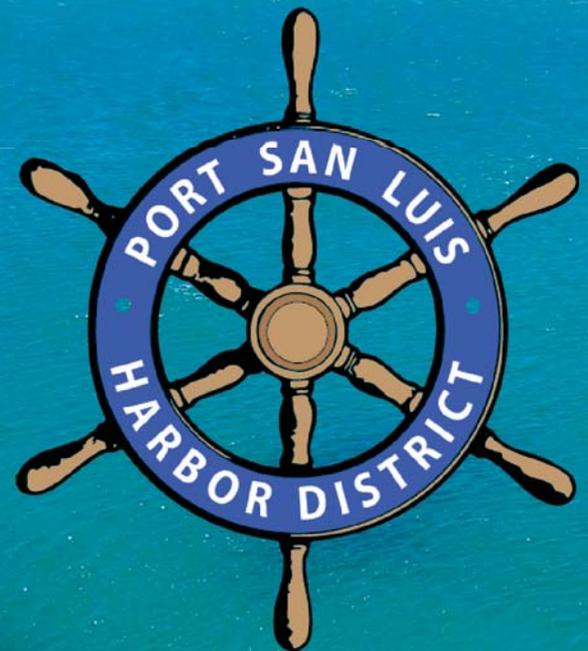


PORT SAN LUIS HARBOR DISTRICT, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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*For the fiscal year ended June 30, 2017*



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

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portsanluis.com  
(805) 595-5400





## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2017

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Mary Matakovich, President  
Drew Brandy, Vice President  
Bob Vessely, Secretary  
Bill Barrow, Commissioner  
Jim Blecha, 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  
(805) 595-5400  
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**Basic Financial Statements**  
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**For the year ended June 30, 2017**

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# **Introductory Section**



BOARD OF COMMISSIONERS

MARY MATAKOVICH  
DREW BRANDY  
BOB VESSELY  
BILL BARROW  
JIM BLECHA

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



P.O. BOX 249 · AVILA BEACH  
CALIFORNIA 93424  
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ANDREA LUEKER  
THOMAS D. GREEN  
PHILLIP J. SEXTON, CPA

*Harbor Manager*  
*Legal Counsel*  
*Treasurer*

December 14, 2017

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, 2017. 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 Badawi & Associates, 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, 2017 are free from material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2017 are fairly presented in all material respects in conformity with the generally accepted accounting principles in the United States of America. The independent auditor's report is located on page 1, 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 5.

## **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. The

Port also hosts a very active commercial fishing industry that continues its significant rebound from its low point in 2005 of \$870,000 in landings to \$2,700,000 landings in 2016, an almost three fold increase. The top species landed in the Port are Hagfish, Brown Rockfish, Gopher Rockfish, Cabazon, Dungeness and Rock Crab. 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 2016/17 increased 5.3% from 2015/16 levels and are expected to increase 4.1% in 2017/18. According to data presented by the Bureau of Labor Statistics the unemployment rates in the San Luis Obispo Area have decreased to 4.2% (January 2017) 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.

Certain economic factors such as uncertainty in the stock market, low 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. The District receives approximately \$390,000 in tax revenues annually from Pacific Gas & Electric. 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 dedicate 1.75% of general and enterprise fund revenues into budget contingency accounts spread-out to all major expense categories. Additionally, 2% of revenues (not including grant revenues) should be placed 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 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 2017/18 estimated expenditures the operating reserve should equal \$2.3 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 61% of the District's revenues during the 2017 fiscal year. The District has seen a 22% increase in property taxes over the last five years, approximately 4.4% 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 2017 fiscal year, the District received approximately \$390,000 in unitary taxes from PG&E.

The District's enterprise fund revenues continue to grow. RV camping and parking in the Avila Beach parking lot accounted for approximately 21.9% of District revenues in the 2017 fiscal year. The District anticipates that these revenues will continue to rise during the current fiscal year though the District anticipates some changes in 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 permits in place and a developer/operator identified the project is moving forward towards the conclusion of a development and lease agreement. The project timeline from signed lease to grand opening is a conservative 2 years. Once development is 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, to RV sites and self-contained cabins. The site will also feature commercial space and 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 9.6% 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 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, 2017 the District spent \$644,900, including grant funded projects, and recorded depreciation expense of \$696,500. This was possible due to use of \$103,700 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 suffered storm damage in 1983 and subsequently was rebuilt using funds from FEMA. As a part of the Unocal funded clean-up, a small portion at the base of the pier was rebuilt in 2002. However, the remainder of the pier is over 30 years old, and most of the piles have deteriorated from high surf and wood boring organisms, the District closed the Avila Pier in June of 2015 due to public safety concerns. The Harbor District is seeking multiples sources of funding and helped form Friends of Avila Pier a nonprofit 501(c)(3). The Harbor District is also working with an architectural firm to develop concept drawings to assist with fund raising.

## **District Goals**

As part of the annual budget process, the Harbor Commission adopted a list of goals for the District moving forward. Each goal speaks 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. The 2017-18 goals include:

*Provide for commercial and recreational boating and fishing activities*

- Determine funding mechanism for extension of the mobile hoist pier.
- Work with Yacht Club to increase boating access.
- Review and update mooring policies including:
  - Skiff policies.
  - Live-aboard policies.
  - Seaworthiness ordinance.

*Provide coastal related opportunities*

- Continue progress on the Harbor Terrace Project.
- Avila pier rehabilitation project including formation of a 501(c)(3).

*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.
  - Implement Sewer System Management Plan.
  - Implement grease trap inspections.
  - Reduce biochemical oxygen demand (BOD) levels.
- Research options to increase energy efficiency.
- Perform sea level rise analysis.

*Provide a safe environment*

- Research dock options for both District staff and members of the public.
  - Complete Harbor Patrol dock project.
  - Refurbish utilities on the workdock.
- Design standardized policies for Harbor Patrol.
- Determine the vessel needs for Harbor Patrol and begin the funding plan.
- Determine the needs of Harbor Patrol in a ready room.
- Achieve and maintain a fully staffed Harbor Patrol department.

*Be well-managed*

- Continue work on creating efficiencies through technology.
  - Implement Human Resources software.
- Obtain recognition as a District of Distinction through CSDA.
- Submit Budget Document to the Government Finance Officers Association (GFOA) for consideration of Distinguished Budget Award.
- Submit Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) for consideration of the Certificate of Achievement for Excellence in Financial Reporting.
- Continue with professional development for staff and Commissioners.
- Negotiate mutually agreeable SEIU and HPOA Memorandums of Understanding.
- Develop a Communication Plan to keep the public better informed.

### *Be financially sustainable*

- Maintain and enhance existing infrastructure and equipment.
  - Pursue grant opportunities and additional income sources.
  - Review funding mechanisms for replacement of the underground storage tank.
- Review parking management plan for implementation.
- Increase fees to offset costs, where reasonable and where all cost savings options have been explored, before reducing service levels.

### *Preserve marine heritage and character*

- Harford Pier Project:
  - Facilitate a Coastal Development Permit for future improvements to pier terminus.
- Continue to support commercial fishing heritage.
- Negotiate Commercial Fisherman's lease agreement.
- Continue 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 interest.

The District has already completed many of these goals and is optimistic that it will be able to meet many more during the remaining part of the 2018 fiscal year.

## **AWARD AND ACKNOWLEDGEMENT**

### **Certificate of Achievement for Excellence in Financial Reporting Program**

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Port San Luis Harbor District for its CAFR for the 2015-16 fiscal year.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports. It is valid for a period of one year only. The District believes its current CAFR continues to conform to the Certificate of Achievement program requirements, and will be submitting it to GFOA to determine its eligibility for another certificate.

### **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 2015 - 2018 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, 2017**

### **Harbor Commission**

Mary Matakovich, President  
Drew Brandy, Vice President  
Bob Vessely, Secretary  
Bill Barrow, Commissioner  
Jim Blecha, Commissioner

