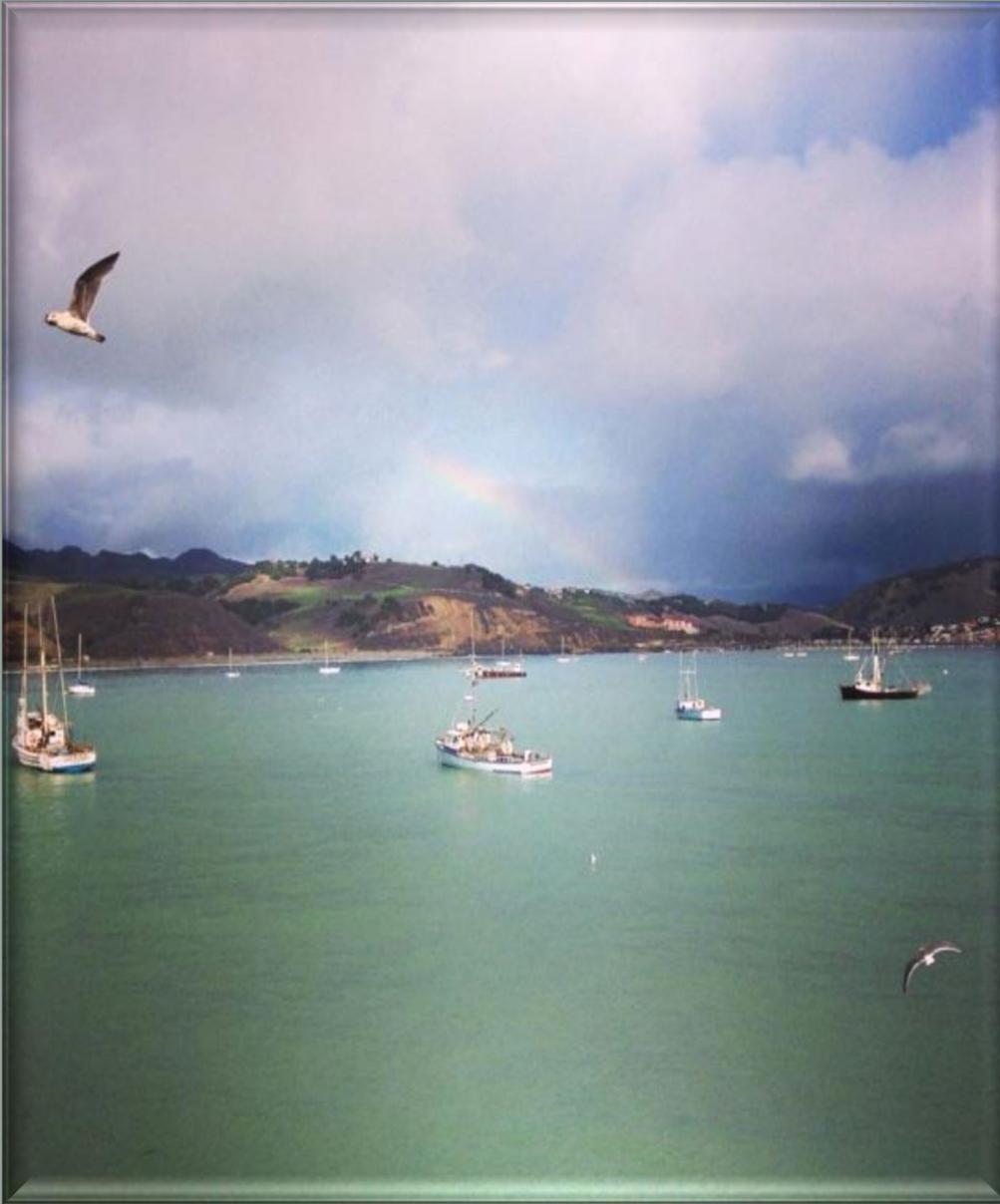


COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2018

*3950 Avila Beach Drive
P.O. Box 249
Avila Beach, CA 93424
portsanluis.com (805) 595.5400*

*Port San Luis
Harbor District,
California*





COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2018

Drew Brandy, President
Bob Vessely, Vice President
Bill Barrow, Commissioner
Jim Blecha, Secretary
Mary Matakovich, 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
www.portsanluis.com

Port San Luis Harbor District
Basic Financial Statements
Table of Contents
For the year ended June 30, 2018

	<u>Page</u>
INTRODUCTORY SECTION	
Transmittal Letter	i
List of Principal Officers	viii
Organizational Chart.....	ix
GFOA Certificate.....	x
FINANCIAL SECTION	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Fund	16
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities.....	19
Statement of Net Position – Proprietary Fund.....	20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	21
Statement of Cash Flows – Proprietary Fund	22
Notes to Basic Financial Statements	25
Required Supplementary Information:	
Budgetary Comparison Information	53
Schedule of the District’s Proportionate Share of the Net Pension Liability – Last 10 Years	54
Schedule of Contributions – Last 10 Years	54
Schedule of Changes in Net OPEB Liability and Related Ratios During the Measurement Period – Last 10 Years – Last 10 Years	55

Port San Luis Harbor District
Basic Financial Statements
Table of Contents
For the year ended June 30, 2018

STATISTICAL SECTION:

Financial Trend Information

Net Position by Component - Last Ten Fiscal Years.....	59
Changes in Net Position - Last Ten Fiscal Years	60
Fund Balances of Governmental Funds - Last Ten Fiscal Years	62
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	63

Revenue Capacity Information

Assessed Valuations - Last Ten Fiscal Years.....	64
Principal Property Taxpayers - County of San Luis Obispo - Current Fiscal Year and Ten Years Ago	65

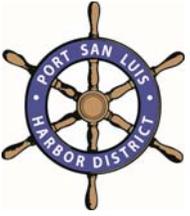
Debt Capacity Information

Outstanding Debt by Type - Last Ten Fiscal Years.....	66
Legal Debt Margin Information - Last Ten Fiscal Years	67

Demographic and Economic Information

Demographic and Economic Statistics - County of San Luis Obispo - Last Ten Calendar Years	68
Principal Employers - County of San Luis Obispo - Current Fiscal Year and Ten Years Ago	69
Full-time Equivalent Government Employees by Function - Last Ten Fiscal Years.....	70
Operating Indicators by Function - Last Four Fiscal Years	71

Independent Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with Government Auditing Standards	73
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------



Introductory Section

BOARD OF COMMISSIONERS

DREW BRANDY
BOB VESSELY
JIM BLECHA
BILL BARROW
MARY MATAKOVICH

President
Vice President
Secretary
Commissioner
Commissioner



P.O. BOX 249 · AVILA BEACH
CALIFORNIA 93424
(805) 595-5400 · Fax 595-5404
www.portsanluis.com

ANDREA LUEKER *Harbor Manager*
JEFFREY A. MINNERY *Legal Counsel*
PHILLIP J. SEXTON, CPA *Treasurer*

January 16, 2019

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, 2018. 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, 2018 are free from material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District’s financial statements for the fiscal year ended June 30, 2018 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.

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 and expected to have increased again in 2017. 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

The continued desire to live in the county increased the median home price to \$569,500 as of August 2017. This is an increase of 11.8% from the same period in the prior year. Increase of the median home price demonstrates that the local real estate market is healthy. Property tax revenue indicators illustrate the strength of the local economy. Discretionary property tax receipts were \$120 million in FY 2016-17 an increase of 5.8% over the prior year. Building permits increased 17% during 2016 to 2017, an indication of a strengthening housing market.

Unemployment in the county as of September 2017 was 3.6% which is lower than the state rate of 5.1% and lower than the national average of 4.2%. At this time last year unemployment in the county was 4.2%. Average income increased by 2.8% to \$44,295, from 2015 to 2016 for the residents of the County of San Luis Obispo as reported by the Bureau of Labor Statistics. Consistent with the 2015, the five highest paid occupational groups in San Luis Obispo County in 2016 were management, architecture and engineering, legal, healthcare practitioners and computer and mathematical.

In June of 2016, PG&E our largest county employer announced plans to close Diablo Canyon Nuclear Power Plant by fiscal year 2024-25. The County along with local jurisdictions have worked with PG&E to negotiate a \$122.5 to \$147.5 million joint proposal agreement that provides for a nine-year transition plan to soften the decrease in unitary taxes, provide money to the local jurisdictions to evaluate and put plans in place to deal with the economic impact and to maintain the current level of emergency preparedness until all spent fuel is cooled and in dry cask storage. They believe, with the nine-year time frame and the joint proposal agreement, the County and local jurisdictions will be able to adequately plan for the closing of the power plant in fiscal year 2024-25. As passed in bill SB 1090 the District will continue to receive unitary tax and a new mitigation funding for the eight years of decommissioning.

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 polices 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 2018/19 estimated operating expenditures the operating reserve should equal \$2.5 million. The reserve shall never be lower than \$1.3 million to ensure that District cash flow needs are met.

Economic Outlook

The District has seen positive growth in its revenues over the past five years. Property tax is the District's largest revenue source, making up approximately 60% of the District's revenues during the 2018 fiscal year. The District has seen a 23% increase in property taxes over the last five years, approximately 4.5% 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 2018 fiscal year, the District received approximately \$389,600 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 22% of District revenues in the 2018 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 timeline from signed lease to grand opening is scheduled for October/November 2019. 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 5% per annum. The increase is a combination of an improving economy and a diligent focus on attracting and retaining tenants that provide goods and services that are desired by our public.

The District continues to 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, 2018 the District spent \$331,600 including grant funded projects, and recorded depreciation expense of \$622,100. The major maintenance expenditures were less primarily a result of the lack of grant funding available. 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 for an additional study on the damage of the pier.

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 2018-19 major objectives and goals include:

Objective #1: Keep Harbor Functional for Boaters:

- Dredge the harbor with planning and preparation for timely execution included in the budget.
- Continue participation in regional sediment management efforts.
- Explore options to extend reach with mobile hoist or other mean.

Objective #2: Expand Money Generating Opportunities to Support Harbor Operations that are Consistent with Affordability and Accessibility for the Public:

Continue oversight of Harbor Terrace project with site planning for harbor yard, trailer boat storage, and fishermen's gear storage.

Develop plan to repair terminus of Harford Pier with sequencing events to boost financial returns from Harford Pier reserve funding for materials.

