

2022

Annual Comprehensive Financial Report

Fiscal Year End: June 30, 2022



Port San Luis Harbor District

3950 Avila Beach Drive, PO Box 249 Avila Beach, California 93424

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ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2022

Port San Luis Harbor District



Board of Commissioners

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

Suzy Watkins, Harbor Director
Phillip J. Sexton, Treasurer

Port San Luis Harbor District
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INTRODUCTORY SECTION

Port San Luis Harbor District



- Transmittal Letter
- Principal Officers
- Organizational Chart
- GFOA Certificate

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BOARD OF COMMISSIONERS

DREW BRANDY *President*
MARY MATAKOVICH *Vice President*
BOB VESSELY *Secretary*
BILL BARROW *Commissioner*
JIM BLECHA *Commissioner*



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SUZY WATKINS *Harbor Director*
JEFFREY A. MINNERY *Legal Counsel*
PHILLIP J. SEXTON, *Treasurer*
CPA

January 17th, 2023

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 Annual Comprehensive Financial Report of the Port San Luis Harbor District, a California special district, for the fiscal year ended June 30, 2022. California Government Code Section 26909 requires an annual audit of the District. This report is being issued in compliance with this requirement.

The Annual Comprehensive Financial Report 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, 2022 are free from material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District’s financial statements for the fiscal year ended June 30, 2022 are fairly presented in all material respects in accordance with the generally accepted accounting principles in the United States of America. The independent auditors’ report is located on page 1, in the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors on page 5.

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. It is estimated that 284,982 people lived in San Luis Obispo County in 2022. The projected growth rate is approximately .45%.

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 Director, among other matters. The Harbor Director 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 provided by three separate Departments. The District's Harbor Patrol department ensures the safety of District patrons, as well as property in the Harbor. The Facilities Department oversees the District's infrastructure including maintenance of District facilities including, but not limited to, District piers, parking lots, beaches, and restrooms, as well as many permitting and regulatory functions. The Business Department oversees many administration functions, Accounting, IT, and Human Resources, as well as the many leases and licenses that generate revenue for the District.

Port San Luis Harbor District includes the uses of three commercial piers, commercial fishing, recreational boating, marine repairs, and wholesale of fresh fish. The Harbor remains a regional destination for recreational fishermen, who use the District's facilities for launching trailer-able boats to fish and host a very active commercial fishing industry that continues to thrive. Records show landings in 2019 reached approximately 603,000 pounds. The top species landed in the Port in terms of pounds are Pacific Hagfish, Chinook Salmon, Dungeness Crab, Brown and Gopher Rockfish, and California Halibut.

The District has other business-type activities, including the provision of moorings, sale of diesel fuel, recreational RV camping spaces, lessees and licensees doing business on District property, facility rentals, 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 Accounting Division in consultation with the Harbor Director and Department Managers, on a government-wide 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 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 District projects revenues will continue to surpass pre-COVID-19 Pandemic levels in 2022/23. In mid-February 2022, indoor mask restrictions were lifted across the state encouraging visitors to return to the Central Coast. As a result, after two years of pandemic issues and a sharp decline in travelers, the tourism industry is seeing a much-welcomed comeback. This anticipated upward trend will have a positive effect on the District's enterprise revenues. It is expected that parking and camping revenues will once again be a strong revenue generator for the District.

Stage one of Flying Flags Avila Beach opened in October 2021 providing for additional revenues to the District. With continued increase in tourism to Avila Beach and RV camping popularity, the District anticipates a steady growth in lease income from this property.

Central Coast job growth is projected to be 4.2% in 2022, slowing to 1.2% in 2023. The 2022 increase was propelled by increased demand in hotel and entertainment sectors, as well as various service businesses, following the post COVID-19 rebound. The Central Coast unemployment is forecast to average 4.5% in 2022, then increase to 4.8% in 2023. Both the job growth and unemployment will be negatively impacted by a slowdown in travel and consumer spending due to rising interest rates along with consumer price increases of approximately 9% which have not been seen in 40 years.