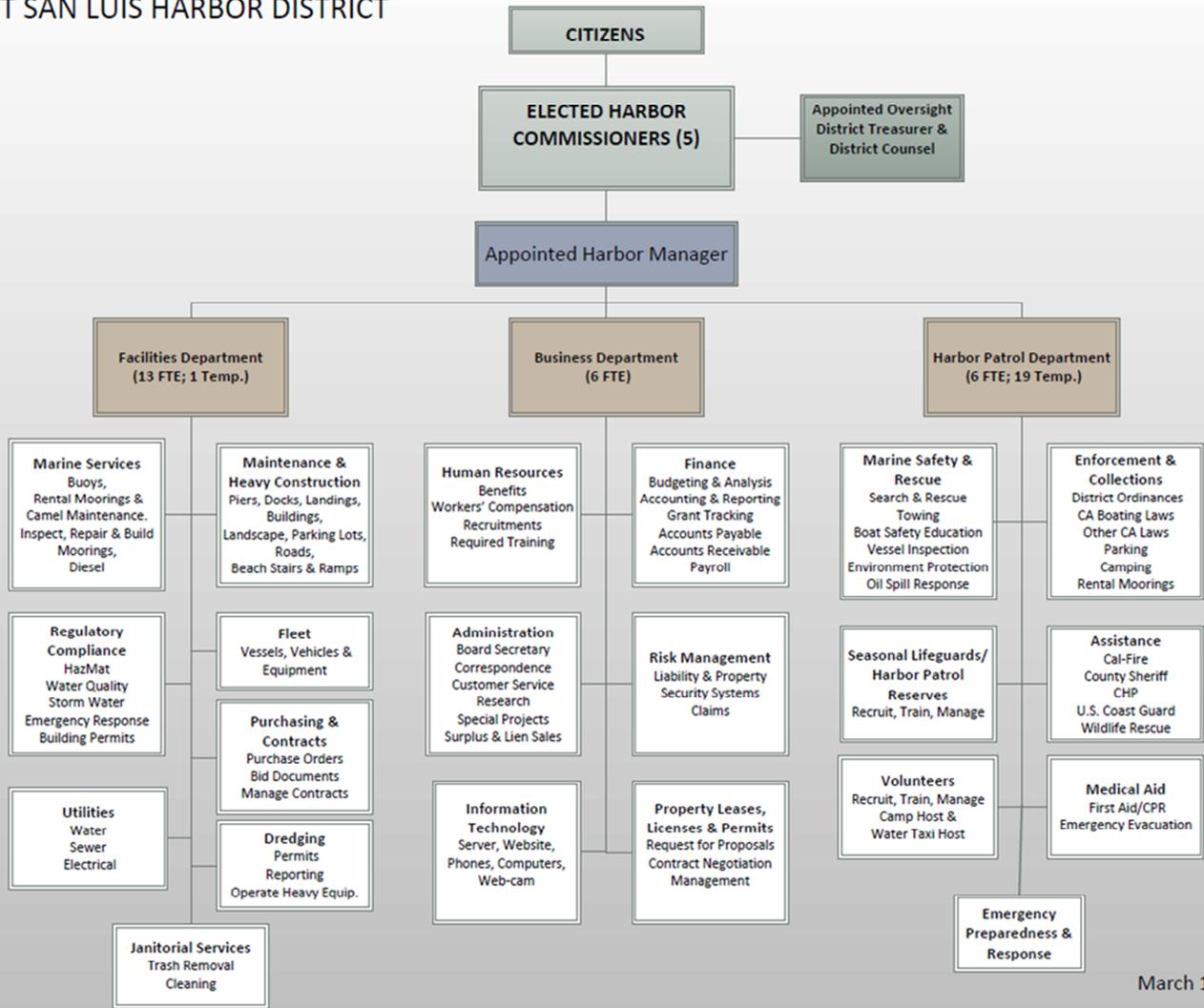
### **Executive Management Team**

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



# Organizational Chart

## PORT SAN LUIS HARBOR DISTRICT



March 10, 2017



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Port San Luis Harbor District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



# **Financial Section**





## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Port San Luis Harbor District (District) as of and for the year ended June 30, 2017, 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.

To the Board of Commissioners  
of the Port San Luis Harbor District  
Avila Beach, California  
Page Two

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the governmental activities, business-type activities, and each major fund of District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension plan, and the schedule of funding progress for OPEB plan on pages 5 to 13 and pages 55 to 57 to 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory section, and Statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory section and Statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Commissioners  
of the Port San Luis Harbor District  
Avila Beach, California  
Page Three

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates  
Certified Public Accountants  
Oakland, California  
December 14, 2017

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## 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, 2017. 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 \$9,250,249 at June 30, 2017. This was an increase of \$52,118 for the year.
- Revenues of \$5,568,542 were \$221,231 or 4.1% more than prior year revenues. Service revenues increased by \$29,878, grant revenues increased by \$24,858, while general revenues increased by \$166,495.
- Expenses of \$5,516,424 were \$329,921, or 6.4%, 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 15-17 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 19) and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (page 21) provide users visibility as to the differences between the respective statements at June 30, 2017 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 18-20 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 proprietary fund financial statements can be found on pages 22-25 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 27-51 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 55-57 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 59-70 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 \$9,250,249 at the close of the most recent fiscal year. Of this amount \$8,316,242 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. The remaining amount of \$934,007 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$1,756,336	\$2,034,300	\$3,444,266	\$2,674,395	\$5,200,602	\$4,708,695
Capital assets	5,644,194	5,783,990	2,672,048	2,748,637	8,316,242	8,532,627
Total assets	<u>7,400,530</u>	<u>7,818,290</u>	<u>6,116,314</u>	<u>5,423,032</u>	<u>13,516,844</u>	<u>13,241,322</u>
Deferred pensions	703,762	296,738	325,579	137,280	1,029,341	434,018
Total deferred outflows of resources	<u>703,762</u>	<u>296,738</u>	<u>325,579</u>	<u>137,280</u>	<u>1,029,341</u>	<u>434,018</u>
Long-term liabilities	485,339	731,673	237,971	195,876	723,310	927,549
Net pension liability	2,456,954	1,908,342	1,136,660	882,856	3,593,614	2,791,198
Other liabilities	411,120	391,094	360,951	137,770	772,071	528,864
Total liabilities	<u>3,353,413</u>	<u>3,031,109</u>	<u>1,735,582</u>	<u>1,216,502</u>	<u>5,088,995</u>	<u>4,247,611</u>
Deferred pensions	141,486	156,976	65,455	72,622	206,941	229,598
Total deferred inflows of resources	<u>141,486</u>	<u>156,976</u>	<u>65,455</u>	<u>72,622</u>	<u>206,941</u>	<u>229,598</u>
Net position:						
Net investment in capital assets	5,644,194	5,780,658	2,672,048	2,748,637	8,316,242	8,529,295
Restricted for capital projects	-	12,230	-	-	-	12,230
Unrestricted	<u>(1,034,801)</u>	<u>(865,945)</u>	<u>1,968,808</u>	<u>1,522,551</u>	<u>934,007</u>	<u>656,606</u>
Total net position	<u>\$4,609,393</u>	<u>\$4,926,943</u>	<u>\$4,640,856</u>	<u>\$4,271,188</u>	<u>\$9,250,249</u>	<u>\$9,198,131</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, 2017, the District's government-wide net position increased by \$52,118. Program revenues were \$2,194,414 which includes \$103,691 in operating and capital grants and contributions. General revenues were \$3,374,128, consisting primarily of property tax revenues. Expenses of the District for the year ended June 30, 2017 totaled \$5,516,424.

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

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 2,090,723	\$ 2,060,845	\$ 2,090,723	\$ 2,060,845
Operating grants and contributions	77,991	69,974	7,200	-	85,191	69,974
Capital grants and contributions	-	-	18,500	8,859	18,500	8,859
General revenues:						
Property taxes	3,351,619	3,181,468	-	-	3,351,619	3,181,468
Investment income & other	15,313	5,444	7,196	20,721	22,509	26,165
Total revenues	<u>3,444,923</u>	<u>3,256,886</u>	<u>2,123,619</u>	<u>2,090,425</u>	<u>5,568,542</u>	<u>5,347,311</u>
Expenses:						
Administration	926,926	1,134,580	731,895	986,333	1,658,821	2,120,913
Operations	261,224	131,448	403,144	370,377	664,368	501,825
Maintenance	1,593,987	1,219,212	593,405	455,634	2,187,392	1,674,846
Safety and services	980,336	877,904	25,507	11,015	1,005,843	888,919
Total expenses	<u>3,762,473</u>	<u>3,363,144</u>	<u>1,753,951</u>	<u>1,823,359</u>	<u>5,516,424</u>	<u>5,186,503</u>
Transfer between funds	-	135,300	-	(135,300)	-	-
Increase (decrease) in net position	(317,550)	29,042	369,668	131,766	52,118	160,808
Net position, beginning of fiscal year	4,926,943	4,897,901	4,271,188	4,139,422	9,198,131	9,037,323
Net position, end of fiscal year	<u>\$ 4,609,393</u>	<u>\$ 4,926,943</u>	<u>\$ 4,640,856</u>	<u>\$ 4,271,188</u>	<u>\$ 9,250,249</u>	<u>\$ 9,198,131</u>

**Governmental activities.** Total revenues for the governmental activities for the year ended June 30, 2017 were \$3,444,923 including \$3,351,619 of property tax revenue and \$77,991 of operating and capital contributions and grants. Governmental activities expenses were \$3,762,473 resulting in a decrease in net position of \$317,550.

**Business-type activities.** Revenues for the business-type activities totaled \$2,123,619 for the fiscal year. Operating expenses were \$1,753,951. The excess of revenues over expenses resulted in an increase in net position of \$369,668 for the enterprise activities.

### District Fund Financial Analysis

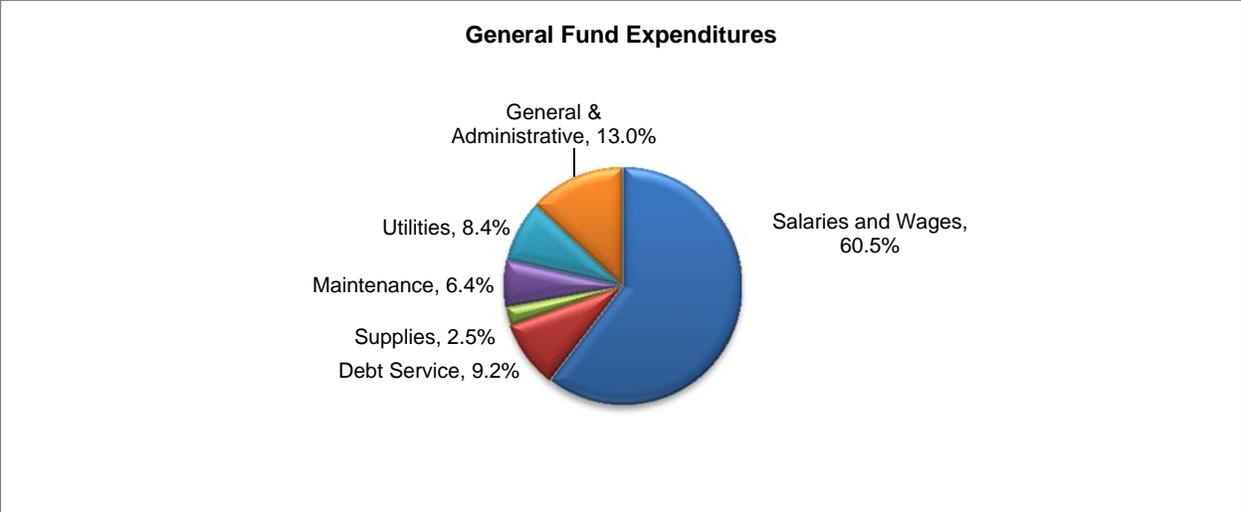
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The governmental funds are represented by two funds, general governmental services (“general fund”) and capital projects. At June 30, 2017, the District’s governmental funds reported total assets of \$1,756,336 and a combined fund balance of \$1,362,370. Of the \$1,756,336 in assets \$1,728,630 is held in cash and investments. The liability balance was \$393,966 at June 30, 2017. Accordingly, current assets are sufficient to meet current obligations.