Develop, issue, and advertise RFPs for leases for available footprint.

Explore other financial opportunities, parking meters, to promote revenue and turnover.

Objective #3: Ensure efficient and effective facilities to deliver critical District services:

Assess needs of staff and facilities requirements, including update for developments on Harford Pier and Harbor Terrace, and identification of opportunities for improvement.

Review District Master Plan to determine any needs for updates.

Objective #4: Plan for long-term Financial Sustainability

Identify alternative scenarios for financial future of District to inform planning.

Other Objectives

Objective #5: Establish Financial Sustainability for Avila Pier, Parking, and Uses

Complete Avila Pier Community Meeting survey report and identify funding opportunities (grants, Friends of Avila Pier, solar panels on parking, etc.)

Decide on desired future of Avila Pier, parking, and use, including funding opportunities and partnerships.

Objective #6: Attract and Retain Needed Staff Expertise and Encourage High Morale for Effective Performance.

Continue efforts to motivate staff and complete negotiation of two contracts with fair terms.

Objective #7: Maintain a safe, boater friendly/accommodating atmosphere for commercial and recreational boaters (local and transient).

Coordinate with Coast Guard, auxiliary or others to conduct boat safety inspection program.

Review service needs and requests from boaters and identify opportunities to accommodate them.

Gain more active engagement and support from Coast Guard.

Objective #8: Ensure that all facilities and events maintain a high level of safety for all staff, visitors.

Track enforcement efforts (citations, misdemeanors, etc.) and complete ordinance change with District Attorney and County Counsel support.)

Monitor use of District Harbor Patrol by other agencies

Objective #9: Maintain and nurture productive strategic alliances between the county, city, state and federal agencies, organizations and the community at large to benefit the District's objectives.

Implement communication plan (for example: social media, viewpoints, letters to editor, etc.) to present role and results of District with public to increase understanding, use, and support.

Objective #10: Ensure that Board policies and ordinances are up to date and align with the goals of the District.

Complete review and revision of Harbor Patrol section through Lexipol.

Identify any other policies and ordinances that Board Members or staffs recommend for review.

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 2019 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 2016-17 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.

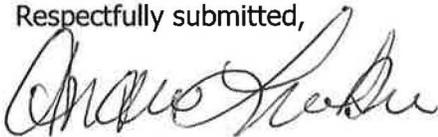
Distinguished Budget Presentation Award

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 2016 - 2017 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.

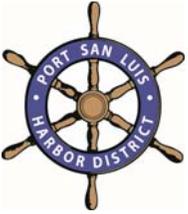
Respectfully submitted,



Andrea Lueker
Harbor Manager



Phillip Sexton,
Treasurer



Principal Officers as of June 30, 2018

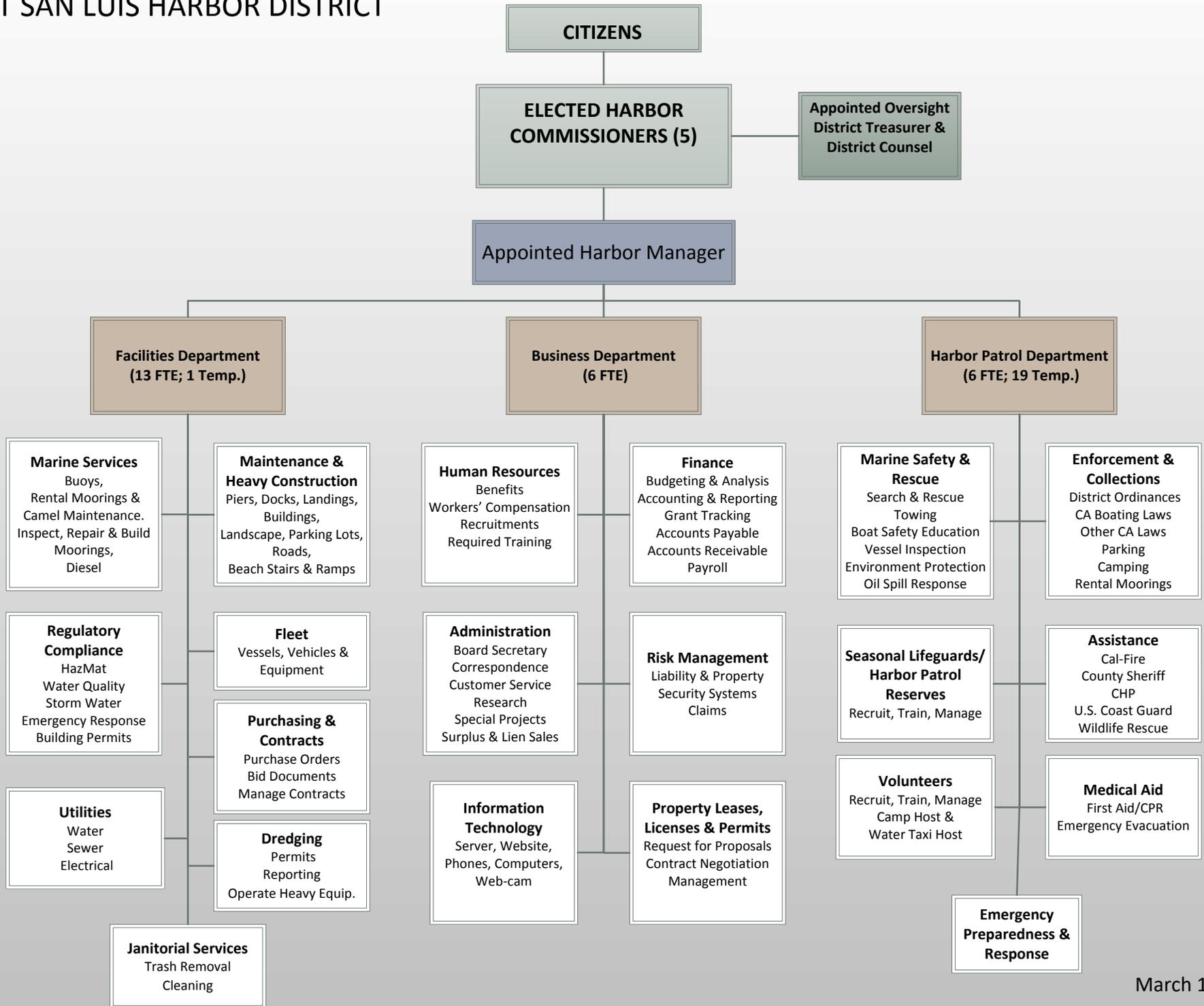
Harbor Commission

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

Executive Management Team

Andrea Lueker, Harbor Manager
Kristen Stout, Business Manager
Chris Munson, Facilities Manager
Matthew Ashton, Chief Harbor Patrol Officer
Phillip Sexton, Treasurer

PORT SAN LUIS HARBOR DISTRICT





Government Finance Officers Association

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

Presented to

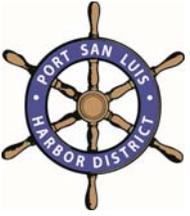
**Port San Luis Harbor District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



Financial Section



INDEPENDENT AUDITORS' 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, 2018, 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 the District, as of June 30, 2018, 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, pension information, and OPEB information on pages 5 to 12 and 53 to 55. 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

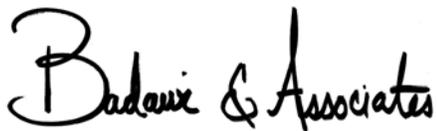
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory section and Statistical section are presented for purposes of additional analysis and are not a required part of the basic financial 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 January 16, 2019, 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, 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
January 16, 2019

This page intentionally left blank

**Port San Luis Harbor District
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

As management of the Port San Luis Harbor District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- The District's government-wide net position was \$8,418,897 at June 30, 2018. This was an increase of \$128,517 for the year.
- Revenues of \$ 5,980,976 were \$412,434 or 7.4% more than prior year revenues. Service revenues increased by \$189,541, grant revenues decreased by \$3,591, while general revenues increased by \$164,090.
- Expenses of \$5,852,459 were \$336,035 or 6.1%, more than prior year.
- Aggregate net pension liabilities are \$4,176,535 and net Other Post Employment Benefits liabilities are \$1,483,705.

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 governmental-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 13-15 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 is 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 17) and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (page 19) provide users visibility as to the differences between the respective statements at June 30, 2018 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 16-19 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 20-23 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 25-50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligation to provide post-employment benefits for its retirees and the District's pension plans. Required supplementary information can be found on pages 53-55 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 57-71 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,418,897 at the close of the most recent fiscal year. Of this amount \$7,832,557 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 \$586,340 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$1,981,548	\$1,756,336	\$4,280,812	\$3,444,266	\$6,262,360	\$5,200,602
Capital assets	5,364,913	5,644,194	2,467,644	2,672,048	7,832,557	8,316,242
Total assets	<u>7,346,461</u>	<u>7,400,530</u>	<u>6,748,456</u>	<u>6,116,314</u>	<u>14,094,917</u>	<u>13,516,844</u>
Deferred pensions	911,949	703,762	423,468	325,579	1,335,417	1,029,341
Total deferred outflows of resources	<u>911,949</u>	<u>703,762</u>	<u>423,468</u>	<u>325,579</u>	<u>1,335,417</u>	<u>1,029,341</u>
Long-term liabilities	156,789	154,387	73,402	71,260	230,191	225,647
Net pension liability	2,855,452	2,456,954	1,321,083	1,136,660	4,176,535	3,593,614
Net OPEB liability	986,682	330,952	497,023	166,711	1,483,705	497,663
Other liabilities	431,826	411,120	351,503	360,951	783,329	772,071
Total liabilities	<u>4,430,749</u>	<u>3,353,413</u>	<u>1,745,988</u>	<u>1,735,582</u>	<u>6,176,737</u>	<u>5,088,995</u>
Deferred pensions	228,892	141,486	108,785	65,455	337,677	206,941
Total deferred inflows of resources	<u>228,892</u>	<u>141,486</u>	<u>108,785</u>	<u>65,455</u>	<u>337,677</u>	<u>206,941</u>
Net position:						
Net investment in capital assets	5,364,913	5,644,194	2,467,644	2,672,048	7,832,557	8,316,242
Restricted for capital projects	-	-	-	-	-	-
Unrestricted	<u>(1,766,144)</u>	<u>(1,034,801)</u>	<u>2,352,484</u>	<u>1,968,808</u>	<u>586,340</u>	<u>934,007</u>
Total net position	<u>\$3,598,769</u>	<u>\$4,609,393</u>	<u>\$4,820,128</u>	<u>\$4,640,856</u>	<u>\$8,418,897</u>	<u>\$9,250,249</u>

The District implemented Governmental Accounting Standards Board Statement No.75 (GASB 75) effective July 1, 2017. GASB 75 requires the reporting of Other Post Employment Benefits (OPEB) to be reflected in the Government Wide Statement of Net Position. The implementation of GASB 75, resulted in a reduction to the Government Wide Net Position as of June 30, 2017 of \$959,869.