Central Coast home prices have experienced rapid increases through 2021, with 2021 prices increasing at 16.1%. The later part of 2022 has seen moderation in price increase and sales declines which declines are projected to continue through 2023. Prices increases are projected to be .5% with decreases in housing sales. California's home sales in 2023 are expected to decrease 7.2% and the median home prices drop by 8.8%. This will have an impact on future property tax revenues.

Conservative budgeting of revenues was implemented to accommodate outside economic factors such as uncertainty in the stock market, high gas prices, and a possible decrease in disposable income and downturn in the local economy. A decrease in disposable income can negatively impact the District's Enterprise Fund revenue, which relies on recreational spending. In addition, the largest employer in San Luis Obispo County, Pacific Gas & Electric Co., announced the closure of the Diablo Canyon Nuclear Power Plant by 2025. Diablo Canyon provides 1,950 head-of-household jobs locally, and the effect of its closure in 2025 is certainly not inconsequential. Additionally, the District receives approximately \$230,000 in tax revenues annually associated with the power plant. Knowing the timeline of the plant's closure will 1) allow the Harbor District to plan ways to replace such tax revenue and/or adjust spending and services; and 2) allow those individuals employed at Diablo Canyon to plan for future employment. Despite this scheduled closure, there are proposals for keeping the power plant open past 2025, but nothing is finalized.

Long-Term Financial Planning

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

Relevant Financial Policies

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

Financial Planning and Accountability:

1. **Accountability/Transparency:** Information about how public monies are spent and the outcomes they achieve are to be clear, transparent, and understandable.
2. **Balanced Budget/Fiscal Stability:** A structurally balanced budget (ongoing revenues equal to ongoing expenditures) for the combined General Fund, Capital Projects Fund, and Enterprise Fund will be presented to the Harbor Commission at a scheduled public hearing. The Preliminary Budget will be adopted prior to June 15th each year, and the Final Budget shall be adopted prior to June 30th.
3. **Identify & Mitigate Future Risk:** The Harbor Director 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 employees' 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 always require that sufficient funds be retained by the District to provide a stable financial base. 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, excluding capital outlay (Policy 3020). Using 2021/2022 expenditures, the operating reserve should equal \$3.0 million. The reserve shall never be lower than \$1.3 million to ensure that District cash flow needs are met.

Economic Outlook

Property tax revenues comprise most of the General Fund revenues and FY 2021/22 continued to see growth in its revenues. The District has seen a 21.7% increase in property taxes over the last five years, approximately 4.3% per year. While the District anticipates property taxes to continue to rise, the 2022/2023 projection is for a 1.5% increase. The District anticipates a loss in unitary taxes and mitigation funds when the Diablo Canyon Power Plant closes by 2025. For the 2021/22 fiscal year, the District received approximately \$235,000 in unitary taxes and \$191,588 in mitigation funds from the State. Also, due to a projected softening of the housing market, property taxes could result in slower growth of future increases.

The District's enterprise fund revenues increased by \$577,682, or 29%, in FY 2021/22, largely due to increased visitor traffic to the Port. The District anticipates that revenues will continue to grow during fiscal year 2022/2023 but at a projected rate of 1% - 5%.

The District anticipates additional camping revenues going forward due to the opening of Flying Flags Avila Beach, a District lessee on a 32-acre parcel within the District. In 1977, the District purchased the site now known as Harbor Terrace, intending for the land to be financially and physically supportive of District operations. With a 50-year ground lease executed, the project has completed the first of four phases of construction. Harbor Terrace features 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 a swimming pool. While maintaining its essential functions in support of coastal dependent uses, the project will also increase visitor access to the District and the coast and provide revenue to further support District operations. The operator opened phase one of the property now called Flying Flags Avila Beach at Port San Luis in late October 2021.