The general fund revenues were \$3,443,923 with \$3,351,619 coming from property tax revenue, \$77,991 from grants, and \$14,313 from use of money and property. This was an increase of \$180,239 from last year’s revenues of \$3,263,684.

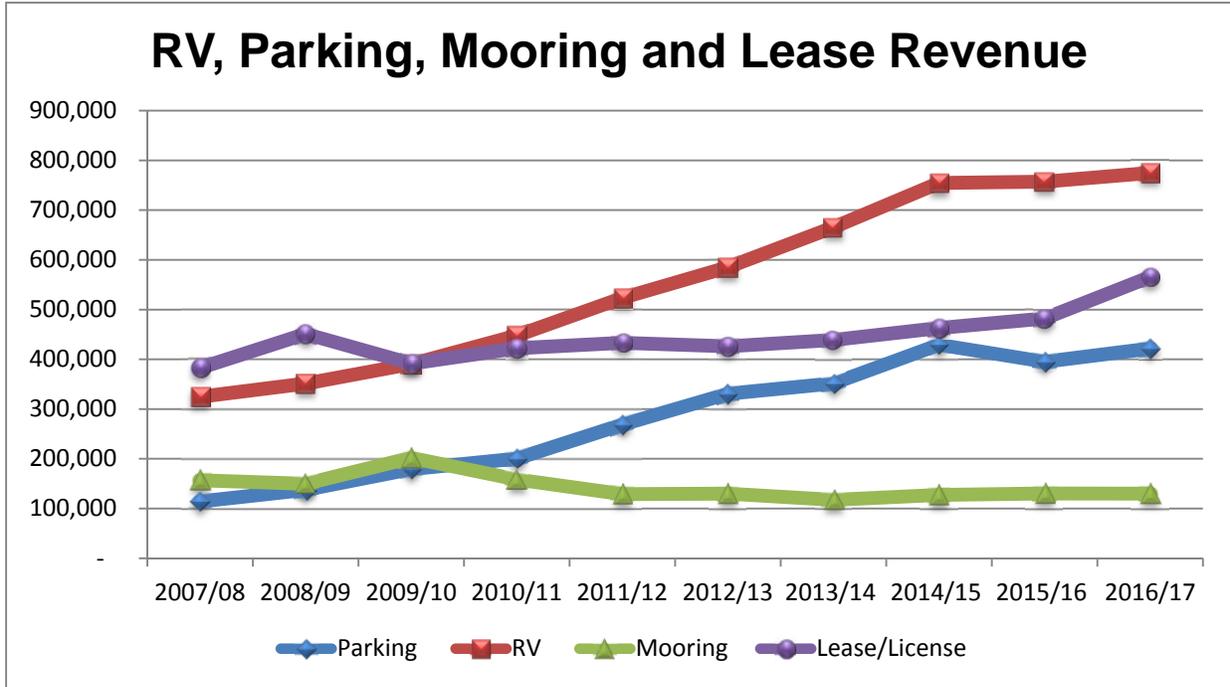


General fund expenditures totaled \$3,411,891, a \$163,527 increase from the prior year. The District paid off its Tax Revenue Anticipation Note related to pension expenditures during the fiscal year. In total, the District paid \$113,166 more towards this liability in 2016/17 than in 2015/16. Of the total expenditures, 60.5% are for salaries, wages and benefits, 9.2% for debt service, 13.0% for general and administrative, 8.4% for utilities and the remaining 8.9% are for supplies and maintenance.



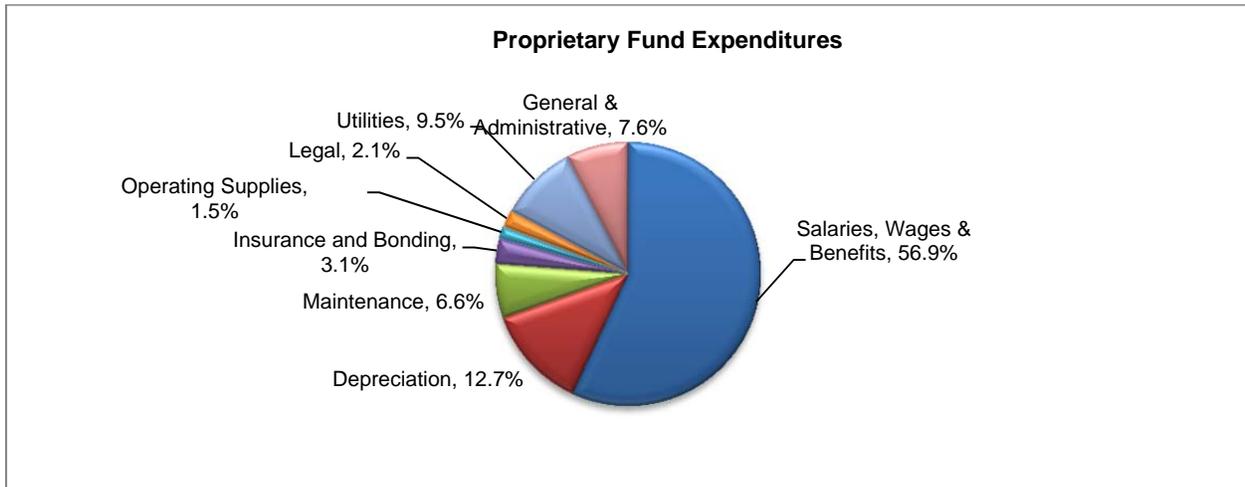
The capital projects fund had project costs of \$333,690. The District purchased a new rescue vehicle, constructed a new hoist, and made repairs to the Lighthouse Duplex, crane cab, and lift station.

*Proprietary funds.* The proprietary fund carries on business-like activities. Operating revenues less cost of goods sold were \$2,090,723 for the fiscal year, an increase of \$29,878 over the prior year. This was primarily due to increases in parking, RV camping, and lease and license revenue. Mooring revenues decreased slightly. Other non-operating revenues totaled \$36,009.



Operating expenses were \$1,757,064 for the fiscal year, a \$66,295 or a 3.6% decrease from the prior fiscal year. Approximately 56.9% of the costs are salaries, wages and benefits, 12.7% is

depreciation and amortization, 9.5% is utilities, and 3.1% is insurance. The remaining 17.8% is for supplies, maintenance, legal services, and general and administrative costs.



The District’s fund financial statements can be found on pages 18-25 of this report.

### General Fund Budgetary Highlights

The Final Budget included estimates of approximately \$3,204,600 in revenues and \$3,875,700 in expenditures, a decrease in fund balance of \$671,100. In comparison, the fund balance increased \$32,032, an increase over budget of \$703,132.

### Capital Assets

The District’s investment of capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$8,316,242 (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 2.5%.

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

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 565,230	\$ 565,230	\$ 598,565	\$ 598,565	\$ 1,163,795	\$ 1,163,795
Buildings, facilities and improvements	12,378,418	12,154,863	5,483,307	5,388,179	17,861,725	17,543,042
Equipment and Machinery	1,338,906	1,341,012	729,601	678,979	2,068,507	2,019,991
Construction in progress	54,143	-	-	-	54,143	-
Less accumulated depreciation	(8,692,503)	(8,277,114)	(4,139,425)	(3,917,086)	(12,831,928)	(12,194,200)
Net capital assets	<u>\$ 5,644,194</u>	<u>\$ 5,783,991</u>	<u>\$ 2,672,048</u>	<u>\$ 2,748,637</u>	<u>\$ 8,316,242</u>	<u>\$ 8,532,628</u>

Capital asset events included the purchase of a new rescue vehicle, a new camp host vehicle and a new water taxi. Additionally, the District constructed a new hoist, made electrical upgrades to the trailer boat launch building, and made repairs to the Lighthouse Duplex, crane cab, and lift station.

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

The District's budgeted overall revenues, including grant revenue, for next year are \$6,480,700 while budgeted expenditures are \$6,522,100. The \$41,400 variance will be funded by assigned reserve balances. The District's 2017/18 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.