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

During the year ended June 30, 2018, the District's government-wide net position increased by \$128,517 after implementation of the GASB 75 adjustment of \$959,869. Program revenues were \$2,396,868 which includes \$116,604 in operating and capital grants and contributions. General revenues were \$3,538,218, consisting primarily of property tax revenues. Expenses of the District for the year ended June 30, 2018 totaled \$5,852,459.

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

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 2,280,264	\$ 2,090,723	\$ 2,280,264	\$ 2,090,723
Operating grants and contributions	79,599	77,991	2,001	7,200	81,600	85,191
Capital grants and contributions	35,000	-	4	18,500	35,004	18,500
General revenues:						
Property taxes	3,505,000	3,351,619	-	-	3,505,000	3,351,619
Investment income & other	33,218	15,313	45,890	7,196	79,108	22,509
Total revenues	<u>3,652,817</u>	<u>3,444,923</u>	<u>2,328,159</u>	<u>2,123,619</u>	<u>5,980,976</u>	<u>5,568,542</u>
Expenses:						
Administration	1,039,755	926,926	773,441	731,895	1,813,196	1,658,821
Operations	207,529	261,224	430,623	403,144	638,152	664,368
Maintenance	1,647,158	1,593,987	610,351	593,405	2,257,509	2,187,392
Safety and services	1,130,674	980,336	12,928	25,507	1,143,602	1,005,843
Total expenses	<u>4,025,116</u>	<u>3,762,473</u>	<u>1,827,343</u>	<u>1,753,951</u>	<u>5,852,459</u>	<u>5,516,424</u>
Transfer between funds	-	-	-	-	-	-
Increase (decrease) in net position	(372,299)	(317,550)	500,816	369,668	128,517	52,118
Net position, beginning of fiscal year	4,609,393	4,926,943	4,640,856	4,271,188	9,250,249	9,198,131
Prior period adjustment	(638,325)		(321,544)		(959,869)	
Net position, beginning of fiscal year - restated	<u>3,971,068</u>	<u>4,926,943</u>	<u>4,319,312</u>	<u>4,271,188</u>	<u>8,290,380</u>	<u>9,198,131</u>
Net position, end of fiscal year	<u>\$ 3,598,769</u>	<u>\$ 4,609,393</u>	<u>\$ 4,820,128</u>	<u>\$ 4,640,856</u>	<u>\$ 8,418,897</u>	<u>\$ 9,250,249</u>

The 2018 implementation of GASB 75 resulted in a prior period adjustment which decreased the 2017 net pension by \$959,869, \$638,325 for the governmental activity, and \$321,544 in the business – type activities.

Governmental activities. Total revenues for the governmental activities for the year ended June 30, 2018 were \$3,652,817 including \$3,505,000 of property tax revenue and \$114,599 of operating and capital contributions and grants. Governmental activities expenses were \$4,025,116 resulting in a decrease in net position of \$372,299.

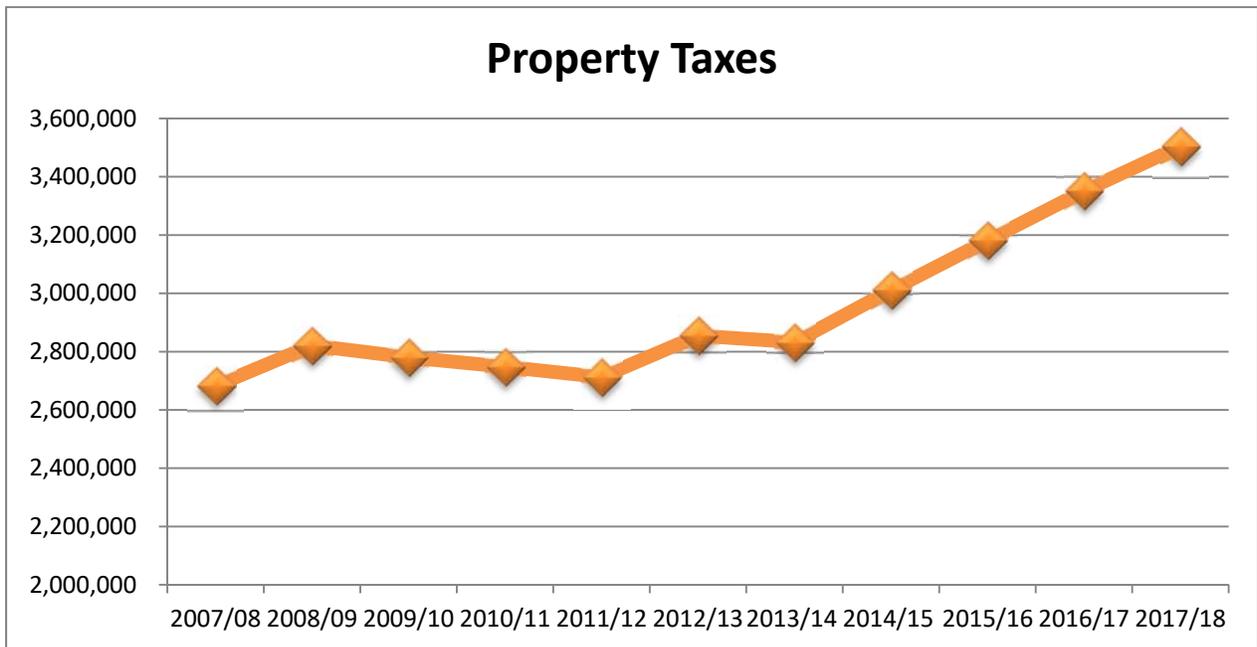
Business-type activities. Revenues for the business-type activities totaled \$2,328,159 for the fiscal year. Operating expenses were \$1,827,343. The excess of revenues over expenses resulted in an increase in net position of \$500,816 for the enterprise activities.

District Fund Financial Analysis

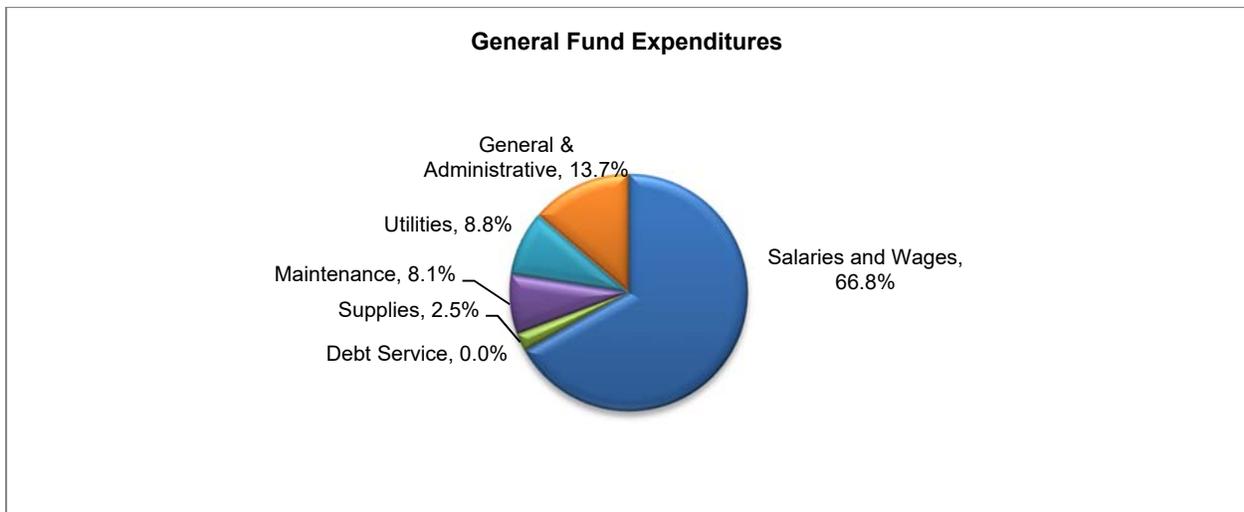
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The governmental funds are represented by two funds, general governmental services (“general fund”) and capital projects. At June 30, 2018, the District’s governmental funds reported total assets of \$1,981,548 and a combined fund balance of \$1,567,143. Of the \$1,981,548 in assets \$1,967,042 is held in cash and investments. The liability balance was \$414,405 at June 30, 2018. Accordingly, current assets are sufficient to meet current obligations.

The general fund revenues were \$3,631,734 with \$3,505,000 coming from property tax revenue, \$114,599 from grants, and \$12,135 from use of money and property. This was an increase of \$187,811 from last year’s revenues of \$3,443,923.

