAL**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Moorage operations	\$ 123,700	\$ 123,700	\$ 130,299	\$ 6,599
Service charges and fees	400,000	400,000	537,274	137,274
Leases, licenses, and rentals	1,237,000	1,237,000	1,371,278	134,278
Diesel sales	19,600	19,600	21,994	2,394
Total revenues	<u>1,780,300</u>	<u>1,780,300</u>	<u>2,060,845</u>	<u>280,545</u>
<b>Expenses:</b>				
Salaries and wages	528,500	528,500	527,497	1,003
Payroll taxes and benefits	390,400	390,400	467,419	(77,019)
Contract labor	8,900	8,900	5,801	3,099
Depreciation and amortization			222,804	(222,804)
Operating supplies	28,800	28,800	26,836	1,964
Maintenance	90,600	110,600	126,948	(16,348)
Utilities	172,800	186,300	195,110	(8,810)
General and administrative	239,700	199,400	210,808	(11,408)
Major maintenance and capital projects	634,500	639,300	40,136	599,164
Total expenses	<u>2,094,200</u>	<u>2,092,200</u>	<u>1,823,359</u>	<u>268,841</u>
Operating income (loss)	<u>(313,900)</u>	<u>(311,900)</u>	<u>237,486</u>	<u>549,386</u>
<b>Non-Operating Income (Expenses):</b>				
Interest income	3,400	3,400	10,222	6,822
Gain on sale of capital assets			7,967	7,967
Miscellaneous income	2,000	2,000	2,532	532
Total non-operating revenues (expenses)	<u>5,400</u>	<u>5,400</u>	<u>20,721</u>	<u>15,321</u>
<b>Capital Contributions:</b>				
Grant revenue	<u>428,500</u>	<u>428,500</u>	<u>8,859</u>	<u>(419,641)</u>
Total grant revenue	<u>428,500</u>	<u>428,500</u>	<u>8,859</u>	<u>(419,641)</u>
<b>Transfers:</b>				
Transfers out			<u>(135,300)</u>	<u>(135,300)</u>
Total transfers			<u>(135,300)</u>	<u>(135,300)</u>
Change in net position	120,000	122,000	131,766	9,766
Net position, beginning of fiscal year	<u>4,139,422</u>	<u>4,139,422</u>	<u>4,139,422</u>	
Net position, end of fiscal year	<u>\$ 4,259,422</u>	<u>\$ 4,261,422</u>	<u>\$ 4,271,188</u>	<u>\$ 9,766</u>



# Statistical Section

**Port San Luis Harbor District**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 3,018,402	\$ 4,149,297	\$ 5,157,728	\$ 5,406,485	\$ 5,294,829	\$ 5,693,366	\$ 6,196,267	\$ 6,554,982	\$ 6,109,778	\$ 5,780,658
Restricted	-	-	-	-	175,362	89,104	97,280	170,198	154,050	12,230
Unrestricted	1,457,320	1,890,931	1,736,671	1,806,418	1,665,840	1,600,934	587,622	437,514	(1,365,927)	(865,945)
<b>Total governmental activities net position</b>	<u>\$ 4,475,722</u>	<u>\$ 6,040,228</u>	<u>\$ 6,894,399</u>	<u>\$ 7,212,903</u>	<u>\$ 7,136,031</u>	<u>\$ 7,383,404</u>	<u>\$ 6,881,169</u>	<u>\$ 7,162,694</u>	<u>\$ 4,897,901</u>	<u>\$ 4,926,943</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 2,222,025	\$ 2,171,853	\$ 2,266,272	\$ 2,202,998	\$ 2,174,871	\$ 2,139,198	\$ 2,154,223	\$ 2,743,733	\$ 2,910,474	\$ 2,748,637
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	614,198	594,158	555,203	630,049	687,703	837,328	1,168,647	1,393,152	1,228,948	1,522,551
<b>Total business-type activities net position</b>	<u>\$ 2,836,223</u>	<u>\$ 2,766,011</u>	<u>\$ 2,821,475</u>	<u>\$ 2,833,047</u>	<u>\$ 2,862,574</u>	<u>\$ 2,976,526</u>	<u>\$ 3,322,870</u>	<u>\$ 4,136,885</u>	<u>\$ 4,139,422</u>	<u>\$ 4,271,188</u>
<b>Port San Luis Harbor District</b>										
Net investment in capital assets	\$ 5,240,427	\$ 6,321,150	\$ 7,424,000	\$ 7,609,483	\$ 7,469,700	\$ 7,832,564	\$ 8,350,490	\$ 9,298,715	\$ 9,020,252	\$ 8,529,295
Restricted	-	-	-	-	175,362	89,104	97,280	170,198	154,050	12,230
Unrestricted	2,071,518	2,485,089	2,291,874	2,436,467	2,353,543	2,438,262	1,756,269	1,830,666	(136,979)	656,606
<b>Total Port San Luis Harbor District net position</b>	<u>\$ 7,311,945</u>	<u>\$ 8,806,239</u>	<u>\$ 9,715,874</u>	<u>\$ 10,045,950</u>	<u>\$ 9,998,605</u>	<u>\$ 10,359,930</u>	<u>\$ 10,204,039</u>	<u>\$ 11,299,579</u>	<u>\$ 9,037,323</u>	<u>\$ 9,198,131</u>