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**Port San Luis Harbor District**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,728,630	\$ 3,291,250	\$ 5,019,880
Receivables:			
Accounts Receivable	150	60,695	60,845
Grants receivable	27,556	-	27,556
Interest receivable	-	10,697	10,697
Inventories	-	79,273	79,273
Prepaid expenses	-	2,351	2,351
Total current assets	<u>1,756,336</u>	<u>3,444,266</u>	<u>5,200,602</u>
Noncurrent assets:			
Capital assets:			
Not being depreciated	619,373	598,565	1,217,938
Being depreciated, net	5,024,821	2,073,483	7,098,304
Total capital assets	<u>5,644,194</u>	<u>2,672,048</u>	<u>8,316,242</u>
Total noncurrent assets	<u>5,644,194</u>	<u>2,672,048</u>	<u>8,316,242</u>
<b>Total assets</b>	<u>7,400,530</u>	<u>6,116,314</u>	<u>13,516,844</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer contributions	220,214	101,881	322,095
Deferred outflows of resources - pension	483,548	223,698	707,246
<b>Total deferred outflows of resources</b>	<u>703,762</u>	<u>325,579</u>	<u>1,029,341</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	74,715	46,765	121,480
Accrued expense	66,863	28,018	94,881
Unearned revenue	252,388	271,055	523,443
Refundable deposits	-	7,195	7,195
Compensated absences - due within one year	17,154	7,918	25,072
Total current liabilities	<u>411,120</u>	<u>360,951</u>	<u>772,071</u>
Noncurrent liabilities:			
Compensated absence - due in more than one year	154,387	71,260	225,647
Net OPEB obligation	330,952	166,711	497,663
Net pension liability	2,456,954	1,136,660	3,593,614
Total noncurrent liabilities	<u>2,942,293</u>	<u>1,374,631</u>	<u>4,316,924</u>
<b>Total liabilities</b>	<u>3,353,413</u>	<u>1,735,582</u>	<u>5,088,995</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	141,486	65,455	206,941
<b>Total deferred inflows of resources</b>	<u>141,486</u>	<u>65,455</u>	<u>206,941</u>
<b>NET POSITION</b>			
Investment in capital assets	5,644,194	2,672,048	8,316,242
Unrestricted	(1,034,801)	1,968,808	934,007
<b>Total net position</b>	<u>\$ 4,609,393</u>	<u>\$ 4,640,856</u>	<u>\$ 9,250,249</u>

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

**Port San Luis Harbor District**  
**Statement of Activities**  
**For the year ended June 30, 2017**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Total
		Charges for Services	Operating Contributions and Grants	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>					
<b>GOVERNMENTAL ACTIVITIES:</b>					
Administration	\$ 923,382	\$ -	\$ 5,141	\$ -	\$ 5,141
Operations	261,224	-	19,279	-	19,279
Maintenance	1,593,987	-	40,657	-	40,657
Safety and services	980,336	-	12,914	-	12,914
Interest expense	3,544	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	3,762,473	-	77,991	-	77,991
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Administration	731,895	20,748	7,200	-	27,948
Operations	403,144	1,621,878	-	-	1,621,878
Maintenance	593,405	421,680	-	-	421,680
Safety and services	25,507	26,417	-	18,500	44,917
TOTAL BUSINESS-TYPE ACTIVITIES	1,753,951	2,090,723	7,200	18,500	2,116,423
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 5,516,424</b>	<b>\$ 2,090,723</b>	<b>\$ 85,191</b>	<b>\$ 18,500</b>	<b>\$ 2,194,414</b>

**GENERAL REVENUES:**

Property taxes and assessments

Investment income and earnings

**Total general revenues**

**Change in net position**

**Net position - beginning of year**

**Net position - end of year**

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

Change in Net Position		
Governmental Activities	Business- type Activities	Total
\$ (918,241)	\$ -	\$ (918,241)
(241,945)	-	(241,945)
(1,553,330)	-	(1,553,330)
(967,422)	-	(967,422)
(3,544)	-	(3,544)
<u>(3,684,482)</u>	<u>-</u>	<u>(3,684,482)</u>
-	(703,947)	(703,947)
-	1,218,734	1,218,734
-	(171,725)	(171,725)
-	19,410	19,410
<u>-</u>	<u>362,472</u>	<u>362,472</u>
<u>(3,684,482)</u>	<u>362,472</u>	<u>(3,322,010)</u>
3,351,619	-	3,351,619
15,313	7,196	22,509
<u>3,366,932</u>	<u>7,196</u>	<u>3,374,128</u>
(317,550)	369,668	52,118
<u>4,926,943</u>	<u>4,271,188</u>	<u>9,198,131</u>
<u>\$ 4,609,393</u>	<u>\$ 4,640,856</u>	<u>\$ 9,250,249</u>

**Port San Luis Harbor District**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2017**

	General Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,728,630	\$ -	\$ 1,728,630
Receivables:			
Accounts receivable	150	-	150
Grants receivable	27,556	-	27,556
<b>Total assets</b>	<b>\$ 1,756,336</b>	<b>\$ -</b>	<b>\$ 1,756,336</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 64,006	\$ 10,709	\$ 74,715
Payroll and related liabilities	66,863	-	66,863
Unearned revenue	252,388	-	252,388
<b>Total liabilities</b>	<b>383,257</b>	<b>10,709</b>	<b>393,966</b>
<b>Fund Balances:</b>			
Assigned:			
Avila Pier	45,000	-	45,000
Dredge	11,535	-	11,535
Facilities	159,000	-	159,000
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
Waste treatment plant	20,000	-	20,000
Water tank	31,000	-	31,000
Discretionary	710	-	710
Unassigned	825,727	(10,709)	815,018
<b>Total fund balances</b>	<b>1,373,079</b>	<b>(10,709)</b>	<b>1,362,370</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,756,336</b>	<b>\$ -</b>	<b>\$ 1,756,336</b>

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

**Port San Luis Harbor District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**For the year ended June 30, 2017**

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<b>Fund Balances of General Funds</b>	\$	1,362,370
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,644,194
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Employer contributions for pension paid after the measurement date and prior to the reporting date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	220,214
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In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:

Deferred outflows of resources - pension	483,548
Deferred inflows of resources - pension	(141,486)

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.

Compensated absences - due within one year	(17,154)
Compensated absences - due in more than one year	(154,387)
Net OPEB obligation	(330,952)
Net pension liability	(2,456,954)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>4,609,393</b>
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The accompanying notes are an integral part of these financial statements.

**Port San Luis Harbor District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund**  
**For the year ended June 30, 2017**

	General Fund	Capital Projects Fund	Total
<b>REVENUES:</b>			
Property taxes and assessments	3,351,619	-	3,351,619
Grant revenue	77,991	-	77,991
Use of money and property	14,313	-	14,313
<b>Total revenues</b>	<b>3,443,923</b>	<b>-</b>	<b>3,443,923</b>
<b>EXPENDITURES:</b>			
Current			
Salaries and wages	1,361,898	-	1,361,898
Employee benefits	596,340	-	596,340
Contract services	104,381	-	104,381
Supplies	85,964	-	85,964
Maintenance	217,780	-	217,780
Utilities	287,581	-	287,581
General and administrative	444,612	-	444,612
Capital outlay	-	333,690	333,690
Debt service:			
Principal	306,459	-	306,459
Interest	6,876	-	6,876
<b>Total expenditures</b>	<b>3,411,891</b>	<b>333,690</b>	<b>3,745,581</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>32,032</b>	<b>(333,690)</b>	<b>(301,658)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	-	310,751	310,751
Operating transfers out	(310,751)	-	(310,751)
<b>Total other financing sources (uses)</b>	<b>(310,751)</b>	<b>310,751</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(278,719)</b>	<b>(22,939)</b>	<b>(301,658)</b>
<b>FUND BALANCES:</b>			
Beginning of year	1,651,798	12,230	1,664,028
End of year	1,373,079	(10,709)	1,362,370

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

**Port San Luis Harbor District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the year ended June 30, 2017**

**Net Change in Fund Balances** \$ (301,658)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	333,690
Current year depreciation	(473,487)

In governmental funds, repayment of long-term debt are reported as expenditures, In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities.	306,459
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Employer contributions for pension paid after the measurement date and prior to the reporting date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	220,214
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Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(346,311)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. In the current period these amounts are:

Accrued interest	3,332
Compensated absences	(22,015)
Net OPEB obligation	(37,774)

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (317,550)</b>
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The accompanying notes are an integral part of these financial statements.

**Port San Luis Harbor District**  
**Statement of Net Position**  
**Proprietary Fund**  
**For the year ended June 30, 2017**

ASSETS	Enterprise Fund
Current assets:	
Cash and cash equivalents	\$ 3,291,250
Receivables:	
Accounts receivable, net of allowance	60,695
Interest receivable	10,697
Inventories	79,273
Prepaid expense	2,351
Total current assets	3,444,266
Noncurrent assets:	
Capital assets:	
Not being depreciated	598,565
Being depreciated, net	2,073,483
Total capital assets	2,672,048
Total noncurrent assets	2,672,048
<b>Total assets</b>	<b>6,116,314</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred employer pension contribution	101,881
Deferred outflows of resources - pension	223,698
<b>Total deferred outflows of resources</b>	<b>325,579</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	46,765
Accrued expenses	28,018
Unearned revenue	271,055
Deposits	7,195
Compensated absence - due within one year	7,918
Total current liabilities	360,951
Noncurrent liabilities:	
Compensated absence - due in more than one year	71,260
Net OPEB obligation	166,711
Net pension liability	1,136,660
Total noncurrent liabilities	1,374,631
<b>Total liabilities</b>	<b>1,735,582</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pension	65,455
<b>Total deferred inflows of resources</b>	<b>65,455</b>
<b>NET POSITION</b>	
Net investment in capital assets	2,672,048
Unrestricted (deficit)	1,968,808
<b>Total net position</b>	<b>\$ 4,640,856</b>

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

**Port San Luis Harbor District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the year ended June 30, 2017**

	Enterprise Fund
<b>OPERATING REVENUES:</b>	
Moorage operations	\$ 129,764
Charge for services	471,791
Leases, licenses and rentals	1,462,226
Diesel sales	26,942
<b>Total operating revenues</b>	<b>2,090,723</b>
<b>OPERATING EXPENSES:</b>	
Salaries and wages	522,484
Payroll taxes and benefits	476,017
Contract labor	1,119
Depreciaton	223,000
Maintenance and repairs	116,759
Insurance and bonding	54,939
Operating supplies	25,842
Legal	36,215
Utilities	166,992
General and administrative overhead	133,697
<b>Total operating expenses</b>	<b>1,757,064</b>
<b>OPERATING INCOME</b>	<b>333,659</b>
<b>NONOPERATING REVENUES:</b>	
Interest income	7,196
Grant revenues	25,700
Gain on sale of capital assets	3,113
<b>Total nonoperating revenues</b>	<b>36,009</b>
<b>CHANGE IN NET POSITION</b>	<b>369,668</b>
<b>NET POSITION</b>	
Beginning of year	4,271,188
End of year	<b>\$ 4,640,856</b>