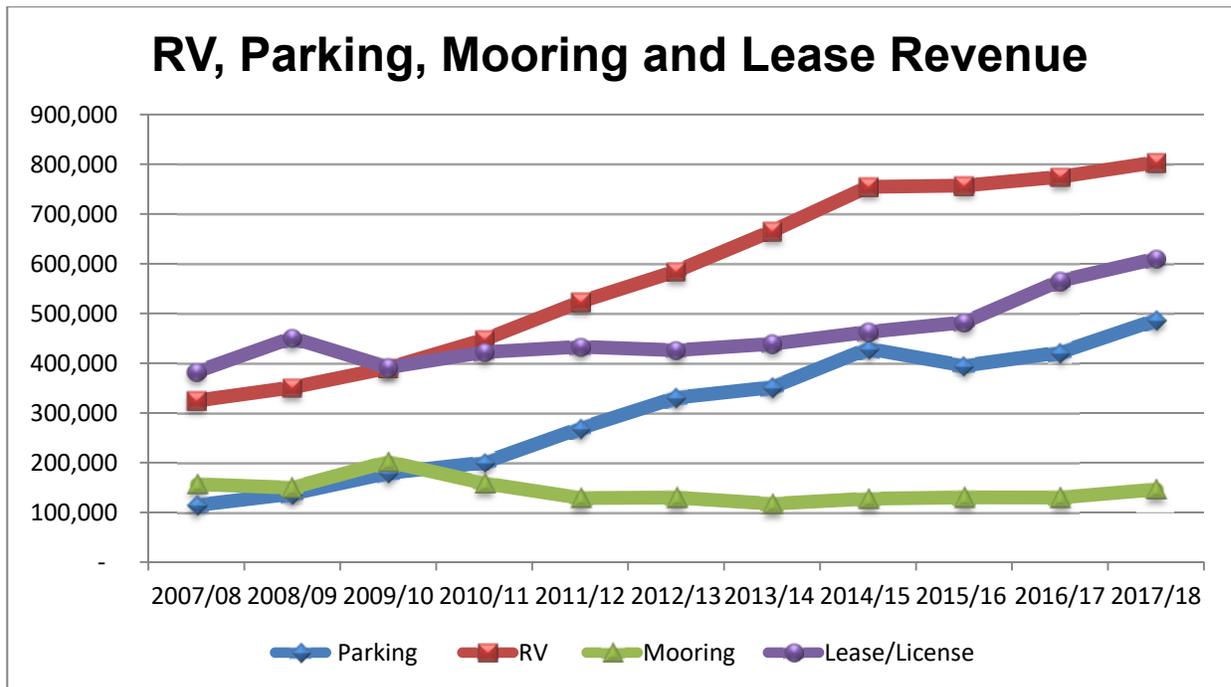


General fund expenditures totaled \$3,326,304, a \$85,587 decrease from the prior year. In 2016/17 the District paid off its Tax Revenue Anticipation Note related to pension expenditures during the fiscal year. Of the total expenditures, 66.8% are for salaries, wages, benefits and contract services, 0% for debt service, 13.7% for general and administrative, 8.8% for utilities and the remaining 10.6% are for supplies and maintenance.

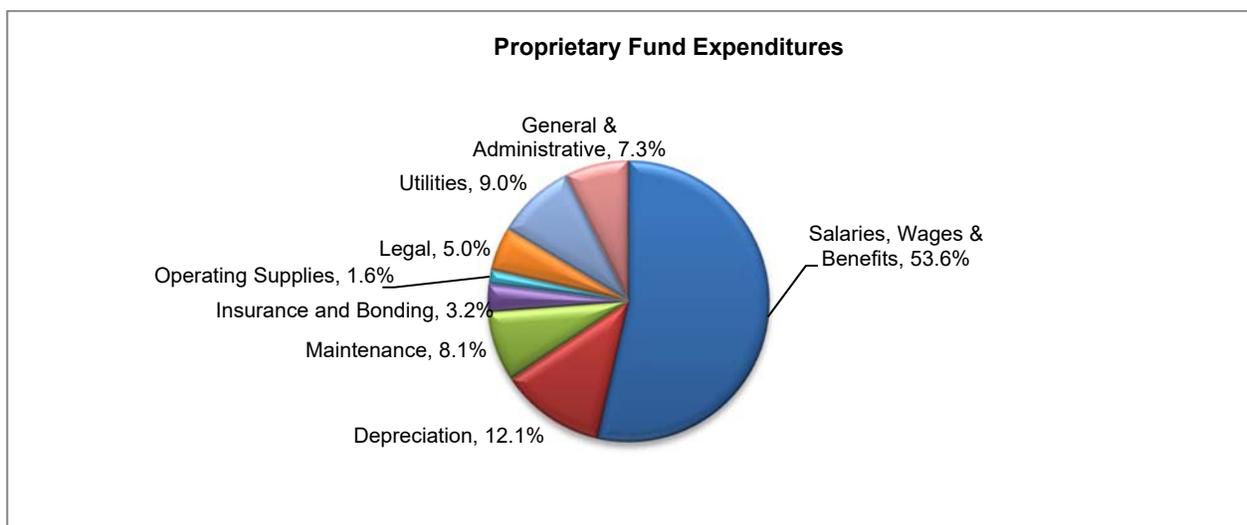


The capital projects fund had project costs of \$121,740. The District installed a new Staff Landing, replaced a boat engine for Harbor Patrol Boat #3, additional projects include Channel Markers, Public Hoist and required percentage of Sewage Treatment Plant.

Proprietary funds. The proprietary fund carries on business-like activities. Operating revenues less cost of goods sold were \$2,280,264 for the fiscal year, an increase of \$189,541 or 9.1% over the prior year. This was primarily due to increases in parking, RV camping, and lease and license revenue. Mooring revenues increased slightly. Other non-operating revenues totaled \$49,467.



Operating expenses were \$1,828,915 for the fiscal year, a \$71,851 or a 4.1 % increase from the prior fiscal year. Approximately 53.6% of the costs are salaries, wages and benefits, 12.1% is depreciation and amortization, 9.0% is utilities, and 3.2% is insurance. The remaining 22.1% is for supplies, maintenance, legal services, and general and administrative costs.



The District’s fund financial statements can be found on pages 16-23 of this report.

General Fund Budgetary Highlights

The Final Budget included estimates of approximately \$3,371,800 in revenues and \$3,154,000 in expenditures, an increase in fund balance of \$217,800. In comparison, the fund balance increased \$198,451, a decrease over budget of \$19,349.

Capital Assets

The District's investment of capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$7,832,557 (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 6.1%.

Port San Luis Harbor District's Capital Assets						
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 565,230	\$ 565,230	\$ 598,565	\$ 598,565	\$ 1,163,795	\$ 1,163,795
Buildings, facilities and improvements	12,526,693	12,378,418	5,499,986	5,483,307	18,026,679	17,861,725
Equipment and Machinery	1,347,294	1,338,906	729,601	729,601	2,076,895	2,068,507
Construction in progress	-	54,143	-	-	-	54,143
Less accumulated depreciation	(9,074,304)	(8,692,503)	(4,360,508)	(4,139,425)	(13,434,812)	(12,831,928)
Net capital assets	<u>\$ 5,364,913</u>	<u>\$ 5,644,194</u>	<u>\$ 2,467,644</u>	<u>\$ 2,672,048</u>	<u>\$ 7,832,557</u>	<u>\$ 8,316,242</u>

Capital asset events included the new construction of a District Staff Landing, Hoist and continued work on Channel Markers

Economic Factors and Next Year's Budget and Rates

The District's budgeted overall revenues, including grant revenue, for next year are \$7,200,600 while budgeted expenditures are \$7,410,300 including Major Maintenance and Capital projects. The \$209,700 variance will be funded by assigned reserve balances. The District's 2018/19 budget outlook is in accord with expected economic conditions.

Request for Information

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

Port San Luis Harbor District
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,967,042	\$ 3,968,612	\$ 5,935,654
Receivables:			
Accounts Receivable	-	98,588	98,588
Grants receivable	14,506	2,006	16,512
Interest receivable	-	25,592	25,592
Inventories	-	77,656	77,656
Prepaid expenses	-	108,358	108,358
Total current assets	<u>1,981,548</u>	<u>4,280,812</u>	<u>6,262,360</u>
Noncurrent assets:			
Capital assets:			
Not being depreciated	565,230	598,565	1,163,795
Being depreciated, net	4,799,683	1,869,079	6,668,762
Total capital assets	<u>5,364,913</u>	<u>2,467,644</u>	<u>7,832,557</u>
Total noncurrent assets	<u>5,364,913</u>	<u>2,467,644</u>	<u>7,832,557</u>
Total assets	<u>7,346,461</u>	<u>6,748,456</u>	<u>14,094,917</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	873,730	404,215	1,277,945
Deferred outflows of resources - OPEB	38,219	19,253	57,472
Total deferred outflows of resources	<u>911,949</u>	<u>423,468</u>	<u>1,335,417</u>
LIABILITIES			
Current liabilities:			
Accounts payable	101,226	58,875	160,101
Accrued expense	60,895	34,620	95,515
Unearned revenue	252,284	242,407	494,691
Refundable deposits	-	7,445	7,445
Compensated absences - due within one year	17,421	8,156	25,577
Total current liabilities	<u>431,826</u>	<u>351,503</u>	<u>783,329</u>
Noncurrent liabilities:			
Compensated absence - due in more than one year	156,789	73,402	230,191
Net OPEB liability	986,682	497,023	1,483,705
Net pension liability	2,855,452	1,321,083	4,176,535
Total noncurrent liabilities	<u>3,998,923</u>	<u>1,891,508</u>	<u>5,890,431</u>
Total liabilities	<u>4,430,749</u>	<u>2,243,011</u>	<u>6,673,760</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	161,341	74,641	235,982
Deferred inflows of resources - OPEB	67,551	34,144	101,695
Total deferred inflows of resources	<u>228,892</u>	<u>108,785</u>	<u>337,677</u>
NET POSITION			
Investment in capital assets	5,364,913	2,467,644	7,832,557
Unrestricted	(1,766,144)	2,352,484	586,340
Total net position	<u>\$ 3,598,769</u>	<u>\$ 4,820,128</u>	<u>\$ 8,418,897</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, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Total
		Charges for Services	Operating Contributions and Grants	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Administration	\$ 1,039,755	\$ -	\$ 79,599	\$ 35,000	\$ 114,599
Operations	207,529	-	-	-	-
Maintenance	1,647,158	-	-	-	-
Safety and services	1,130,674	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	4,025,116	-	79,599	35,000	114,599
BUSINESS-TYPE ACTIVITIES:					
Administration	773,441	31,516	2,001	-	33,517
Operations	430,623	1,737,160	-	-	1,737,160
Maintenance	610,351	486,971	-	-	486,971
Safety and services	12,928	24,617	-	4	24,621
TOTAL BUSINESS-TYPE ACTIVITIES	1,827,343	2,280,264	2,001	4	2,282,269
TOTAL PRIMARY GOVERNMENT	\$ 5,852,459	\$ 2,280,264	\$ 81,600	\$ 35,004	\$ 2,396,868
GENERAL REVENUES:					
Property taxes and assessments					
Investment income and earnings					
Other revenues					
Total general revenues					
Change in net position					
Net position - beginning of year, as restated					
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
\$ (925,156)	\$ -	\$ (925,156)
(207,529)	-	(207,529)
(1,647,158)	-	(1,647,158)
(1,130,674)	-	(1,130,674)
(3,910,517)	-	(3,910,517)
-	(739,924)	(739,924)
-	1,306,537	1,306,537
-	(123,380)	(123,380)
-	11,693	11,693
-	454,926	454,926
(3,910,517)	454,926	(3,455,591)
3,505,000	-	3,505,000
12,135	45,890	58,025
21,083	-	21,083
3,538,218	45,890	3,584,108
(372,299)	500,816	128,517
3,971,068	4,319,312	8,290,380
\$ 3,598,769	\$ 4,820,128	\$ 8,418,897