The District was able to complete significant maintenance and capital projects. 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, 2022, the District spent \$1,612,640 for capital projects. This was possible due to use of \$405,503 in grant funds as well as long term borrowings. Recorded depreciation and amortization expense was \$568,076. 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 Rehabilitation is one of the District’s larger capital projects. The pier suffered storm damage in 1983 and was rebuilt using funds from FEMA. As a part of the Unocal funded oil 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 many of the piles show deterioration from high surf and wood boring organisms. The District closed the Avila Pier in June 2015 due to public safety concerns. In 2018, a “Capacity Study” was performed on the pier, which revealed that pier restoration instead of replacement is possible. The District has applied for several grants and has been successful in receiving the following: Wildlife Conservation Board - \$1.25M, Avila Beach Community Foundation - \$10K, State Coastal Conservancy - \$250K, Friends of Avila Pier \$245K , a local nonprofit 501(c)(3) and is awaiting final approval on a grant from the Division of Boating and Waterways - \$200K. The District began work in 2022.

In addition, the District began work on the Harford Pier redevelopment and is in the planning stage.

District Goals

As part of the annual budget process, the Harbor Commission adopted a list of major objectives and 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 2022/23 major objectives and goals include:

Objective #1: *Sustain and enhance the Harbor’s finances – provide for needed infrastructure, expand revenue sources, and pay down long-term liabilities:*

Goals

- Complete a focused set of workshops on key topics driving financial health.
- Complete a budget with priorities for what we can accomplish.
- Work with lessees to identify possibilities to boost revenues.
- Develop focused plans for short-term parking, boatyard, and Harford Pier revenue opportunities.

Objective #2: *Maintain and enhance a boater friendly atmosphere at Port San Luis for both commercial and recreational boaters:*

Goals

- Identify ways to optimize boating access through improvements in parking management.
- Pursue grant or other funding opportunities to extend the dock.
- Sustain follow-up on sediment management.

Objective #3: *Keep Harford Pier open and optimize use:*

Goals

- Complete Harford Pier site plan and explore potential interest in expanding the pier and its uses and revenues.
- Resolve multiple needs and uses (fishing, restaurants, parking, walking).
- Pursue near-term opportunities to boost use and revenues (e.g. use of restrooms, refrigeration, table space, etc.).

The District is optimistic that it will be able to accomplish many of these during the 2022/23 fiscal year.

AWARD AND ACKNOWLEDGEMENT

Certificate of Achievement for Excellence in Financial Reporting Program

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port San Luis Harbor District for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the 6th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District believes that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award

The Government Finance Officers Association (GFOA) awarded the Distinguished Budget Presentation Award to the Port San Luis Harbor District for its annual budgets for the 2015 - 2023 fiscal year ends. 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 Division 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,