**Port San Luis Harbor District**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental Activities:										
Administration	\$ 1,042,015	\$ 1,190,013	\$ 1,224,844	\$ 1,248,513	\$ 1,295,334	\$ 1,290,041	\$ 1,343,232	\$ 1,098,715	\$ 1,316,743	\$ 1,134,580
Operations	62,461	51,448	48,364	68,959	102,894	96,904	202,378	219,691	105,034	131,448
Maintenance	818,863	762,503	857,447	1,121,389	1,095,883	1,079,954	1,075,958	1,095,533	1,156,489	1,219,212
Safety and Services	661,261	712,853	730,883	798,720	713,753	801,061	787,480	800,251	806,265	877,904
Total governmental activities expenses	<u>2,584,600</u>	<u>2,716,817</u>	<u>2,861,538</u>	<u>3,237,581</u>	<u>3,207,864</u>	<u>3,267,960</u>	<u>3,409,048</u>	<u>3,214,190</u>	<u>3,384,531</u>	<u>3,363,144</u>
Business-Type Activities:										
Administration	671,880	741,382	660,578	688,884	759,817	745,510	787,919	904,244	725,515	986,333
Operations	452,765	409,105	442,503	490,227	538,150	631,076	362,629	345,664	365,736	370,377
Maintenance	279,765	269,226	288,041	361,969	350,548	373,989	408,004	385,272	439,270	455,634
Safety and Services	1,881	2,426	2,596	4,268	7,650	6,954	7,711	12,496	10,580	11,015
Total business-type activities expenses	<u>1,406,291</u>	<u>1,422,139</u>	<u>1,393,718</u>	<u>1,545,348</u>	<u>1,656,165</u>	<u>1,757,529</u>	<u>1,566,263</u>	<u>1,647,676</u>	<u>1,541,101</u>	<u>1,823,359</u>
Total Harbor District expenses	<u>\$ 3,990,891</u>	<u>\$ 4,138,956</u>	<u>\$ 4,255,256</u>	<u>\$ 4,782,929</u>	<u>\$ 4,864,029</u>	<u>\$ 5,025,489</u>	<u>\$ 4,975,311</u>	<u>\$ 4,861,866</u>	<u>\$ 4,925,632</u>	<u>\$ 5,186,503</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Contributions and Grants	-	-	-	11,415	47,886	35,425	138,851	140,825	37,000	69,974
Capital Contributions and Grants	233,889	1,401,478	847,632	737,235	311,872	749,141	920,449	510,000	-	-
Total governmental activities program revenues	<u>233,889</u>	<u>1,401,478</u>	<u>847,632</u>	<u>748,650</u>	<u>359,758</u>	<u>784,566</u>	<u>1,059,300</u>	<u>650,825</u>	<u>37,000</u>	<u>69,974</u>
Business-Type Activities:										
Charges for Services										
Administration	5,571	4,316	3,753	6,602	22,202	9,611	49,757	23,519	54,011	98,260
Operations	1,066,081	1,083,811	1,125,852	1,232,462	1,322,398	1,474,900	1,293,374	1,361,880	1,490,837	1,528,314
Maintenance	108,561	114,242	137,501	179,056	200,133	268,849	330,828	351,479	429,162	395,133
Safety and Services	15,637	23,452	9,193	23,328	31,573	20,819	34,472	36,642	32,392	39,138
Operating Contributions and Grants	8,525	-	-	192	-	-	-	-	-	-
Capital Contributions and Grants	42,301	97,268	147,743	97,596	101,236	89,410	215,505	172,384	291,456	8,859
Total business-type activities program revenues	<u>1,246,676</u>	<u>1,323,089</u>	<u>1,424,042</u>	<u>1,539,236</u>	<u>1,677,542</u>	<u>1,863,589</u>	<u>1,923,936</u>	<u>1,945,904</u>	<u>2,297,858</u>	<u>2,069,704</u>
Total Harbor District program revenues	<u>\$ 1,480,565</u>	<u>\$ 2,724,567</u>	<u>\$ 2,271,674</u>	<u>\$ 2,287,886</u>	<u>\$ 2,037,300</u>	<u>\$ 2,648,155</u>	<u>\$ 2,983,236</u>	<u>\$ 2,596,729</u>	<u>\$ 2,334,858</u>	<u>\$ 2,139,678</u>
Net revenue/(expense)										
Governmental Activities	\$ (2,350,711)	\$ (1,315,339)	\$ (2,013,906)	\$ (2,488,931)	\$ (2,848,106)	\$ (2,483,394)	\$ (2,349,748)	\$ (2,563,365)	\$ (3,347,531)	\$ (3,293,170)
Business-Type Activities	(159,615)	(99,050)	30,324	(6,112)	21,377	106,060	357,673	298,228	756,757	246,345
Total Harbor District net revenue/(expense)	<u>\$ (2,510,326)</u>	<u>\$ (1,414,389)</u>	<u>\$ (1,983,582)</u>	<u>\$ (2,495,043)</u>	<u>\$ (2,826,729)</u>	<u>\$ (2,377,334)</u>	<u>\$ (1,992,075)</u>	<u>\$ (2,265,137)</u>	<u>\$ (2,590,774)</u>	<u>\$ (3,046,825)</u>