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

Port San Luis Harbor District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 1,967,042	\$ -	\$ 1,967,042
Receivables:			
Grants receivable	14,506	-	14,506
Total assets	\$ 1,981,548	\$ -	\$ 1,981,548
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 96,839	\$ 4,387	\$ 101,226
Payroll and related liabilities	60,895	-	60,895
Unearned revenue	252,284	-	252,284
Total liabilities	410,018	4,387	414,405
Fund Balances:			
Assigned:			
Election	45,000	-	45,000
Avila Pier	45,000	-	45,000
Dredge	8,091	-	8,091
Facilities	177,000	-	177,000
Vehicle replacement	170	-	170
OPEB	41,400	-	41,400
Building improvements	47,910	-	47,910
Hoist	9,500	-	9,500
Crane	14,738	-	14,738
Utility	45,800	-	45,800
Harbor Terrace	56,529	-	56,529
Computer equipment	4,571	-	4,571
Safety equipment	12,000	-	12,000
Coastal gateway	14,790	-	14,790
Waste treatment plant	11,000	-	11,000
Water tank	31,000	-	31,000
Discretionary	710	-	710
Unassigned	1,006,321	(4,387)	1,001,934
Total fund balances	1,571,530	(4,387)	1,567,143
Total liabilities and fund balances	\$ 1,981,548	\$ -	\$ 1,981,548

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

Port San Luis Harbor District
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Fund Balances of Governmental Funds	\$	1,567,143
--------------------------------------------	----	-----------

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.	5,364,913
-------------------------------------------------------------------------------------------------------------------------	-----------

In the Government-Wide Financial Statements, contributions made subsequent to the measurement date are deferred and applied to the net pension liability, and 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	873,730
Deferred outflows of resources - OPEB	38,219
Deferred inflows of resources - pension	(161,341)
Deferred inflows of resources - OPEB	(67,551)

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	(17,421)
Compensated absences - due in more than one year	(156,789)
Net OPEB liability	(986,682)
Net pension liability	(2,855,452)

Net Position of Governmental Activities	\$	3,598,769
------------------------------------------------	-----------	------------------

Port San Luis Harbor District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018

	General Fund	Capital Projects Fund	Total
REVENUES:			
Property taxes and assessments	3,505,000	-	3,505,000
Grant revenue	79,599	35,000	114,599
Use of money and property	12,135	-	12,135
Total revenues	3,596,734	35,000	3,631,734
EXPENDITURES:			
Current			
Salaries and wages	1,408,878	-	1,408,878
Employee benefits	699,584	-	699,584
Contract services	114,937	-	114,937
Supplies	82,744	-	82,744
Maintenance	270,252	-	270,252
Utilities	293,959	-	293,959
General and administrative	455,950	-	455,950
Capital outlay	-	121,740	121,740
Total expenditures	3,326,304	121,740	3,448,044
REVENUES OVER (UNDER) EXPENDITURES	270,430	(86,740)	183,690
OTHER FINANCING SOURCES (USES):			
Insurance proceeds	21,083	-	21,083
Operating transfers in	-	93,062	93,062
Operating transfers out	(93,062)	-	(93,062)
Total other financing sources (uses)	(71,979)	93,062	21,083
Net change in fund balances	198,451	6,322	204,773
FUND BALANCES:			
Beginning of year	1,373,079	(10,709)	1,362,370
End of year	<u>\$ 1,571,530</u>	<u>\$ (4,387)</u>	<u>\$ 1,567,143</u>

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

Port San Luis Harbor District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended June 30, 2018

Net Change in Fund Balances \$ 204,773

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	121,741
Current year depreciation	(401,022)

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.

247,600

Employer contributions for OPEB 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.

38,369

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.

(495,985)

OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however OPEB expense is not recognized in the governmental funds.

(85,106)

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:

Compensated absences	(2,669)
----------------------	---------

Change in Net Position of Governmental Activities

\$ (372,299)

Port San Luis Harbor District
Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,968,612
Receivables:	
Accounts receivable, net of allowance	98,588
Grants receivable	2,006
Interest receivable	25,592
Inventories	77,656
Prepaid expense	108,358
Total current assets	<u>4,280,812</u>
Noncurrent assets:	
Capital assets:	
Not being depreciated	598,565
Being depreciated, net	1,869,079
Total capital assets	<u>2,467,644</u>
Total noncurrent assets	<u>2,467,644</u>
Total assets	<u>6,748,456</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	404,215
Deferred outflows of resources - OPEB	19,253
Total deferred outflows of resources	<u>423,468</u>
LIABILITIES	
Current liabilities:	
Accounts payable	58,875
Accrued expenses	34,620
Unearned revenue	242,407
Deposits	7,445
Compensated absence - due within one year	8,156
Total current liabilities	<u>351,503</u>
Noncurrent liabilities:	
Compensated absence - due in more than one year	73,402
Net OPEB liability	497,023
Net pension liability	1,321,083
Total noncurrent liabilities	<u>1,891,508</u>
Total liabilities	<u>2,243,011</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	74,641
Deferred inflows of resources - OPEB	34,144
Total deferred inflows of resources	<u>108,785</u>
NET POSITION	
Net investment in capital assets	2,467,644
Unrestricted	2,352,484
Total net position	<u>\$ 4,820,128</u>

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
June 30, 2018

	Enterprise Fund
OPERATING REVENUES:	
Moorage operations	\$ 146,240
Charge for services	563,434
Leases, licenses and rentals	1,545,105
Diesel sales	25,485
Total operating revenues	2,280,264
OPERATING EXPENSES:	
Salaries and wages	537,565
Payroll taxes and benefits	440,678
Contract labor	1,737
Depreciaton	221,083
Maintenance and repairs	148,745
Insurance and bonding	57,977
Operating supplies	29,358
Legal	92,050
Utilities	165,434
General and administrative overhead	134,288
Total operating expenses	1,828,915
OPERATING INCOME	451,349
NONOPERATING REVENUES:	
Interest income	45,890
Grant revenues	2,006
Gain on sale of capital assets	1,571
Total nonoperating revenues	49,467
CHANGE IN NET POSITION	500,816
NET POSITION	
Beginning of year	4,319,312
End of year	\$ 4,820,128

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

Port San Luis Harbor District
Statement of Cash Flows
Proprietary Fund
June 30, 2018

	Enterprise Fund
CASH FLOWS FROM	
OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 2,213,973
Payments to suppliers	(721,869)
Payments to employees	(830,629)
NET CASH PROVIDED BY OPERATING ACTIVITIES	661,475
CASH FLOWS FROM CAPITAL	
AND RELATED FINANCING ACTIVITIES:	
Sale proceeds of capital assets	1,571
Purchase of capital assets	(16,679)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(15,108)
CASH FLOWS FROM	
INVESTING ACTIVITIES:	
Interest received	30,995
NET CASH PROVIDED BY INVESTING ACTIVITIES	30,995
NET INCREASE IN CASH AND CASH EQUIVALENTS	677,362
CASH AND CASH EQUIVALENTS - Beginning of year	3,291,250
CASH AND CASH EQUIVALENTS - End of year	\$ 3,968,612

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

Port San Luis Harbor District
Statement of Cash Flows, Continued
Proprietary Fund
June 30, 2018

	Enterprise Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 451,349
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	221,083
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(37,893)
Prepaid expenses	(106,007)
Inventory	1,617
Deferred outflows of resources	(80,077)
Accounts payable	12,110
Accrued expenses	6,602
Unearned revenue	(28,648)
Deposits	250
Accrued compensation	2,380
Net pension liability	184,423
Deferred inflows of resources	43,330
Net OPEB liability	(9,044)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 661,475

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

This page intentionally left blank

Port San Luis Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2018

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 2018.

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, 2018

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 Governmental 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, 2018

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 Enterprise fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the Enterprise 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, 2018

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, 2018

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 Governmental 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, 2018.

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, 2018.

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, 2018

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 7. The insurance is subject to a deductible. No significant claims occurred during the year ended June 30, 2018. 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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Q. New Pronouncements

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The District restated its beginning net position as part of implementation of this statement.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the District for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the District for the current fiscal year.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

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	\$ 1,967,042	\$ 3,968,612	\$ 5,935,654
Total cash and investments	\$ 1,967,042	\$ 3,968,612	\$ 5,935,654

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	363,507
Total cash on hand and deposits	<u>364,567</u>
Local Agency Investment funds	5,209,334
San Luis Obispo County Pool	47,816
Mutual Fund	313,937
Total investments	<u>5,571,087</u>
Total cash and investments	\$ <u>5,935,654</u>

B. Deposits

The carrying amount of the District's cash deposit was \$363,507 at June 30 2018. Balance before reconciling amounts were a positive amount of \$404,831 at June 30, 2018. 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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

B. Deposits, Continued

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.