Suzy Watkins
Harbor Director



Phillip J. Sexton
Treasurer

PRINCIPAL OFFICERS

Port San Luis Harbor District



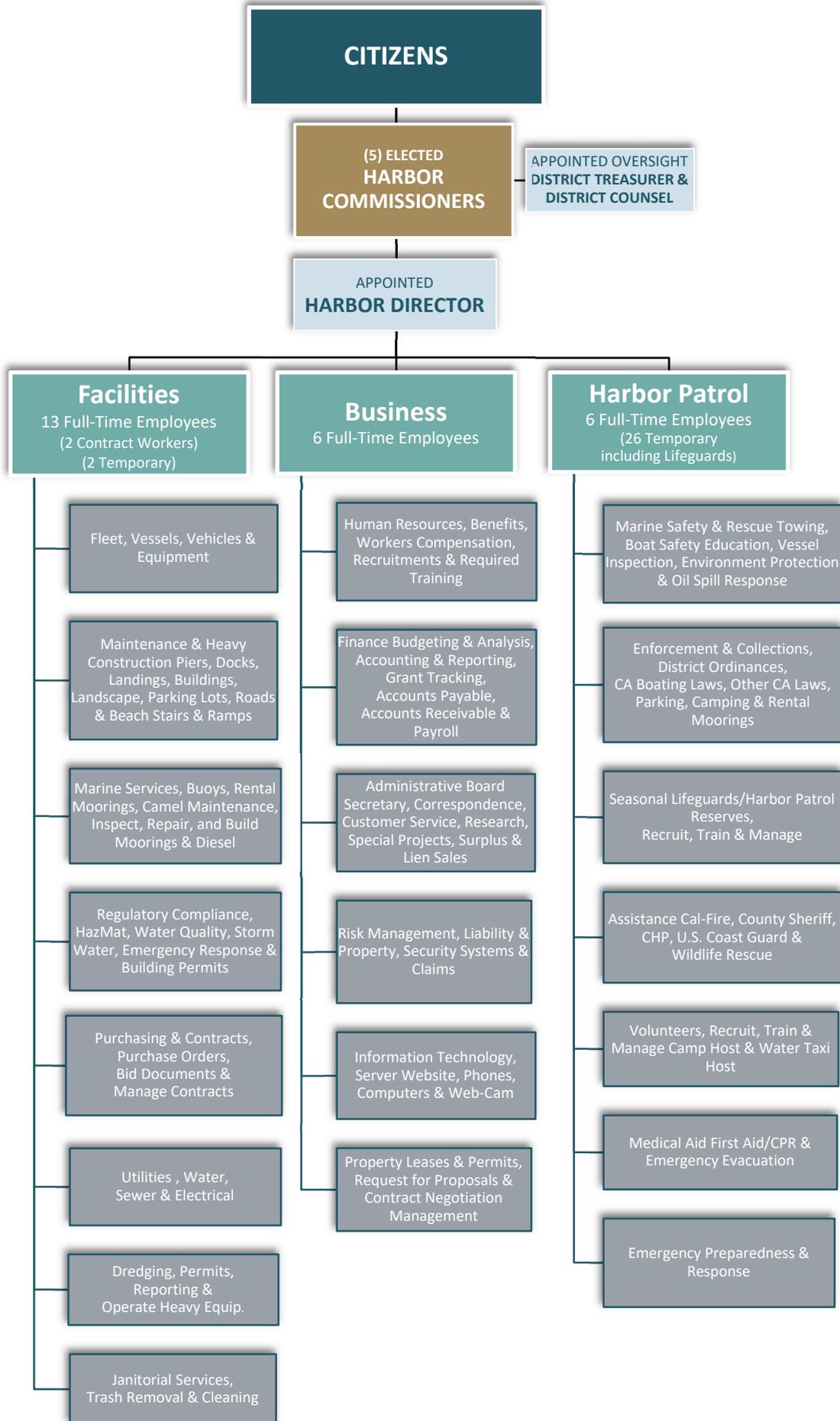
Board of Commissioners

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Executive Management Team

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Phillip J. Sexton, District Treasurer
Jeff Minnery, District Counsel
Matt Ashton, Chief Harbor Patrol Officer
Jenn Dance, Business Manager
Chris Munson, Facilities Manager

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

Port San Luis Harbor District



- Independent Auditor Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to Basic Financial Statements
- Required Supplementary Information

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Port San Luis Harbor District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and other postemployment benefit information on pages 5-16 and 65-71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



Badawi & Associates, CPAs
Berkeley, California
January 13, 2023

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**Port San Luis Harbor District
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

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, 2022. 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 and the District's financial statements which begin on page 18.

FINANCIAL HIGHLIGHTS-GOVERNMENT WIDE FINANCIAL STATEMENTS

- The District's government-wide net position is \$7,942,474 on June 30, 2022. This is a decrease of \$709,574, or 8.20%, for the year.
- Working capital is \$7,816,136, which consists of current assets of \$9,025,674 and current liabilities of \$1,209,538. Working capital increased \$1,147,998, or 17.2%, compared to the prior year.
- Deferred outflows of resources are \$1,230,850 compared to \$1,246,406 at the prior year end.
- Noncurrent liabilities are \$6,563,784, a decrease of \$643,022 from the prior year end, or an 8.9% decrease.
- Deferred inflows of resources are \$6,065,114 compared to \$326,952 at the prior year end. This represents an increase of \$5,738,162.
- Revenues are \$7,049,055, an increase of \$232,811, or 3.4%, compared to the prior year revenues. Operating revenues are \$2,469,356, an increase of \$533,019; grant revenues are \$255,303, a decrease of \$172,056; while non-operating revenues are \$4,324,196, a decrease of \$128,152.
- Expenses are \$7,758,629, an increase of \$1,177,802, or 17.9%, more than prior year.