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

**Port San Luis Harbor District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the year ended June 30, 2017**

	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM</b>	
<b>OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 2,292,218
Payments to suppliers	(534,147)
Payments to employees	(891,716)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>866,355</u>
<b>CASH FLOWS FROM NONCAPITAL</b>	
<b>FINANCING ACTIVITIES:</b>	
Operating grants and reimbursements	50,113
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>50,113</u>
<b>CASH FLOWS FROM CAPITAL</b>	
<b>AND RELATED FINANCING ACTIVITIES:</b>	
Sale proceeds of capital assets	3,113
Purchase of capital assets	(146,411)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(143,298)</u>
<b>CASH FLOWS FROM</b>	
<b>INVESTING ACTIVITIES:</b>	
Interest received	2,616
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>2,616</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	775,786
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>2,515,464</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u>\$ 3,291,250</u>

(Continued)

**Port San Luis Harbor District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2017**

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	<u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 333,659
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	223,000
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	3,215
Prepaid expenses	(1,626)
Inventory	(15,507)
Deferred outflows of resources	(188,299)
Accounts payable	18,549
Accrued expenses	5,236
Unearned revenue	209,175
Deposits	(10,895)
Accrued compensation	11,154
Net pension liability	253,804
Deferred inflows of resources	(7,167)
Net OPEB obligation	32,057
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 866,355</u>

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

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**Port San Luis Harbor District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. 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 and Measurement Focus**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose for carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. 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.

**Government-Wide Financial Statements**

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business—Type Activities for the District accompanied by a total column.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

Certain types of transactions reported as program revenues for the District are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, interfund services provided and used, and those transactions between governmental and business-type activities have not been eliminated. There were no interfund activities requiring elimination in fiscal year 2017.

The District applies all applicable GASB pronouncements and Interpretations currently in effect.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for the District's major governmental fund. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements.

Governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The District reports the following funds as major governmental funds of the District:

General Fund 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.

Capital Projects Fund 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).

Revenues are recorded when received in cash, except that revenues subject to accrual (generally, those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated susceptible to accrual by the District are earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Proprietary Fund Financial Statements, Continued**

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses

The District reports the following major proprietary fund.

Port Enterprise Fund accounts for port activities that are funded by user fees.

**C. Cash, Cash Equivalents and Investments**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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 does not have any investments that are measured using Level 3 inputs. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, including restricted assets and the District's investment in the State of California Local Agency Investment Fund (LAIF).

**D. Accounts Receivable**

Accounts receivable arise from billings to customers for services such as moorage, leases, and licenses.

**E. 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.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**F. Inventory**

Inventories in the enterprise fund consist of fuel, mooring equipment, and branded Port merchandise. 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. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated or contributed assets are recorded at acquisition cost at the date of donation. Capital assets owned by the proprietary funds are recorded at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed on the straight-line basis over the estimated useful lives of the various classes of assets as follows:

Plant and facilities	5-60 years
Equipment	2-10 years

It is the District's policy to capitalize all capital assets with a useful life of more than one year, and original cost of \$5,000 or greater. Costs of the assets sold or retired (all the related amounts of accumulated depreciation) are eliminated from the statement of net position in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

**H. Long-Term Debt**

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.

**I. 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.

**J. Unearned Revenue**

Unearned revenues recorded during the year represent prepaid leases for rent to be earned in subsequent fiscal years and unearned grant revenues.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**K. Net Position and Fund Balance**

The government-wide and proprietary fund financial statements present net position. Net position is categorized as the net investment in capital assets, restricted, and unrestricted:

Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is the remaining net position that does not meet the definition of "investment in capital assets" or "restricted net position."

In the Fund Financial Statements, fund balances are in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. Fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds. The District did not report any fund balance as nonspendable as of June 30, 2017.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation. The District did not report any fund balance as restricted as of June 30, 2017.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through resolutions, etc., and that remain binding unless removed in the same manner. The Board of Commissioners is considered the highest authority for the District.

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The Board of Commissioners currently has not delegated the authority to assign fund balance.

Unassigned - This category is for any balances that have no restrictions placed upon them.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. Use of Estimates**

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

**M. Risk Management**

The District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and through the District's participation in the Special District Risk Management Authority as described in Note 9. The insurance is subject to a deductible. No significant claims occurred during the year ended June 30, 2017. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from the prior year.

**N. Deferred Outflows/Inflows of Resources**

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

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

**O. Pensions**

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

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*P New Pronouncements*

- GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement were not applicable to the District as of June 30, 2017.
- GASB Statement No. 77, Tax Abatement Disclosures- This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this statement were not applicable to the District as of June 30, 2017.
- GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans - The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the District as of June 30, 2017.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*P. New Pronouncement, Continued*

- GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the District as of June 30, 2017.
  
- GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This Statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Specifically, this Statement addresses issued regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard. The District updated covered payroll information included in the notes to the basic financial statements and required supplementary information as a result of implementing the requirements of this statement.

**2. CASH AND INVESTMENTS**

*A. Summary of Cash and Investments*

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

	<u>Government-Wide Statement of Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	\$ 1,728,630	\$ 3,291,250	\$ 5,019,880
<b>Total cash and investments</b>	<b>\$ 1,728,630</b>	<b>\$ 3,291,250</b>	<b>\$ 5,019,880</b>

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**2. CASH AND INVESTMENTS, Continued**

*A. Summary of Cash and Investments, Continued*

Cash and investments were classified according to GASB Statement No.40 as follows as of June 30:

Cash on hand	\$ 1,060
Deposits with financial institution	202,500
Total cash on hand and deposits	<u>203,560</u>
Local Agency Investment funds	4,445,614
San Luis Obispo County Pool	45,632
Mutual Fund	325,074
Total investments	<u>4,816,320</u>
<b>Total cash and investments</b>	<u><u>\$ 5,019,880</u></u>

*B. Deposits*

The carrying amount of the District’s cash deposit was \$202,500 at June 30 2017. Balance before reconciling amounts were a positive amount of \$212,128 and at June 30, 2017. The District’s cash deposits were fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The California Government Code (Code) requires California banks and savings and loan associations to secure the District’s cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District’s name.

The market value of the pledged securities must equal at least 110% of the District’s cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District’s total cash deposits.

The District follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

**C. Investments**

Investments are reported at fair value. California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restricted) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. The District's permissible investments include the following instruments:

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
U.S Treasury Bills, Notes, Bonds	5 years	100%	None
Federal Agencies	5 years	100%	None
Federal Instrumentalities	5 years	100%	None
State and Local Agencies:			
District's own bonds	5 years	100%	None
State Instruments	5 years	10%	None
Other Local Agency (within CA only)	5 years	10%	None
Repurchase Agreements/Reserve repurchase agreements	1 year	20%	None
Prime Commercial Paper	270 days	15%	10%
Bankers' Acceptances	180 days	40%	30%
Collateralized Bank Deposits	5 years	100%	None
Medium-Term Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	100%	None
Money Market Mutual Funds	1 year	15%	None
Mutual Funds	N/A	20%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Mortgage Pass-Through Securities	5 years	20%	None
County Investment Pool	N/A	100%	None

The District complied with the provisions of the California Government Code and its investment policy pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**2. CASH AND INVESTMENTS, Continued**

*C. Investments, Continued*

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

Interest income	\$ 37,833
Unrealized loss in changes in fair value of investments	<u>(17,442)</u>
<b>Total investment income</b>	<b><u><u>\$ 20,391</u></u></b>

The District's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. Generally the District's practice is to buy and hold investments until maturity dates. Consequently, the District's investments are carried at fair value.

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District's investments with LAIF at June 30, 2017, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the District had \$4,445,614 invested in LAIF, which had invested 2.89% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 2.81% in the previous year. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

**D. Risk Disclosures**

*Interest Risk:* Interest rate risk is the market value fluctuation due to overall changes in the interest rates. 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 (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2017:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years or More
Local Agency Investment Fund	\$ 4,445,614	\$ 4,445,614	\$ -	\$ -	\$ -	\$ -
San Luis Obispo County Pool	45,632	45,632	-	-	-	-
Mutual Fund	325,074	325,074	-	-	-	-
<b>Total</b>	<b>\$ 4,816,320</b>	<b>\$ 4,816,320</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*Credit Risk:* Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2017 the District's deposits and investments were rated as follows:

Investment Type	Fair Value	Ratings as of Fiscal Year End		
		AAA	AA	Not Rated
Local Agency Investment Fund	\$ 4,445,614	\$ -	\$ -	\$ 4,445,614
San Luis Obispo County Pool	45,632	-	-	45,632
Mutual Fund	325,074	325,074	-	-
<b>Total</b>	<b>\$ 4,816,320</b>	<b>\$ 325,074</b>	<b>\$ -</b>	<b>\$ 4,491,246</b>

*Concentration of Credit Risk:* The California Government Code limits the amount the District may invest in any one issuer, with the exception of U.S. Treasury obligations, U.S. Agency securities and LAIF. The District has no investments in any one issuer (other than money market mutual funds and external investment pools) 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 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 for its investment or collateral securities that are in the possession of another party.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**2. CASH AND INVESTMENTS, Continued**