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, 2018

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	\$ 73,386
Unrealized loss in changes in fair value of investments	<u>(15,361)</u>
Total investment income	<u><u>\$ 58,025</u></u>

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, 2018, 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, 2018, the District had \$5,209,334 invested in LAIF, which had invested 2.67% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 2.89% in the previous year. The LAIF fair value factor of 0.998126869 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, 2018

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, 2018:

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	\$ 5,209,334	\$ 5,209,334	\$ -	\$ -	\$ -	\$ -
San Luis Obispo County Pool	47,816	47,816	-	-	-	-
Mutual Fund	313,937	313,937	-	-	-	-
Total	\$ 5,571,087	\$ 5,571,087	\$ -	\$ -	\$ -	\$ -

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, 2018 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	\$ 5,209,334	\$ -	\$ -	\$ 5,209,334
San Luis Obispo County Pool	47,816	-	-	47,816
Mutual Fund	313,937	313,937	-	-
Total	\$ 5,571,087	\$ 313,937	\$ -	\$ 5,257,150

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, 2018

2. CASH AND INVESTMENTS, Continued

E. 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, 2018 are described below:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Mutual Fund	\$ 313,937	\$ 313,937	\$ -	\$ -
Total	\$ 313,937	\$ 313,937	\$ -	\$ -

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, 2018

3. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Retirements	Reclassifications	Balance June 30, 2018
Governmental Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 565,230	\$ -	\$ -	\$ -	\$ 565,230
Construction in progress	54,143	-	-	(54,143)	-
Total capital assets, not being depreciated	<u>619,373</u>	<u>-</u>	<u>-</u>	<u>(54,143)</u>	<u>565,230</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	12,378,418	94,132	-	54,143	12,526,693
Equipment	1,338,906	27,609	(19,221)	-	1,347,294
Total capital assets, being depreciated/amortized	<u>13,717,324</u>	<u>121,741</u>	<u>(19,221)</u>	<u>54,143</u>	<u>13,873,987</u>
<i>Less accumulated depreciation/amortization for:</i>					
Buildings and improvements	7,644,020	340,777	-	-	7,984,797
Equipment	1,048,483	60,245	(19,221)	-	1,089,507
Total accumulated depreciation	<u>8,692,503</u>	<u>401,022</u>	<u>(19,221)</u>	<u>-</u>	<u>9,074,304</u>
Total capital assets, being depreciated/amortized, net	<u>5,024,821</u>	<u>(279,281)</u>	<u>-</u>	<u>54,143</u>	<u>4,799,683</u>
Governmental activities capital assets, net	<u>\$ 5,644,194</u>	<u>\$ (279,281)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,364,913</u>

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

3. CAPITAL ASSETS, Continued

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

	Balance June 30, 2017	Additions	Retirements	Reclassification	Balance June 30, 2018
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	5,483,307	16,679	-	-	5,499,986
Machinery and equipment	729,601	-	-	-	729,601
Total assets being depreciated	6,212,908	16,679	-	-	6,229,587
Less accumulated depreciation for:					
Plant and facilities	3,519,250	195,880	-	-	3,715,130
Machinery and equipment	620,175	25,203	-	-	645,378
Total accumulated depreciation	4,139,425	221,083	-	-	4,360,508
Total capital assets being depreciated, net	2,073,483	(204,404)	-	-	1,869,079
Total capital assets, net	\$ 2,672,048	\$ (204,404)	\$ -		\$ 2,467,644

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

Governmental Activities:

Administration	\$ 32,501
Operation	98,821
Maintenance	253,264
Safety and services	16,436
Total Governmental Activities	\$ 401,022

Business-type Activities:

Administration	\$ 17,918
Operation	54,480
Maintenance	139,624
Safety and services	9,061
Total Business-type Activities	\$ 221,083

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

4. LONG-TERM OBLIGATION

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Governmental activities:						
Compensated absences	\$ 171,541	\$ 27,893	\$ (25,224)	\$ 174,210	\$ 17,421	\$ 156,789
Total Governmental activities	<u>\$ 171,541</u>	<u>\$ 27,893</u>	<u>\$ (25,224)</u>	<u>\$ 174,210</u>	<u>\$ 17,421</u>	<u>\$ 156,789</u>
Business type activities:						
Compensated absences	79,178	11,920	(9,540)	81,558	8,156	73,402
Total Business type activities	<u>\$ 79,178</u>	<u>\$ 11,920</u>	<u>\$ (9,540)</u>	<u>\$ 81,558</u>	<u>\$ 8,156</u>	<u>\$ 73,402</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.

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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

5. RETIREMENT BENEFITS, Continued

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.

The rate plans' provisions and benefits in effect at June 30, 2018 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	11.049%	6.533%
Required unfunded liability payment	\$ 153,169	\$ 37
	<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	18.615%	11.990%
Required unfunded liability payment	\$ 31,697	\$ 6
	<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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

5. RETIREMENT BENEFITS, Continued

B. Benefits Provided, Continued

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.

The District's contributions to the Plan for the measurement period ended June 30, 2017 was \$322,091.

As of June 30, 2018, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$4,176,535.

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, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.04153%
Proportion - June 30, 2017	<u>0.04211%</u>
Change - Increase (Decrease)	0.00058%

For the year ended June 30, 2018, the District recognized pension expense(income) of \$725,626. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

5. RETIREMENT BENEFITS, Continued

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, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%
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, 2016 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. 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, 2018

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 7.15 percent for the Plan for the measurement date June 30, 2017. 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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, 2018

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	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
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	6.15%
Net Pension Liability	\$ 6,339,208
Current Discount Rate	7.15%
Net Pension Liability	\$ 4,176,535
1% Increase	8.15%
Net Pension Liability	\$ 2,390,180

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, 2018 the District reported a payable of \$5,562 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, 2018

6. OTHER POSTEMPLOYMENT BENEFITS PLAN

A. 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 CalPERS Health Benefit Program, which covers both active and retired member to the age of sixty-five. Spouses are also covered throughout his or her life. The District also pays the required minimum employer premium each year. For calender year 2017, 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.

B. Employees Covered

As of the July 1, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Retiree Health Plan:

Active employees	26
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to, but not yet receiving benefits	-
Total	39

C. Contributions

The Board will review the funding requirements and policy annually. The District funds the Retiree Health Plan on a pay as you go basis.

D. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.13%
Inflation	2.74%
Salary Increases	3.25%
Mortality ⁽¹⁾	Derived by CalPERS membership data for all funds
Healthcare cost trend rates:	5.00% to 8.00%

⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

6. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high quality 20-year municipal bonds, as of the valuation date.

F. Changes in the Total OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 1,510,703
Changes in the year:	
Service cost	99,361
Interest on the total pension liability	42,437
Differences between actual and expected experience	-
Changes in assumptions	(115,625)
Changes in benefit terms	-
Plan to Plan Resource Movement	-
Contribution - employer	(53,171)
Net changes	(26,998)
Balance at June 30, 2017	\$ 1,483,705

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

1% Decrease - 2.13%	
Total OPEB liability	\$ 1,759,942
Current Discount Rate - 3.13%	
Total OPEB liability	\$ 1,483,705
1% Increase - 4.13%	
Total OPEB liability	\$ 1,267,877

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

6. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

1% Decrease - 7.00% Decreasing to 4.00%		
Total OPEB liability	\$	1,222,599
Current Discount Rate - 8.00% Decreasing to 5.00%		
Total OPEB liability	\$	1,483,705
1% Increase - 9.00% Decreasing to 6.00%		
Total OPEB liability	\$	1,911,661

I. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$127,867. For the fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 57,472	\$ -
Changes of assumptions	-	101,695
Total	\$ 57,472	\$ 101,695

The \$57,472 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30:	
2019	\$ (13,931)
2020	(13,931)
2021	(13,931)
2022	(13,931)
2023	(13,931)
Thereafter	(32,040)

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

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

8. COMMITMENTS AND CONTINGENCIES

State and Federal Financial Assistance

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

Litigation

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 California Coastal Conservancy ("Agreement") on June 24, 2013 to fund entitlements related to the proposed Harbor Terrace Development. The agreement amount funded was \$436,285. Per terms of the Agreement, the District will repay California 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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

8. COMMITMENTS AND CONTIGENCIES, Continued

However, if the revenue commences more than 15 years after the California 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.

During the year ended June 30, 2018, the district executed a 50 year development and lease agreement for the property. The Lease requires the Lessee to develop the property according to an agreed development schedule, subject to the various Governmental agency approval. The district made a \$25,000 payment to Coastal Conservancy pursuant to the Agreement.

9. RESTATEMENT

The District recorded a prior period adjustment to recognize deferred outflows of resources and net OPEB liability as of June 30, 2017.

	Net Position, as Previously Reported at June 30, 2017	Prior Period Adjustments			Net Position, as Restated at June 30, 2017
		Deferred Employer OPEB Contributions	Net OPEB Obligation	Net OPEB Liability	
Government-Wide Statements					
Governmental activities	\$ 4,609,393	\$ 35,359	\$ 330,952	\$ (1,004,636)	\$ 3,971,068
Business-type activities	\$ 4,640,856	\$ 17,812	\$ 166,711	\$ (506,067)	\$ 4,319,312
Proprietary Fund					
Port Enterprise	\$ 4,640,856	\$ 17,812	\$ 166,711	\$ (506,067)	\$ 4,319,312

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

**Port San Luis Harbor District
Required Supplementary Information
For the year ended June 30, 2018**

1. BUDGETARY COMPARISON INFORMATION - GENERAL FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes and assessments	\$ 3,288,800	\$ 3,288,800	\$ 3,505,000	216,200
Grant income	67,000	67,000	79,599	12,599
Use of money and property	16,000	16,000	12,135	(3,865)
Total revenues	3,371,800	3,371,800	3,596,734	224,934
EXPENDITURES:				
Current:				
Salaries and wages	1,389,300	1,389,300	1,408,878	(19,578)
Employee benefits	752,300	752,300	699,584	52,716
Contract services	101,600	101,600	114,937	(13,337)
Supplies	86,000	86,000	82,744	3,256
Maintenance	148,700	148,700	270,252	(121,552)
Utilities	289,400	289,400	293,959	(4,559)
General and administrative	386,700	386,700	455,950	(69,250)
Total expenditures	3,154,000	3,154,000	3,326,304	(172,304)
REVENUES OVER (UNDER) EXPENDITURES	217,800	217,800	270,430	52,630
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	21,083	21,083
Transfer out	-	-	(93,062)	(93,062)
Total other financing sources (uses)	-	-	(71,979)	(71,979)
Net change in fund balance	\$ 217,800	\$ 217,800	198,451	\$ (19,349)
FUND BALANCE:				
Beginning of year			1,373,079	
End of year			<u>\$ 1,571,530</u>	

**Port San Luis Harbor District
Required Supplementary Information
For the year ended June 30, 2018**

2. DEFINED BENEFIT PENSION PLAN

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

Fiscal Year	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.04211%	0.04153%	0.04066%	0.03482%
Proportionate share of the net pension liability	\$ 4,176,535	\$ 3,593,614	\$ 2,791,198	\$ 2,166,927
Covered payroll	\$ 1,595,434	\$ 1,507,959	\$ 1,471,763	\$ 1,443,877
Proportionate Share of the net pension liability as percentage of covered payroll	261.78%	238.31%	189.65%	150.08%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 362,147	\$ 322,091	\$ 294,153	\$ 255,797
Contribution in relation to the actuarially determined contributions	<u>(362,147)</u>	<u>(322,091)</u>	<u>(294,153)</u>	<u>(255,797)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,725,915	\$ 1,595,434	\$ 1,507,959	\$ 1,471,763
Contributions as a percentage of covered payroll	20.98%	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, 2018

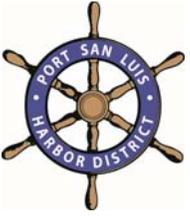
2. OTHER POSTEMPLOYMENT BENEFIT PLAN

*A. Schedule of Changes in Net OPEB Liability and Related Ratios During the Measurement Period – Last 10 Years**

	2017
<u>Total OPEB liability</u>	
Service cost	\$ 99,361
Interest on the total pension liability	42,437
Contribution - employer	(53,171)
Change in assumption	(115,625)
Net changes	(26,998)
Total OPEB liability - beginning of year	1,510,703
Total OPEB liability - end of year	\$ 1,483,705
Covered payroll	\$ 1,725,915
Total OPEB liability as a percentage of covered payroll	85.97%

*Fiscal year 2018 was the first year of implementation

This page intentionally left blank



Statistical Section

STATISTICAL SECTION

This part of the Port San Luis Harbor District comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends

These schedules contain financial trend information for assessing the District's financial performance and well-being over time.