**Port San Luis Harbor District**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes and Assessments	\$ 2,564,403	\$ 2,682,631	\$ 2,821,329	\$ 2,780,238	\$ 2,748,461	\$ 2,712,469	\$ 2,854,582	\$ 2,832,841	\$ 3,011,338	\$ 3,181,468
Investment Income and Earnings	92,033	96,390	46,748	27,197	22,773	18,298	14,319	12,049	10,347	12,242
Miscellaneous	-	100,824	-	-	-	-	94,990	-	-	(6,798)
Transfers	21,055	-	-	-	-	-	-	-	-	135,300
Prior period adjustment	-	-	-	-	-	-	(1,116,378)	-	(1,938,947)	-
Total governmental activities general revenues	<u>2,677,491</u>	<u>2,879,845</u>	<u>2,868,077</u>	<u>2,807,435</u>	<u>2,771,234</u>	<u>2,730,767</u>	<u>1,847,513</u>	<u>2,844,890</u>	<u>1,082,738</u>	<u>3,322,212</u>
Business-Type Activities:										
Investment Income and Earnings	8,516	26,212	20,951	17,620	5,257	7,721	(14,277)	6,678	3,078	10,222
Miscellaneous	121,805	2,626	4,189	64	2,893	171	2,948	38,349	3,297	10,499
Transfers	(21,055)	-	-	-	-	-	-	-	-	(135,300)
Prior period adjustment	-	-	-	-	-	-	-	470,760	(760,595)	-
Total business-type activities general revenues	<u>109,266</u>	<u>28,838</u>	<u>25,140</u>	<u>17,684</u>	<u>8,150</u>	<u>7,892</u>	<u>(11,329)</u>	<u>515,787</u>	<u>(754,220)</u>	<u>(114,579)</u>
Total Harbor District general revenues	<u>\$ 2,786,757</u>	<u>\$ 2,908,683</u>	<u>\$ 2,893,217</u>	<u>\$ 2,825,119</u>	<u>\$ 2,779,384</u>	<u>\$ 2,738,659</u>	<u>\$ 1,836,184</u>	<u>\$ 3,360,677</u>	<u>\$ 328,518</u>	<u>\$ 3,207,633</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 326,780	\$ 1,564,506	\$ 854,171	\$ 318,504	\$ (76,872)	\$ 247,373	\$ (502,235)	\$ 281,525	\$ (2,264,793)	\$ 29,042
Business-Type Activities	(50,349)	(70,212)	55,464	11,572	29,527	113,952	346,344	814,015	2,537	131,766
Total Harbor District change in net position	<u>\$ 276,431</u>	<u>\$ 1,494,294</u>	<u>\$ 909,635</u>	<u>\$ 330,076</u>	<u>\$ (47,345)</u>	<u>\$ 361,325</u>	<u>\$ (155,891)</u>	<u>\$ 1,095,540</u>	<u>\$ (2,262,256)</u>	<u>\$ 160,808</u>