*D. Investment Valuation*

Investments (except money market accounts that are included as part of restricted cash and investments) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: 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. Investments’ fair value measurements at June 30, 2017 are described below:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Mutual Fund	\$ 325,074	\$ 325,074	\$ -	\$ -
<b>Total</b>	<b>\$ 325,074</b>	<b>\$ 325,074</b>	<b>\$ -</b>	<b>\$ -</b>

The District’s investment in the Franklin U.S. Government Securities Series Class A Mutual Fund (Mutual Fund) is categorized as level 1, as valuation inputs used to measure its fair value were quoted prices in active markets for identical assets.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**3. CAPITAL ASSETS**

The following is a summary of capital assets for governmental activities:

	Balance June 30, 2016	Additions	Retirements	Reclassifications	Balance June 30, 2017
<b>Governmental Activities:</b>					
Capital assets, not being depreciated/amortized:					
Land	\$ 565,230	\$ -	\$ -	\$ -	\$ 565,230
Construction in progress	-	54,143	-	-	54,143
Total capital assets, not being depreciated	565,230	54,143	-	-	619,373
Capital assets, being depreciated/amortized:					
Buildings and improvements	12,154,863	238,658	(15,103)	-	12,378,418
Equipment	1,341,012	40,889	(42,995)	-	1,338,906
Total capital assets, being depreciated/amortized	13,495,875	279,547	(58,098)	-	13,717,324
<i>Less accumulated depreciation/amortization for:</i>					
Buildings and improvements	7,247,890	411,233	(15,103)	-	7,644,020
Equipment	1,029,224	62,254	(42,995)	-	1,048,483
Total accumulated depreciation	8,277,114	473,487	(58,098)	-	8,692,503
Total capital assets, being depreciated/amortized, net	5,218,761	(193,940)	-	-	5,024,821
<b>Governmental activities capital assets, net</b>	<b>\$ 5,783,991</b>	<b>\$ (139,797)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,644,194</b>

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**3. CAPITAL ASSETS, Continued**

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2016	Additions	Retirements	Reclassification	Balance June 30, 2017
Capital assets not being depreciated/amortized:					
Land	\$ 598,565	\$ -	\$ -	\$ -	\$ 598,565
Total capital assets not being depreciated	598,565	-	-	-	598,565
Capital assets being depreciated:					
Plant and facilities	5,388,179	95,128	-	-	5,483,307
Machinery and equipment	678,979	51,283	(661)	-	729,601
Total assets being depreciated	6,067,158	146,411	(661)	-	6,212,908
Less accumulated depreciation for:					
Plant and facilities	3,319,285	199,965	-	-	3,519,250
Machinery and equipment	597,801	23,035	(661)	-	620,175
Total accumulated depreciation	3,917,086	223,000	(661)	-	4,139,425
Total capital assets being depreciated, net	2,150,072	(76,589)	-	-	2,073,483
Total capital assets, net	\$ 2,748,637	\$ (76,589)	\$ -	-	\$ 2,672,048

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

**Governmental Activities:**

Administration	\$ 35,969
Operation	103,354
Maintenance	316,720
Safety and services	17,444
<b>Total Governmental Activities</b>	<b>\$ 473,487</b>

**Business-type Activities:**

Administration	\$ 16,940
Operation	48,677
Maintenance	149,167
Safety and services	8,216
<b>Total Business-type Activities</b>	<b>\$ 223,000</b>

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**4. LONG-TERM OBLIGATION**

The following is a summary of long-term liability activity for the years ended June 30:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year	Due in More Than One Year
Governmental activities:						
Note payable	\$ 303,922	\$ -	\$ (303,922)	\$ -	\$ -	\$ -
Capital lease payable	2,537	-	(2,537)	-	-	-
Compensated absences	149,526	34,304	(12,289)	171,541	17,154	154,387
Total Governmental activities	<u>\$ 455,985</u>	<u>\$ 34,304</u>	<u>\$ (318,748)</u>	<u>\$ 171,541</u>	<u>\$ 17,154</u>	<u>\$ 154,387</u>
Business type activities:						
Compensated absences	68,024	13,367	(2,213)	79,178	7,918	71,260
Total Business type activities	<u>\$ 68,024</u>	<u>\$ 13,367</u>	<u>\$ (2,213)</u>	<u>\$ 79,178</u>	<u>\$ 7,918</u>	<u>\$ 71,260</u>

**A. Compensated Absence**

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.

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

The District uses the General Fund to liquidate compensated absences.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**5. RETIREMENT BENEFITS**

**A. *Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans and three safety rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

**B. *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 55 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 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**5. RETIREMENT BENEFITS, Continued**

**B. Benefits Provided, Continued**

The rate plans' provisions and benefits in effect at June 30, 2017 is summarized as follows:

	<u>Miscellaneous - Classic*</u>	<u>Miscellaneous - PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	11.008%	6.555%
Required unfunded liability payment	\$ 129,349	\$ 8
	<u>Safety - Classic</u>	<u>Safety - PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of annual salary	3%	2.0% to 2.7%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	18.428%	12.082%
Required unfunded liability payment	\$ 25,121	\$ -
	<u>Safety-2nd Tier</u>	
	On or after January 1, 2013	
Hire Date		
Benefit vesting schedule	5 years service	
Benefit payment	Monthly for life	
Retirement age	50-55	
Monthly benefits, as a % of annual salary	2.0% to 2.7%	
Required employee contribution rates	None	
Required employer contribution rates	None	
Required unfunded liability payment	None	

\* 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 are effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are 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. The General Fund has typically been used in prior years to liquidate pension liabilities

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**5. RETIREMENT BENEFITS, Continued**

**B. Benefits Provided, Continued**

The District's contributions to the Plan for the measurement period ended June 30, 2016 was \$294,153.

As of June 30, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,593,614.

The District's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportionate share of the net pension liability was based on the District's plan liability and asset-related information where available, and proportional allocations of plan amounts as of the valuation date where not available.

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

The District's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.04066%
Proportion - June 30, 2016	0.04153%
Change - Increase (Decrease)	0.00087%

For the year ended June 30, 2017, the District recognized pension expense(income) of \$506,527. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Pension contributions subsequent to measurement date	\$ 322,091	\$ -
Changes in employer's proportion	193,632	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	104,978
Changes of assumptions	-	99,879
Differences between expected and actual experiences	1,741	2,084
Net differences between projected and actual earnings on plan investments	511,877	-
	<u>                    </u>	<u>                    </u>
Total	\$ 1,029,341	\$ 206,941

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**5. RETIREMENT BENEFITS, Continued**

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

\$322,091 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year		
Ending June 30:		
2018	\$	69,737
2019		66,406
2020		231,408
2021		132,758

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

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2016 actuarial valuations was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return <sup>(1)</sup>	7.50%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan administrative expenses.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuations were based on the results of a January 2010 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can found on the CalPERS website.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**5. RETIREMENT PLANS, Continued**

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

*Discount Rate* - The discount rate used to measure the total pension liabilities was 7.65 percent for the Plan for the measurement date June 30, 2016. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, 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 testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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 of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations 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 was 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 on the following page 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.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**5. RETIREMENT PLANS, Continued**

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100%		

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

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

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

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

1% Decrease		6.65%
Net Pension Liability	\$	5,462,569
Current Discount Rate		7.65%
Net Pension Liability	\$	3,593,614
1% Increase		8.65%
Net Pension Liability	\$	2,050,907

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan**

At June 30, 2017 the District reported a payable of \$6,011 for outstanding amount of required contributions to the pension plan required.

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**6. OTHER POSTEMPLOYMENT BENEFITS PLAN**

Plan Description: The District provides a defined benefit healthcare plan (the “Retiree Health Plan”). The Retiree Health Plan is a single employer plan and provides healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members to the age of sixty-five. 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 \$128 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 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. The District funds the Retiree Health Plan on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation/Assets: The District’s annual other postemployment benefits cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s Net OPEB obligation for the year ended June 30, 2017.

Annual required contribution (ARC)	\$ 122,891
Interest on net OPEB obligation	17,113
Adjustment to annual required contribution	<u>(17,002)</u>
Annual OPEB cost (expense)	123,002
Contribution	<u>(53,171)</u>
(Increase) decrease in net asset	69,831
Net OPEB obligation (asset) - beginning of year	<u>427,832</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 497,663</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	\$ 76,965	\$ 14,112	18%	\$ 367,172
6/30/2016	77,587	16,927	22%	427,832
6/30/2017	123,002	53,171	43%	497,663

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

**6. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued**

Funded Status and Funding Progress:

As of June 30, 2017, the actuarial accrued liability (AAL) for benefits was \$1,293,125, all of which was unfunded, annual covered payroll was \$1,595,535, and the unfunded liability as a percentage of covered payroll was eighty one percent. 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. Estimates include assumptions about future employment, mortality and healthcare cost trends. The 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 presents 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.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial 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 perspective of the calculations. In the June 30, 2017 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.0% investment rate of return (discount rate), an annual health care cost trend rate of 2.75% per year, a 2.75% general inflation rate and projected salary increases of 3.25% per year. The unfunded actuarial liability is being amortized over a closed thirty year period as a level percentage of future payrolls. The remaining amortization period at June 30, 2017, was 30 years.

**7. RISK MANAGEMENT**

The District is a member of the Special District Risk Management Authority (SDRMA). The SDRMA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code Section 6500 et.seq. Its purpose is to provide a full risk management program for California local governments. The District pays an annual premium to SDRMA for general and auto liability, errors and omissions, property, boiler and machinery and employee dishonesty insurance coverage. The District annual premium is based on its pro-rata share of charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the SDRMA. The District's coverage and corresponding deductibles follow. Note that the high deductibles below are used only in limited circumstances, such as in the case of a terrorist attack.