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules present revenue capacity information to assess the District's ability to generate revenues. Property taxes, charges for services and developer fees and contributions are the District's most significant revenue sources.

1. Principal Property Taxpayers
2. Assessed Value of Taxable Property

Debt Capacity

These schedules present information on computation of legal debt margin. The District did not have any debt outstanding as of July 1, 2018 and does not project to issue new debt during the 2018/19 fiscal year.

1. Outstanding Debt by Type (None)
2. Computation of Legal Debt Margin Information

Demographic and Economic Information

These schedules provide information on the demographic and economic environment in which the District conducts business.

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules provide information on the District's service infrastructure to assist the reader in understanding how the information in the District's financial report relates to the services the District provides and the activities it performs.

1. Full-Time District Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant years.

This page intentionally left blank

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 5,364,913
Restricted	-	-	175,362	89,104	97,280	170,198	154,050	12,230	-	-
Unrestricted	1,736,671	1,806,418	1,665,840	1,600,934	587,622	437,514	(1,365,927)	(865,945)	(1,034,801)	(1,766,144)
Total governmental activities net position	<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>	<u>\$ 3,598,769</u>
Business-Type Activities										
Net investment in capital assets	\$ 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	\$ 2,467,644
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	555,203	630,049	687,703	837,328	1,168,647	1,393,152	1,228,948	1,522,551	1,968,808	2,352,484
Total business-type activities net position	<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>	<u>\$ 4,820,128</u>
Port San Luis Harbor District										
Net investment in capital assets	\$ 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	\$ 7,832,557
Restricted	-	-	175,362	89,104	97,280	170,198	154,050	12,230	-	-
Unrestricted	2,291,874	2,436,467	2,353,543	2,438,262	1,756,269	1,830,666	(136,979)	656,606	934,007	586,340
Total Port San Luis Harbor District net position	<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>	<u>\$ 8,418,897</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
Administration	\$ 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	\$ 1,039,755
Operations	48,364	68,959	102,894	96,904	202,378	219,691	105,034	131,448	261,224	207,529
Maintenance	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	1,647,158
Safety and Services	730,883	798,720	713,753	801,061	787,480	800,251	806,265	877,904	980,336	1,130,674
Total governmental activities expenses	<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>	<u>4,025,116</u>
Business-Type Activities:										
Administration	660,578	688,884	759,817	745,510	787,919	904,244	725,515	986,333	731,895	773,441
Operations	442,503	490,227	538,150	631,076	362,629	345,664	365,736	370,377	403,144	430,623
Maintenance	288,041	361,969	350,548	373,989	408,004	385,272	439,270	455,634	593,405	610,351
Safety and Services	2,596	4,268	7,650	6,954	7,711	12,496	10,580	11,015	25,507	12,928
Total business-type activities expenses	<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>	<u>1,827,343</u>
Total Harbor District expenses	<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>	<u>\$ 5,852,459</u>
Program Revenues										
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	79,599
Capital Contributions and Grants	847,632	737,235	311,872	749,141	920,449	510,000	-	-	-	35,000
Total governmental activities program revenues	<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>	<u>114,599</u>
Business-Type Activities:										
Charges for Services										
Administration	3,753	6,602	22,202	9,611	49,757	23,519	54,011	98,260	20,748	31,516
Operations	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	1,737,160
Maintenance	137,501	179,056	200,133	268,849	330,828	351,479	429,162	395,133	421,680	486,971
Safety and Services	9,193	23,328	31,573	20,819	34,472	36,642	32,392	39,138	26,417	24,617
Operating Contributions and Grants	-	192	-	-	-	-	-	-	7,200	2,001
Capital Contributions and Grants	147,743	97,596	101,236	89,410	215,505	172,384	291,456	8,859	18,500	4
Total business-type activities program revenues	<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>	<u>2,282,269</u>
Total Harbor District program revenues	<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>	<u>\$ 2,396,868</u>
Net revenue/(expense)										
Governmental Activities	\$ (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)	\$ (3,910,517)
Business-Type Activities	30,324	(6,112)	21,377	106,060	357,673	298,228	756,757	246,345	362,472	454,926
Total Harbor District net revenue/(expense)	<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>	<u>\$ (3,455,591)</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes and Assessments	\$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	\$ 3,505,000
Investment Income and Earnings	46,748	27,197	22,773	18,298	14,319	12,049	10,347	12,242	15,313	12,135
Miscellaneous	-	-	-	-	94,990	-	-	(6,798)	-	21,083
Transfers	-	-	-	-	-	-	-	135,300	-	-
Total governmental activities general revenues	<u>2,868,077</u>	<u>2,807,435</u>	<u>2,771,234</u>	<u>2,730,767</u>	<u>2,963,891</u>	<u>2,844,890</u>	<u>3,021,685</u>	<u>3,322,212</u>	<u>3,366,932</u>	<u>3,538,218</u>
Business-Type Activities:										
Investment Income and Earnings	20,951	17,620	5,257	7,721	(14,277)	6,678	3,078	10,222	22,520	-
Miscellaneous	4,189	64	2,893	171	2,948	38,349	3,297	10,499	(15,324)	45,890
Transfers	-	-	-	-	-	-	-	(135,300)	-	-
Total business-type activities general revenues	<u>25,140</u>	<u>17,684</u>	<u>8,150</u>	<u>7,892</u>	<u>(11,329)</u>	<u>45,027</u>	<u>6,375</u>	<u>(114,579)</u>	<u>7,196</u>	<u>45,890</u>
Total Harbor District general revenues	<u>\$2,893,217</u>	<u>\$ 2,825,119</u>	<u>\$ 2,779,384</u>	<u>\$ 2,738,659</u>	<u>\$ 2,952,562</u>	<u>\$ 2,889,917</u>	<u>\$ 3,028,060</u>	<u>\$ 3,207,633</u>	<u>\$ 3,374,128</u>	<u>\$ 3,584,108</u>
Change in Net Position										
Governmental Activities Before Prior Period Adjustment	\$ 854,171	\$ 318,504	\$ (76,872)	\$ 247,373	\$ 614,143	\$ 281,525	\$ (325,846)	\$ 29,042	\$ (317,550)	\$ (372,299)
Prior Period Adjustment	-	-	-	-	(1,116,378)	-	(1,938,947)	-	-	(638,307)
Governmental Activities Change in Net Position	<u>\$ 854,171</u>	<u>\$ 318,504</u>	<u>\$ (76,872)</u>	<u>\$ 247,373</u>	<u>\$ (502,235)</u>	<u>\$ 281,525</u>	<u>\$ (2,264,793)</u>	<u>\$ 29,042</u>	<u>\$ (317,550)</u>	<u>\$ (1,010,606)</u>
Business-Type Activities Before Prior Period Adjustment	55,464	11,572	29,527	113,952	346,344	343,255	763,132	131,766	369,668	500,816
Prior Period Adjustment	-	-	-	-	-	470,760	(760,595)	-	-	(321,562)
Business-Type Activities Change in Net Position	<u>55,464</u>	<u>11,572</u>	<u>29,527</u>	<u>113,952</u>	<u>346,344</u>	<u>814,015</u>	<u>2,537</u>	<u>131,766</u>	<u>369,668</u>	<u>179,254</u>
Total Harbor District change in net position	<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>	<u>\$ (831,352)</u>

The beginning fund balance was restated in 2013, 2015 and 2018 as a result of:

2013-Implementation of Governmental Accounting Standards Board Statement No. 63 "Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources and Net Position"

2015- Implementation of Governmental Accounting Standards Board Statement No. 68 "Accounting and Financial Reporting for Pensions"

Governmental Accounting Standards Board Statement No. 71 "Pension and Transition for Contributions Made Subsequent to the Measurement Date"

2018- Implementation of Governmental Accounting Standards Board Statement No. 75 "Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions"

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	565,209
Unassigned	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	1,006,321
Total general fund	<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>	<u>\$ 1,571,530</u>
Capital Projects Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	175,362	89,104	97,280	170,198	154,050	12,230	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	88,766	34,686	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(10,709)	(4,387)
Total capital projects fund	<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>	<u>\$ (4,387)</u>