Details of these highlights are explained under Government-Wide Financial Statement Analysis beginning on page 7 of this Management's Discussion and Analysis section.

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 of 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.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner like 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 District'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 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 18-21 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 fiscal year 2021/22. 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 23) and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (page 25) provide users visibility as to the differences between the respective statements on June 30, 2022, 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 major funds.

The basic governmental fund financial statements can be found on pages 22-25 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 26-31 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 33-62 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 65-71 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 77-90 of this report.

The following pages provide additional analysis on the Districts Statement of Net Assets and Statement of Activities for the fiscal year ended June 30, 2022.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The District's government-wide net position is \$7,942,474 on June 30, 2022. The net position reflects the assets and deferred outflows of resources less the liabilities and deferred inflows of resources as summarized in the Port San Luis Harbor District's Net Position on the following page.

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

	Governmental activities		Business-type activities		Government-wide total	
	2022	2021	2022	2021	2022	2021
Current assets	\$2,579,559	\$2,383,231	\$6,446,115	\$5,262,198	\$9,025,674	\$7,645,429
Noncurrent assets - other	-	-	2,562,067	-	2,562,067	-
Capital assets	5,541,698	5,411,121	3,420,621	2,860,141	8,962,319	8,271,262
Total assets	8,121,257	7,794,352	12,428,803	8,122,339	20,550,060	15,916,691
Deferred pensions/OPEB	838,496	848,772	392,354	397,634	1,230,850	1,246,406
Total deferred outflows of resources	838,496	848,772	392,354	397,634	1,230,850	1,246,406
Current liabilities	635,959	436,677	573,579	540,614	1,209,538	977,291
Noncurrent liabilities - other	490,769	170,163	1,272,684	404,920	1,763,453	575,083
Net pension liability	2,252,100	3,328,115	962,403	1,539,761	3,214,503	4,867,876
Net OPEB liability	1,054,595	1,172,978	531,233	590,869	1,585,828	1,763,847
Total liabilities	4,433,423	5,107,933	3,339,899	3,076,164	7,773,322	8,184,097
Deferred leases	-	-	2,886,090	-	2,886,090	-
Deferred pensions/OPEB	2,079,576	220,335	1,099,448	106,617	3,179,024	326,952
Total deferred inflows of resources	2,079,576	220,335	3,985,538	106,617	6,065,114	326,952
Net position:						
Net investment in capital assets	5,277,448	5,411,121	2,314,259	2,521,516	7,591,707	7,932,637
Restricted for capital projects	-	-	-	-	-	-
Unrestricted	(2,830,694)	(2,096,265)	3,181,461	2,815,676	350,767	719,411
Total net position	\$2,446,754	\$3,314,856	\$5,495,720	\$5,337,192	\$7,942,474	\$8,652,048
Net position	\$2,446,754	\$3,314,856	\$5,495,720	\$5,337,192	\$7,942,474	\$8,652,048

Analysis of Net Position

The District's net position at June 30, 2022 is \$7,942,474, a decrease of \$709,574, or 8.2%, for the year. This reduction is the combination of a decrease in the Governmental activities net position of \$868,102, or 26.2%, offset by an increase in the Business-type activities net position of \$158,528.

Total assets at June 30, 2022 are \$20,550,060, an increase of \$4,633,369 or 29.1% for the year. Total assets include:

- Current assets are \$9,025,674, an increase of \$1,380,245. The largest current asset is cash and investments of \$7,679,804. Other items include restricted cash, receivables, inventories, and prepaids and deposits. Increases to current assets include monies received but not yet spent from financing for a boom truck (\$230,000), and proceeds not yet spent (\$593,345) from debt financing related to the ongoing sewer treatment plant improvements (Note 5), as well as the current portion of the lease receivable due to the implementation of GASB 87.
- Noncurrent assets are \$11,524,386, an increase of \$3,253,124 for the year. Noncurrent assets include:
 - Lease receivables of \$2,562,067. The implementation of GASB No. 87, Leases effective July 1, 2021 (Note 3) required certain leases where the District is the lessor to be recognized as assets for the right to receive future rental income and

corresponding deferred inflows for future payments to be received. The District reported a current year asset of \$2,775,946 (current and long-term portion combined).