**Port San Luis Harbor District**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ 73,514	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	133,627	-	-	307,709	344,772	303,292	678,977	453,602	469,102	710,752
Unassigned	1,448,782	1,707,106	1,841,515	1,627,595	1,603,151	1,618,439	1,420,439	1,081,200	1,032,076	941,046
Total general fund	<u>\$ 1,582,409</u>	<u>\$ 1,707,106</u>	<u>\$ 1,841,515</u>	<u>\$ 2,008,818</u>	<u>\$ 1,948,098</u>	<u>\$ 1,921,731</u>	<u>\$ 2,099,416</u>	<u>\$ 1,534,802</u>	<u>\$ 1,501,178</u>	<u>\$ 1,651,798</u>
Capital Projects Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	175,362	89,104	97,280	170,198	154,050	12,230
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	60,179	351,014	88,766	34,686	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total capital projects fund	<u>\$ 60,179</u>	<u>\$ 351,014</u>	<u>\$ 88,766</u>	<u>\$ 34,686</u>	<u>\$ 175,362</u>	<u>\$ 89,104</u>	<u>\$ 97,280</u>	<u>\$ 170,198</u>	<u>\$ 154,050</u>	<u>\$ 12,230</u>

\*The terminology for fund balances has changed over the last ten years. For fiscal years 2006-2010, "Assigned" fund balances refer to those that were previously titled "Reserved" or "Designated" while "Unassigned" refer to those that were "Unreserved" or "Undesignated." "Non-spendable" fund balances refer to those that were previously titled "Reserved."