Coverage	Amount	Deductible
General and auto liability (including errors and omissions)	\$ 10,000,000	\$500 to 20,000
Property damage	1,000,000,000	1,000 to 500,000
Uninsured motorist	1,000,000	1,000
Boiler and machinery	100,000,000	1,000 to 350,000
Employee dishonesty	1,000,000	None
Worker's compensation	5,000,000	None
Board member liability	500,000	500

**Port San Luis Harbor District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**8. COMMITMENTS AND CONTIGENCIES**

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

The District is not aware of any contingent liabilities that are outstanding or lawsuits that are pending of any real financial consequence.

Harbor Terrace Development

The District entered into an agreement with Coastal Conservance on June 24, 2013 to fund approximately \$460,000 for entitlements related to the proposed Harbor Terrace Development. Per terms of the agreement, the District will repay Coastal Conservancy per stipulated repayment terms as stated in the agreement if the project is built. Such repayments would be made from revenues generated from the proposed development on Harbor Terrace. Repayment would begin when a new development and lease agreement is signed with a developer/lessee. Through the revenues from the project, the District will ultimately repay Coastal Conservancy their \$436,285 plus 1.5% of the District income from the Project.

However, If the revenue commences more than 15 years after the Coastal Conservancy agreement, then the Districts repayment obligation is limited to 50% of the \$436,285. If the revenue commences more than 20 years after the Coastal Conservancy agreement, then the Districts repayment obligation is limited to 25% of the \$436,285. If the project is not built, the District would not require any repayment.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Port San Luis Harbor District**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

**1. BUDGETARY COMPARISON INFORMATION -GENERAL FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes and assessments	\$ 3,160,000	\$ 3,160,000	\$ 3,351,619	191,619
Grant income	30,000	30,000	77,991	47,991
Use of money and property	14,600	14,600	14,313	(287)
<b>Total revenues</b>	<b>3,204,600</b>	<b>3,204,600</b>	<b>3,443,923</b>	<b>239,323</b>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	1,355,600	1,355,600	1,361,898	(6,298)
Employee benefits	709,800	709,800	596,340	113,460
Contract services	121,500	121,500	104,381	17,119
Supplies	84,000	84,000	85,964	(1,964)
Maintenance	295,100	310,200	217,780	92,420
Utilities	289,000	289,000	287,581	1,419
General and administrative	542,900	516,600	444,612	71,988
Capital outlay	157,600	171,200	-	171,200
Debt service:				
Principal	174,500	309,800	306,336	3,464
Interest	8,000	8,000	6,999	1,001
<b>Total expenditures</b>	<b>3,738,000</b>	<b>3,875,700</b>	<b>3,411,891</b>	<b>463,809</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(533,400)</b>	<b>(671,100)</b>	<b>32,032</b>	<b>703,132</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(300,100)	(300,100)	(310,751)	(10,651)
<b>Total other financing sources (uses)</b>	<b>(300,100)</b>	<b>(300,100)</b>	<b>(310,751)</b>	<b>(10,651)</b>
<b>Net change in fund balance</b>	<b>\$ (833,500)</b>	<b>\$ (971,200)</b>	<b>(278,719)</b>	<b>\$ 692,481</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,651,798	
End of year			\$ 1,373,079	

**Port San Luis Harbor District**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

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**2. DEFINED BENEFIT PENSION PLAN**

**A. Schedule of the District's Proportionate Share of the Net Pension Liability – Last 10 Years\***

Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.04153%	0.04067%	0.03482%
Proportionate share of the net pension liability	\$ 3,593,614	\$ 2,791,198	\$ 2,166,927
Covered payroll	\$ 1,507,959	\$ 1,471,763	\$ 1,443,877
Proportionate Share of the net pension liability as percentage of covered payroll	238.31%	189.65%	150.08%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%

**Notes to Schedule:**

\*- Fiscal year 2015 was the 1st year of implementation.

**B. Schedule of Contributions – Last 10 Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 322,091	\$ 294,153	\$ 255,797
Contribution in relation to the actuarially determined contributions	(322,091)	(294,153)	(255,797)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,595,434	\$ 1,507,959	\$ 1,471,763
Contributions as a percentage of covered payroll	20.19%	19.51%	17.38%

\* - Fiscal year 2015 was the 1st year of implementation

**Port San Luis Harbor District**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

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**2. OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS**

The table below, which is from the latest available actuarial valuation, shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the funded status of the accrued liability as a percentage of the annual covered payroll for the District's contribution to OPEB as of June 30:

*Funded Status of Plan*

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
7/1/2010	-	493,493	493,493	0.0%	1,349,423	37%
7/1/2013	-	821,325	821,325	0.0%	1,520,000	54%
6/30/2017	-	1,272,013	1,272,013	0.0%	1,595,535	80%

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# **Statistical Section**



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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 5,644,194
Restricted	-	-	-	175,362	89,104	97,280	170,198	154,050	12,230	-
Unrestricted	1,890,931	1,736,671	1,806,418	1,665,840	1,600,934	587,622	437,514	(1,365,927)	(865,945)	(1,034,801)
<b>Total governmental activities net position</b>	<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>	<u>\$ 4,609,393</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 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	\$ 2,672,048
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	594,158	555,203	630,049	687,703	837,328	1,168,647	1,393,152	1,228,948	1,522,551	1,968,808
<b>Total business-type activities net position</b>	<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>	<u>\$ 4,640,856</u>
<b>Port San Luis Harbor District</b>										
Net investment in capital assets	\$ 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	\$ 8,316,242
Restricted	-	-	-	175,362	89,104	97,280	170,198	154,050	12,230	-
Unrestricted	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	934,007
<b>Total Port San Luis Harbor District net position</b>	<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>	<u>\$ 9,250,249</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
Administration	\$ 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	\$ 926,926
Operations	51,448	48,364	68,959	102,894	96,904	202,378	219,691	105,034	131,448	261,224
Maintenance	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	1,593,987
Safety and Services	712,853	730,883	798,720	713,753	801,061	787,480	800,251	806,265	877,904	980,336
Total governmental activities expenses	<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>	<u>3,762,473</u>
Business-Type Activities:										
Administration	741,382	660,578	688,884	759,817	745,510	787,919	904,244	725,515	986,333	731,895
Operations	409,105	442,503	490,227	538,150	631,076	362,629	345,664	365,736	370,377	403,144
Maintenance	269,226	288,041	361,969	350,548	373,989	408,004	385,272	439,270	455,634	593,405
Safety and Services	2,426	2,596	4,268	7,650	6,954	7,711	12,496	10,580	11,015	25,507
Total business-type activities expenses	<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>	<u>1,753,951</u>
Total Harbor District expenses	<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>	<u>\$ 5,516,424</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	77,991
Capital Contributions and Grants	1,401,478	847,632	737,235	311,872	749,141	920,449	510,000	-	-	-
Total governmental activities program revenues	<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>	<u>77,991</u>
Business-Type Activities:										
Charges for Services										
Administration	4,316	3,753	6,602	22,202	9,611	49,757	23,519	54,011	98,260	20,748
Operations	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	1,621,878
Maintenance	114,242	137,501	179,056	200,133	268,849	330,828	351,479	429,162	395,133	421,680
Safety and Services	23,452	9,193	23,328	31,573	20,819	34,472	36,642	32,392	39,138	26,417
Operating Contributions and Grants	-	-	192	-	-	-	-	-	-	7,200
Capital Contributions and Grants	97,268	147,743	97,596	101,236	89,410	215,505	172,384	291,456	8,859	18,500
Total business-type activities program revenues	<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>	<u>2,116,423</u>
Total Harbor District program revenues	<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>	<u>\$ 2,194,414</u>
Net revenue/(expense)										
Governmental Activities	\$ (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)	\$ (3,684,482)
Business-Type Activities	(99,050)	30,324	(6,112)	21,377	106,060	357,673	298,228	756,757	246,345	362,472
Total Harbor District net revenue/(expense)	<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>	<u>\$ (3,322,010)</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes and Assessments	\$ 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	\$ 3,351,619
Investment Income and Earnings	96,390	46,748	27,197	22,773	18,298	14,319	12,049	10,347	12,242	15,313
Miscellaneous	100,824	-	-	-	-	94,990	-	-	(6,798)	-
Transfers	-	-	-	-	-	-	-	-	135,300	-
Prior period adjustment	-	-	-	-	-	(1,116,378)	-	(1,938,947)	-	-
Total governmental activities general revenues	<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>	<u>3,366,932</u>
Business-Type Activities:										
Investment Income and Earnings	26,212	20,951	17,620	5,257	7,721	(14,277)	6,678	3,078	10,222	22,520
Miscellaneous	2,626	4,189	64	2,893	171	2,948	38,349	3,297	10,499	(15,324)
Transfers	-	-	-	-	-	-	-	-	(135,300)	-
Prior period adjustment	-	-	-	-	-	-	470,760	(760,595)	-	-
Total business-type activities general revenues	<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>	<u>7,196</u>
Total Harbor District general revenues	<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>	<u>\$ 3,374,128</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 1,564,506	\$ 854,171	\$ 318,504	\$ (76,872)	\$ 247,373	\$ (502,235)	\$ 281,525	\$ (2,264,793)	\$ 29,042	\$ (317,550)
Business-Type Activities	(70,212)	55,464	11,572	29,527	113,952	346,344	814,015	2,537	131,766	369,668
Total Harbor District change in net position	<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>	<u>\$ 52,118</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Non-spendable	\$ -	\$ -	\$ 73,514	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	307,709	344,772	303,292	678,977	453,602	469,102	710,752	547,352
Unassigned	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	825,727
Total general fund	<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>	<u>\$ 1,373,079</u>
Capital Projects Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	175,362	89,104	97,280	170,198	154,050	12,230	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	351,014	88,766	34,686	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(10,709)
Total capital projects fund	<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>	<u>\$ (10,709)</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Property Taxes and Assessments	\$ 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	\$ 3,351,619
Grant Income	1,401,478	847,632	748,650	359,758	784,566	434,300	588,115	75,809	69,974	77,991
Use of Money and Property	96,390	46,748	27,197	22,773	18,298	14,319	12,049	10,347	12,242	14,313
Miscellaneous	101,353	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,281,852</b>	<b>3,715,709</b>	<b>3,556,085</b>	<b>3,130,992</b>	<b>3,515,333</b>	<b>3,303,201</b>	<b>3,433,005</b>	<b>3,097,494</b>	<b>3,263,684</b>	<b>3,443,923</b>
<b>Expenditures</b>										
Salaries and Wages	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	1,361,898
Employee Benefits	485,265	544,311	613,238	650,436	707,099	1,786,921	419,189	740,341	799,533	596,340
Contract Services	107,185	87,615	95,243	97,022	88,547	103,441	105,185	118,723	105,762	104,381
Supplies	64,087	69,750	63,323	59,955	66,191	68,230	69,404	67,900	73,468	85,964
Maintenance	124,084	99,632	263,432	169,298	188,535	308,975	277,168	279,781	371,573	217,780
Capital Outlay	1,571,998	1,416,721	697,473	360,834	868,662	333,505	787,868	56,278	141,820	333,690
Utilities	197,013	251,367	218,073	228,957	229,874	235,189	236,366	266,779	272,372	287,581
General and Administrative	360,028	415,099	405,091	410,917	336,302	386,790	418,689	410,297	296,120	444,612
Debt Service	-	-	-	-	-	-	493,014	-	-	313,335
<b>Total expenditures</b>	<b>3,866,320</b>	<b>3,843,548</b>	<b>3,442,862</b>	<b>3,051,036</b>	<b>3,641,247</b>	<b>4,328,708</b>	<b>3,987,411</b>	<b>3,148,587</b>	<b>3,390,184</b>	<b>3,745,581</b>
Excess of revenues over (under) expenditures	415,532	(127,839)	113,223	79,956	(125,914)	(1,025,507)	(554,406)	(51,093)	(126,500)	(301,658)
<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	-	-	-	-	-	-	-	-	135,300	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,289</b>	<b>1,211,368</b>	<b>62,710</b>	<b>1,321</b>	<b>135,300</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 415,532</b>	<b>\$ (127,839)</b>	<b>\$ 113,223</b>	<b>\$ 79,956</b>	<b>\$ (112,625)</b>	<b>\$ 185,861</b>	<b>\$ (491,696)</b>	<b>\$ (49,772)</b>	<b>\$ 8,800</b>	<b>\$ (301,658)</b>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Secured	\$ 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	\$ 21,785,031
Unsecured	486,299	517,160	503,223	482,663	465,187	484,382	509,324	517,865	519,592	526,631
Exemptions	(142,703)	(143,448)	(143,148)	(143,048)	(143,013)	(142,200)	(141,081)	(140,986)	(142,728)	(143,524)
Net Assessed Valuations	<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>	<u>\$ 22,168,138</u>
Percentage Increase from Prior Year	9.0%	5.6%	0.3%	-0.6%	-1.8%	0.6%	3.0%	5.8%	6.8%	6.0%
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	0.00220	0.00220	0.00220	0.00290	0.00300	0.00400	0.00400	0.00400	0.00374	0.00400
Total Direct Rate	<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>	<u>1.00400</u>
Property Tax Revenue	\$ 2,683	\$ 2,821	\$ 2,780	\$ 2,748	\$ 2,712	\$ 2,855	\$ 2,833	\$ 3,011	\$ 3,181	\$ 3,352
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, 2016; County Property Tax Booklet "2016-17 Tax Rate Information and Assessed Valuations"; County "Property Tax Rates 2016-17"