*The terminology for fund balances has changed over the last ten years. For fiscal years 2009-2010, "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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property Taxes and Assessments	\$ 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	\$ 3,505,000
Grant Income	847,632	748,650	359,758	784,566	434,300	588,115	75,809	69,974	77,991	114,599
Use of Money and Property	46,748	27,197	22,773	18,298	14,319	12,049	10,347	12,242	14,313	12,135
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>3,715,709</u>	<u>3,556,085</u>	<u>3,130,992</u>	<u>3,515,333</u>	<u>3,303,201</u>	<u>3,433,005</u>	<u>3,097,494</u>	<u>3,263,684</u>	<u>3,443,923</u>	<u>3,631,734</u>
Expenditures										
Salaries and Wages	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	1,408,878
Employee Benefits	544,311	613,238	650,436	707,099	1,786,921	419,189	740,341	799,533	596,340	699,584
Contract Services	87,615	95,243	97,022	88,547	103,441	105,185	118,723	105,762	104,381	114,937
Supplies	69,750	63,323	59,955	66,191	68,230	69,404	67,900	73,468	85,964	82,744
Maintenance	99,632	263,432	169,298	188,535	308,975	277,168	279,781	371,573	217,780	270,252
Capital Outlay	1,416,721	697,473	360,834	868,662	333,505	787,868	56,278	141,820	333,690	121,740
Utilities	251,367	218,073	228,957	229,874	235,189	236,366	266,779	272,372	287,581	293,959
General and Administrative	415,099	405,091	410,917	336,302	386,790	418,689	410,297	296,120	444,612	455,950
Debt Service	-	-	-	-	-	493,014	-	-	313,335	-
Total expenditures	<u>3,843,548</u>	<u>3,442,862</u>	<u>3,051,036</u>	<u>3,641,247</u>	<u>4,328,708</u>	<u>3,987,411</u>	<u>3,148,587</u>	<u>3,390,184</u>	<u>3,745,581</u>	<u>3,448,044</u>
Excess of revenues over (under) expenditures	(127,839)	113,223	79,956	(125,914)	(1,025,507)	(554,406)	(51,093)	(126,500)	(301,658)	183,690
Other Financing Sources (Uses)										
Proceeds from Capital Lease	-	-	-	13,289	-	-	-	-	-	-
Proceeds from Note	-	-	-	-	1,116,378	-	-	-	-	-
Proceeds from Insurance	-	-	-	-	94,990	62,710	1,321	-	-	21,083
Operating Transfers In	-	-	-	-	-	-	-	135,300	-	93,062
Operating Transfers Out	-	-	-	-	-	-	-	-	-	(93,062)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,289</u>	<u>1,211,368</u>	<u>62,710</u>	<u>1,321</u>	<u>135,300</u>	<u>-</u>	<u>21,083</u>
Net change in fund balances	<u>\$ (127,839)</u>	<u>\$ 113,223</u>	<u>\$ 79,956</u>	<u>\$ (112,625)</u>	<u>\$ 185,861</u>	<u>\$ (491,696)</u>	<u>\$ (49,772)</u>	<u>\$ 8,800</u>	<u>\$ (301,658)</u>	<u>\$ 204,773</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Secured	\$ 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	\$ 23,025,453
Unsecured	517,160	503,223	482,663	465,187	484,382	509,324	517,865	519,592	526,631	562,396
Exemptions	(143,448)	(143,148)	(143,048)	(143,013)	(142,200)	(141,081)	(140,986)	(142,728)	(143,524)	(144,320)
Net Assessed Valuations	<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>	<u>\$ 23,443,529</u>
Percentage Increase from Prior Year	5.6%	0.3%	-0.6%	-1.8%	0.6%	3.0%	5.8%	6.8%	6.0%	5.8%
County Direct Rates										
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
State Water Project	0.00220	0.00220	0.00290	0.00300	0.00400	0.00400	0.00400	0.00374	0.00400	0.00400
Total Direct Rate	<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>	<u>1.00400</u>
Property Tax Revenue	\$ 2,821	\$ 2,780	\$ 2,748	\$ 2,712	\$ 2,855	\$ 2,833	\$ 3,011	\$ 3,181	\$ 3,352	\$ 3,505
District Tax Rate	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.01%

Source: County of San Luis Obispo Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017; County Property Tax Booklet "2017-18 Tax Rate Information and Assessed Valuations"; County "Property Tax Rates 2017-18"

*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, 2017)

**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 2018			Fiscal Year 2009		
		Assessed Value	Rank	Percentage of Total County Assessed Value	Assessed Value	Rank	Percentage of Total County Assessed Value
Pacific Gas & Electric Co.	Utility	\$ 2,663,682	1	4.99%	\$ 2,404,690	1	5.61%
Phillips 66 Company	Oil Refinery	137,196	2	0.26%			
Jamestown Premier	Commerical	111,017	3	0.21%			
AT&T California	Telephone	109,457	4	0.21%	84,563	3	0.20%
CAP VIII - Mustang Village LLC	Apartments	90,677	5	0.17%	73,522	4	0.17%
E & J Gallo Winery	Winery	76,337	6	0.14%			
Firestone Walker LLC	Brewery	65,985	7	0.12%			
Pasquini Charles Jr. TR ETAL	Multi-Property Owner	60,244	8	0.11%			
Brodiaea Inc.	Land Management	57,715	9	0.11%			
Dyney Morro Bay LLC	Utility	57,157	10	0.11%			
Tosco Corp.	Petroleum & Gas	-	-	-	146,709	2	0.34%
Southern California Gas Co.	Utility	-	-	-	59,229	8	0.14%
Beringer Wine Estates	Winery	-	-	-	66,017	5	0.15%
Plains Exploration & Prod Co	Petroleum & Gas	-	-	-	60,220	6	0.14%
Martin Hotel Mgmt Co LLC	Hotel	-	-	-	59,976	7	0.14%
Twin Cities Community Hospital	Hospital	-	-	-	55,970	9	0.13%
Charter Communications	Communications	-	-	-	47,542	10	0.11%
		<u>\$ 3,429,467</u>		<u>6.43%</u>	<u>\$ 3,058,438</u>		<u>7.14%</u>
Total County Assessed Value		\$ 53,426,398			\$ 42,517,119		

Source: County Property Tax Information Booklet "2017-18 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Capital Lease	\$ -	\$ -	\$ -	\$ 12,926	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537	\$ -	\$ -
Note Payable	-	-	-	-	1,116,378	651,467	488,359	303,922	-	-
Total governmental activities debt	<u>\$ -</u>	<u>\$ -</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>	<u>\$ -</u>
Business-Type Activities										
Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Note Payable	-	-	-	-	-	-	-	-	-	-
Total business-type activities debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Port San Luis Harbor District										
Capital Lease	\$ -	\$ -	\$ -	\$ 12,926	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537	\$ -	\$ -
Note Payable	-	-	-	-	1,116,378	651,467	488,359	303,922	-	-
Total Port San Luis Harbor District debt	<u>\$ -</u>	<u>\$ -</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>	<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)**

	2009	2010	2011	Fiscal Year 2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 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	\$ 3,516,529
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 3,516,529</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>
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	12,823,005	31,060	5.4%
2015	281,401	14,034,209	49,873	4.5%
2016	282,887	Not Avail.	Not Avail.	3.9%
2017	283,405	Not Avail.	Not Avail.	3.0%
2018	Not Avail.	Not Avail.	Not Avail.	3.2%

Sources:

1. Employment Development Department
2. Bureau of Labor Statistics -SLO

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

**County of San Luis Obispo
Port San Luis Harbor District*
Principal Employers
Current Year and Ten Years Ago
(UNAUDITED)**

EMPLOYER	2018			2009		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Cal Poly State University, SLO	3,000	1	2.18%	4,617	1	3.34%
County of San Luis Obispo	2,920	2	2.12%	2,598	2	1.88%
Atascadero State Hospital	2,000	3	1.45%	2,166	3	1.57%
pacific Gas and Electric Company	1,866	4	1.36%	1,800	4	1.30%
California Men's Colony	1,517	5	1.10%	1,875	5	1.36%
Cal Poly Corporation	1,400	6	1.02%	1,568	6	1.13%
Tenet Healthcare	1,305	7	0.95%	-	-	0.00%
Compass Health Inc.	1,200	8	0.87%	-	-	0.00%
Lucia Mar Unified School District	1,000	9	73.00%	1,276	7	0.92%
Paso Robles Public Schools	935	10	0.68%	821	10	0.59%
Cuesta College	-	-	-	1,116	8	0.81%
San Luis Unified School District	-	-	-	821	9	0.59%
Total Employment Labor Force			137,600			138,200

Source:

1. SLO Chamber of Commerce
2. State of California Employment Development Department
3. 2007-2008 San Luis Obispo County CAFR

*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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	6.60	6.60	5.60	6.60	6.75	6.75	6.75	6.75	6.75	6.75
Public Safety	6	5	5	6	5	4	5	6	6.46	7.00
Maintenance	11	13	13	13	11	12	12	13	13	13
Total	23.60	24.60	23.60	25.60	22.75	22.75	23.75	25.75	26.21	26.75

**Port San Luis Harbor District
Operating Indicators by Function
2018**

Function	Fiscal Year					
	2013	2014	2015	2016	2017	2018
Administration						
Claims filed against District	6	1	1	-	2	1
Lien sales	4	2	1	-	1	-
Prior patrons on no services list (as of June 30th)	16	23	12	6	7	8
Recruitments	3	3	6	12	3	4
RFP's released	4	5	5	6	7	4
Public Safety						
Agency to agency assistance	223	188	155	141	98	132
Water taxi passengers	Not Avail.	3,506	5,377	5,609	4,681	4,847
Wildlife rescues	117	75	109	64	23	24
Maintenance						
Commercial Fishermen	24	24	28	27	28	28
Dredge hours	655	467	520	493	535	348
Invitation for bids released	6	7	4	4	5	4
Major maintenance and capital projects completed	20	25	17	18	17	9
Amount of major maintenance and capital projects completed	\$ 848,035	\$ 1,379,542	\$ 688,216	\$ 475,320	\$ 644,915	\$ 366,570
Revenue producing activities						
Avila parking lot spaces	62,716	69,923	84,353	79,591	70,174	78,228
RV camping nights	12,058	13,744	13,840	13,931	13,827	14,344
Parking citations	473	741	483	583	339	280
Coastal Gateway room rentals	5	8	4	12	10	14
Special event permits	60	47	60	49	7	57
Leases (as of June 30th)	10	10	10	10	13	13
Licenses (as of June 30th)	11	11	10	12	11	11
Mooring patrons (as of June 30th)	164	154	154	153	148	151
Skiff storage patrons	51	50	50	47	50	52
Boat storage patrons	35	34	48	44	49	48
Gear storage patrons	12	13	14	13	15	15
Boats fueled	199	215	285	288	340	275
Boat launches at sport launch (approximate)	Not Avail.	Not Avail.	4,100	4,300	4,000	4,100
Grants received	6	6	6	5	7	9
Amount of grants received	\$ 784,126	\$ 492,016	\$ 64,545	\$ 60,450	\$ 64,864	\$ 116,604

This page intentionally left blank



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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2019.

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
Page Two

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.



Badawi & Associates
Certified Public Accountants
Oakland, California
January 16, 2019