**Port San Luis Harbor District**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Property Taxes and Assessments	\$ 2,564,403	\$ 2,682,631	\$ 2,821,329	\$ 2,780,238	\$ 2,748,461	\$ 2,712,469	\$ 2,854,582	\$ 2,832,841	\$ 3,011,338	\$ 3,181,468
Grant Income	233,889	1,401,478	847,632	748,650	359,758	784,566	434,300	588,115	75,809	69,974
Use of Money and Property	92,033	96,390	46,748	27,197	22,773	18,298	14,319	12,049	10,347	12,242
Miscellaneous	-	101,353	-	-	-	-	-	-	-	-
Total revenues	<u>2,890,325</u>	<u>4,281,852</u>	<u>3,715,709</u>	<u>3,556,085</u>	<u>3,130,992</u>	<u>3,515,333</u>	<u>3,303,201</u>	<u>3,433,005</u>	<u>3,097,494</u>	<u>3,263,684</u>
<b>Expenditures</b>										
Salaries and Wages	850,802	956,660	959,053	1,086,989	1,073,617	1,156,037	1,105,657	1,180,528	1,208,488	1,329,536
Employee Benefits	464,797	485,265	544,311	613,238	650,436	707,099	1,786,921	419,189	740,341	799,533
Contract Services	133,516	107,185	87,615	95,243	97,022	88,547	103,441	105,185	118,723	105,762
Supplies	84,084	64,087	69,750	63,323	59,955	66,191	68,230	69,404	67,900	73,468
Maintenance	148,357	124,084	99,632	263,432	169,298	188,535	308,975	277,168	279,781	371,573
Capital Outlay	439,106	1,571,998	1,416,721	697,473	360,834	868,662	333,505	787,868	56,278	141,820
Utilities	200,223	197,013	251,367	218,073	228,957	229,874	235,189	236,366	266,779	272,372
General and Administrative	410,531	360,028	415,099	405,091	410,917	336,302	386,790	418,689	410,297	296,120
Debt Service	-	-	-	-	-	-	-	493,014	-	-
Total expenditures	<u>2,731,416</u>	<u>3,866,320</u>	<u>3,843,548</u>	<u>3,442,862</u>	<u>3,051,036</u>	<u>3,641,247</u>	<u>4,328,708</u>	<u>3,987,411</u>	<u>3,148,587</u>	<u>3,390,184</u>
Excess of revenues over (under) expenditures	158,909	415,532	(127,839)	113,223	79,956	(125,914)	(1,025,507)	(554,406)	(51,093)	(126,500)
<b>Other Financing Sources (Uses)</b>										
Proceeds from Capital Lease	-	-	-	-	-	13,289	-	-	-	-
Proceeds from Note	-	-	-	-	-	-	1,116,378	-	-	-
Proceeds from Insurance	-	-	-	-	-	-	94,990	62,710	1,321	-
Operating Transfers In	278,333	-	-	-	-	-	-	-	-	135,300
Operating Transfers Out	(257,278)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>21,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,289</u>	<u>1,211,368</u>	<u>62,710</u>	<u>1,321</u>	<u>135,300</u>
Net change in fund balances	<u>\$ 179,964</u>	<u>\$ 415,532</u>	<u>\$ (127,839)</u>	<u>\$ 113,223</u>	<u>\$ 79,956</u>	<u>\$ (112,625)</u>	<u>\$ 185,861</u>	<u>\$ (491,696)</u>	<u>\$ (49,772)</u>	<u>\$ 8,800</u>

**Port San Luis Harbor District  
Assessed Valuation\*  
Last Ten Fiscal Years (in thousands)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Secured	\$ 15,526,497	\$ 16,936,067	\$ 17,865,279	\$ 17,937,062	\$ 17,842,918	\$ 17,538,473	\$ 17,629,489	\$ 18,135,640	\$ 19,196,460	\$ 20,529,917
Unsecured	469,943	486,299	517,160	503,223	482,663	465,187	484,382	509,324	517,865	519,592
Exemptions	(141,814)	(142,703)	(143,448)	(143,148)	(143,048)	(143,013)	(142,200)	(141,081)	(140,986)	(142,728)
Net Assessed Valuations	<u>\$ 15,854,626</u>	<u>\$ 17,279,663</u>	<u>\$ 18,238,991</u>	<u>\$ 18,297,137</u>	<u>\$ 18,182,533</u>	<u>\$ 17,860,647</u>	<u>\$ 17,971,671</u>	<u>\$ 18,503,883</u>	<u>\$ 19,573,339</u>	<u>\$ 20,906,781</u>
Percentage Increase from Prior Year	12.8%	9.0%	5.6%	0.3%	-0.6%	-1.8%	0.6%	3.0%	5.8%	6.8%
County Direct Rates										
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
State Water Project	0.00221	0.00220	0.00220	0.00220	0.00290	0.00300	0.00400	0.00400	0.00400	0.00374
Total Direct Rate	<u>1.00221</u>	<u>1.00220</u>	<u>1.00220</u>	<u>1.00220</u>	<u>1.00290</u>	<u>1.00300</u>	<u>1.00400</u>	<u>1.00400</u>	<u>1.00400</u>	<u>1.00374</u>
Property Tax Revenue	\$ 2,564	\$ 2,683	\$ 2,821	\$ 2,780	\$ 2,748	\$ 2,712	\$ 2,855	\$ 2,833	\$ 3,011	\$ 3,181
District Tax Rate	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%