\*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, 2016)

\*\*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 2017			Fiscal Year 2008		
		Assessed Value	Rank	Percentage of Total County Assessed Value	Assessed Value	Rank	Percentage of Total County Assessed Value
Pacific Gas & Electric Co.	Utility	\$ 2,546,219	1	5.03%	\$ 2,264,071	1	5.60%
Phillips 66 Company	Oil Refinery	149,256	2	0.29%	-	-	-
Beringer Wine Estate Co.	Winery	89,124	3	0.18%	64,450	5	0.16%
CAP VIII - Mustang Village LLC	Apartments	88,660	4	0.18%	72,225	3	0.18%
E&J Gallo Winery	Winery	78,324	5	0.15%	-	-	-
Martin Hotel Management Co. LLC	Hotel	66,471	6	0.13%	58,928	6	0.15%
AT&T California	Telephone	62,531	7	0.12%	69,866	4	0.17%
Pasquini Charles Jr TRE ETAL	Multi-Property Owner	59,063	8	0.12%	-	-	-
Firestone Walker LLC	Brewery	56,396	9	0.11%	-	-	-
Brodiaea Inc.	Land Management	45,866	10	0.09%	-	-	-
Tosco Corp.	Petroleum & Gas	-	-	-	145,905	2	0.36%
Southern California Gas Co.	Utility	-	-	-	52,984	7	0.13%
LSP Morro Bay, LLC	Utility	-	-	-	52,700	8	0.13%
Centex Homes	Developer	-	-	-	52,478	9	0.13%
Twin Cities Community Hospital	Hospital	-	-	-	52,370	10	0.13%
		<u>\$ 3,241,910</u>		<u>6.40%</u>	<u>\$ 2,885,977</u>		<u>7.13%</u>
Total County Assessed Value		\$ 50,656,771			\$ 40,449,686		

Source: County Property Tax Information Booklet "2016-17 Property Tax Perspective", County Property Tax Information Booklet "2007-08 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ 12,926	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537	\$ -
Note Payable	-	-	-	-	-	1,116,378	651,467	488,359	303,922	-
<b>Total governmental activities debt</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,926</u>	<u>\$ 1,126,393</u>	<u>\$ 659,185</u>	<u>\$ 493,590</u>	<u>\$ 306,459</u>	<u>\$ -</u>
<b>Business-Type Activities</b>										
Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Note Payable	-	-	-	-	-	-	-	-	-	-
<b>Total business-type activities debt</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
<b>Port San Luis Harbor District</b>										
Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ 12,926	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537	\$ -
Note Payable	-	-	-	-	-	1,116,378	651,467	488,359	303,922	-
<b>Total Port San Luis Harbor District debt</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,926</u>	<u>\$ 1,126,393</u>	<u>\$ 659,185</u>	<u>\$ 493,590</u>	<u>\$ 306,459</u>	<u>\$ -</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)**

	2008	2009	2010	Fiscal Year 2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 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	\$ 3,325,221
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 3,325,221</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>
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.	31,060	5.4%
2015	281,401	14,034,209	49,873	4.5%
2016	282,887	Not Avail.	Not Avail.	3.9%

Sources:

1. Employment Development Department

\*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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	5.60	6.60	6.60	5.60	6.60	6.75	6.75	6.75	6.75	6.75
Public Safety	5	6	5	5	6	5	4	5	6	6.46
Maintenance	12	11	13	13	13	11	12	12	13	13
<b>Total</b>	<b>22.60</b>	<b>23.60</b>	<b>24.60</b>	<b>23.60</b>	<b>25.60</b>	<b>22.75</b>	<b>22.75</b>	<b>23.75</b>	<b>25.75</b>	<b>26.21</b>

**Port San Luis Harbor District  
Operating Indicators by Function  
2017**

Function	Fiscal Year				
	2013	2014	2015	2016	2017
<b>Administration</b>					
Claims filed against District	6	1	1	-	2
Lien sales	4	2	1	-	1
Prior patrons on no services list (as of June 30th)	16	23	12	6	7
Recruitments	3	3	6	12	7
RFP's released	4	5	5	6	3
<b>Public Safety</b>					
Agency to agency assistance	223	188	155	141	161
Water taxi passengers	Not Avail.	3,506	5,377	5,609	5,731
Wildlife rescues	117	75	109	64	32
<b>Maintenance</b>					
Commercial Fishermen	24	24	28	27	28
Dredge hours	655	467	520	493	535
Invitation for bids released	6	7	4	4	6
Major maintenance and capital projects completed	20	25	17	18	17
Amount of major maintenance and capital projects completed	\$ 848,035	\$ 1,379,542	\$ 688,216	\$ 475,320	\$ 644,915
<b>Revenue producing activities</b>					
Avila parking lot spaces	62,716	69,923	84,353	79,591	70,174
RV camping nights	12,058	13,744	13,840	13,931	13,827
Parking citations	473	741	483	583	339
Coastal Gateway room rentals	5	8	4	12	10
Special event permits	60	47	60	49	49
Leases (as of June 30th)	10	10	10	10	13
Licenses (as of June 30th)	11	11	10	12	11
Mooring patrons (as of June 30th)	164	154	154	153	148
Skiff storage patrons	51	50	50	47	50
Boat storage patrons	35	34	48	44	49
Gear storage patrons	12	13	14	13	15
Boats fueled	199	215	285	288	340
Boat launches at sport launch (approximate)	Not Avail.	Not Avail.	4,100	4,300	4,000
Grants received	6	6	6	5	5
Amount of grants received	\$ 784,126	\$ 492,016	\$ 64,545	\$ 60,450	64,864



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Port of San Luis Harbor District, California (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2017.

### Internal Control Over Financial Reporting

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

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

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

To the Board of Commissioners  
of the Port San Luis Harbor District  
Avila Beach, California  
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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates  
Certified Public Accountants  
Oakland, California  
December 14, 2017