Source: County of San Luis Obispo Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2015, County Property Tax Booklet "2015-16 Tax Rate Information and Assessed Valuations"

\*Due to Article XIII A, added to the California Constitution by Proposition 13 in 1978, the County does not track the estimated actual value of all county properties. Proposition 13 fixed the base for valuation of real property at the full cash value which appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect: (1) annual inflation up to two percent; (2) current market value at time of ownership change; and (3) market value for new construction. As a result, similar properties can have substantially different assessed values based on the date of purchase. (Source: County of San Luis Obispo Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2015)

\*\*The District participates in the Teeter Plan ( Rev. and Tax. Code §4701). Property tax is apportioned to the District at the end of each fiscal year based on the taxes that are levied regardless of when the tax levy is collected. Therefore, San Luis Obispo County receives the interest and penalty revenue on delinquent property tax payments.

\*\*\*Unitary Roll is not included in the assessed valuations but is included in the property tax revenue.

**County of San Luis Obispo  
Port San Luis Harbor District\*  
Principal Property Taxpayers  
Current Year and Ten Years Ago (in Thousands)**

Taxpayer	Industry	Fiscal Year 2016			Fiscal Year 2007		
		Assessed Value	Rank	Percentage of Total County Assessed Value	Assessed Value	Rank	Percentage of Total County Assessed Value
Pacific Gas & Electric Co.	Utility	\$ 2,683,257	1	5.54%	\$ 2,177,839	1	5.83%
Phillips 66 Company	Oil Refinery	155,118	2	0.32%	-	-	-
Beringer Wine Estate Co.	Winery	90,412	3	0.19%	65,610	4	0.18%
SoCal Gas Company	Utility	81,863	4	0.17%	53,459	7	0.14%
Mustang-UCAL LLC	Apartments	78,358	5	0.16%	70,825	3	0.19%
E&J Gallo Winery	Winery	71,920	6	0.15%	-	-	-
Pacific Bell Telephone Co.	Telephone	70,939	7	0.15%	-	-	-
Freeport-McMoran Oil & Gas	Petroleum & Gas	69,100	8	0.14%	-	-	-
Martin Hotel Management Co. LLC	Hotel	64,891	9	0.13%	-	-	-
Sierra Vista Hospital Inc.	Health Care	59,296	10	0.12%	-	-	-
Tosco Corp.	Petroleum & Gas	-	-	-	140,180	2	0.38%
AT&T California	Communications	-	-	-	61,619	5	0.16%
Duke Energy Morro Bay LLC	Utility	-	-	-	61,400	6	0.16%
Charter Communications Properties LLC	Communications	-	-	-	50,720	8	0.14%
Centex Homes	Developer	-	-	-	49,787	9	0.13%
Twin Cities Community Hospital	Hospital	-	-	-	45,587	10	0.12%
		<u>\$ 3,425,154</u>		<u>7.08%</u>	<u>\$ 2,777,026</u>		<u>7.43%</u>
Total County Assessed Value		\$ 48,411,475			\$ 37,363,526		

Source: County Property Tax Information Booklet "2015-16 Property Tax Perspective", County Property Tax Booklet "2015-16 Tax Rate Information and Assessed Valuations", County Property Tax Information Booklet "2006-07 Property Tax Perspective"

\*Although the Harbor District only represents a portion of San Luis Obispo County, information is presented for the entire County.

**Port San Luis Harbor District  
Outstanding Debt by Type  
Last Ten Fiscal Years**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,926	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537
Note Payable	-	-	-	-	-	-	1,116,378	651,467	488,359	303,922
Total governmental activities debt	<u>\$ -</u>	<u>\$ 12,926</u>	<u>\$ 1,126,393</u>	<u>\$ 659,185</u>	<u>\$ 493,590</u>	<u>\$ 306,459</u>				
Business-Type Activities										
Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Note Payable	-	-	-	-	-	-	-	-	-	-
Total business-type activities debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Port San Luis Harbor District										
Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,926	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537
Note Payable	-	-	-	-	-	-	1,116,378	651,467	488,359	303,922
Total Port San Luis Harbor District debt	<u>\$ -</u>	<u>\$ 12,926</u>	<u>\$ 1,126,393</u>	<u>\$ 659,185</u>	<u>\$ 493,590</u>	<u>\$ 306,459</u>				

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

**Port San Luis Harbor District  
Legal Debt Margin Information  
Last Ten Fiscal Years (in thousands)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 2,378,194	\$ 2,591,949	\$ 2,735,849	\$ 2,744,571	\$ 2,727,380	\$ 2,679,097	\$ 2,695,751	\$ 2,775,582	\$ 2,936,001	\$ 3,136,017
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 2,378,194</u>	<u>\$ 2,591,949</u>	<u>\$ 2,735,849</u>	<u>\$ 2,744,571</u>	<u>\$ 2,727,380</u>	<u>\$ 2,679,097</u>	<u>\$ 2,695,751</u>	<u>\$ 2,775,582</u>	<u>\$ 2,936,001</u>	<u>\$ 3,136,017</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: California Harbors and Navigation Code Section 6077 prescribes that the bonded indebtedness of the District not exceed 15% of the assessed value of property within the District.

**County of San Luis Obispo  
Port San Luis Harbor District\*  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	264,936	9,488,605	36,544	3.9%
2007	267,252	9,977,057	38,114	4.3%
2008	270,289	10,709,753	41,094	5.7%
2009	271,821	10,237,494	40,103	9.0%
2010	269,713	10,532,649	38,994	10.0%
2011	270,119	10,966,438	40,322	9.5%
2012	271,021	12,172,289	44,324	8.0%
2013	272,357	12,547,278	45,388	6.7%
2014	273,323	Not Avail.	Not Avail.	5.4%
2015	274,293	Not Avail.	Not Avail.	4.5%

Sources:

1. Employment Development Department
2. San Luis Obispo County Annual Financial Report

\*Although the Harbor District only represents a portion of San Luis Obispo County, information is presented for the entire County.

**Port San Luis Harbor District**  
**Full-time Equivalent Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Full-Time Equivalent Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	6.60	5.60	6.60	6.60	5.60	6.60	6.75	6.75	6.75	6.75
Public Safety	5	5	6	5	5	6	5	4	5	6
Maintenance	12	12	11	13	13	13	11	12	12	13
<b>Total</b>	<b>24</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>24</b>	<b>26</b>	<b>23</b>	<b>23</b>	<b>24</b>	<b>26</b>

**Port San Luis Harbor District**  
**Operating Indicators by Function**  
**2016**

Function	Fiscal Year			
	2013	2014	2015	2016
<b>Administration</b>				
Recruitments	3	3	6	12
Claims filed against District	6	1	1	-
Lien sales	4	2	1	-
Prior patrons on no services list (as of June 30th)	16	23	12	6
RFP's released	4	5	5	6
<b>Public Safety</b>				
Agency to agency assistance	223	188	155	141
Water taxi passengers	Not Avail.	3,506	5,377	5,609
Wildlife rescues	117	75	109	64
<b>Maintenance</b>				
Commercial Fishermen	24	24	28	27
Dredge hours	655	467	520	493
Invitation for bids released	6	7	4	4
Major maintenance and capital projects completed	20	26	17	18
Amount of major maintenance and capital projects completed	\$ 838,035	\$ 1,379,542	\$ 688,216	\$ 475,320
<b>Revenue producing activities</b>				
Avila parking lot spaces	62,716	69,923	84,353	79,591
RV camping nights	12,058	13,744	13,840	13,931
Parking citations	473	741	483	583
Coastal Gateway room rentals	5	8	4	12
Special event permits	60	47	60	49
Leases (as of June 30th)	10	10	10	10
Licenses (as of June 30th)	11	11	10	12
Mooring patrons (as of June 30th)	164	154	154	153
Skiff storage patrons	51	50	50	47
Boat storage patrons	35	34	48	44
Gear storage patrons	12	13	14	13
Boats fueled	199	215	285	288
Boat launches at sport launch (approximate)	Not Avail.	Not Avail.	4,100	4,300
Grants received	6	6	6	5
Amount of grants received	\$ 784,126	\$ 492,016	\$ 64,545	\$ 60,450