- Capital assets at June 30, 2022 are \$8,962,319 (net of depreciation and amortization), an increase of \$691,057, or 8.35%. The increase is due to continual improvements to the District's infrastructure and equipment.

Deferred outflows of resources are \$1,230,850, consisting of pension and OPEB deferred outflows, which remained fairly constant, decreasing by only \$15,556. Major deferrals include contributions made subsequent to the measurement date and differences between expected and actual experience factors (Notes 6 and 7).

Total liabilities are \$7,773,322, a decrease of \$410,775, or 5.0%, from the prior year. Liabilities include:

- Current liabilities are \$1,209,538, an increase of \$232,247. The majority of the June 30, 2022 balance is unearned revenue (\$841,650) and current portion of long term debt (\$106,803).
- Noncurrent liabilities are \$6,563,784, a decrease of \$ 643,022, and consist of:
 - Compensated absences of \$269,631.
 - Long term debt of \$1,493,822, an increase of \$1,180,199 due to additional borrowings for sewer treatment plant expansion and a boom truck.
 - OPEB total liability of \$1,585,828, a decrease of \$178,019.
 - Net pension liability of \$3,214,503, a decrease of \$1,653,373 primarily due to investment asset gains in 2020/2021 (Note 6).

Deferred inflows of resources are \$6,065,114, an increase of \$5,738,162 over the prior year. The District booked \$2,886,090 of deferred lease revenue (GASB 87) representing lease income to be recognized in future periods (Note 3). Deferred inflows for pensions are \$2,792,719, an increase of \$2,632,808. This increase is primarily related to better than projected investment gains in plan assets. Deferred inflows for OPEB are \$386,305, an increase of \$219,264.

Net position is \$7,942,474, of which \$7,591,707 is the net investment in capital assets. The remaining amount of \$350,767 represents resources that are not subject to external restriction. The governmental activities net position is \$2,446,754, consisting of a net investment in capital assets of \$5,277,448 and an unrestricted deficit of \$2,830,694. A contributing factor to this deficit is due to the implementation of GASB 68 and GASB 75 in prior years, which required the recording of certain pension and OPEB liabilities in the statement of net position. The business-type activities net position is \$5,495,720, of which \$2,314,259 represents net investment in capital assets and \$3,181,461 is unrestricted.

Investment in Capital Assets - The \$7,591,707 investment in capital assets (net of related debt less unspent debt proceeds, depreciation, and amortization) consists of land, buildings, piers, sewer treatment plant rights, 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 Statement of Activities reflects the changes in net position of governmental and business-type activities, as summarized on the following pages.

Port San Luis Harbor District's Statement of Activities
Fiscal year ended June 30th

	Governmental activities		Business-type activities		Government-wide total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 2,469,356	\$ 1,936,337	\$ 2,469,356	\$ 1,936,337
Operating grants and contributions	41,825	13,664	100,000	55,337	141,825	69,001
Capital grants and contributions	113,678	358,558	-	-	113,678	358,558
General revenues:						
Property taxes	4,080,468	3,928,658	-	-	4,080,468	3,928,658
SB 1090 Mitigation Funds	191,588	383,176	-	-	191,588	383,176
Investment income & other	10,348	12,918	-	-	10,348	12,918
Other Revenues		85,000	41,792	42,596	41,792	127,596
Total revenues	4,437,907	4,781,974	2,611,148	2,034,270	7,049,055	6,816,244
Expenses:						
Administration	1,791,166	1,250,143	1,101,533	731,548	2,892,699	1,981,691
Operations	459,425	324,353	475,470	549,534	934,895	873,887
Maintenance	1,788,086	1,825,594	821,868	718,857	2,609,954	2,544,451
Safety and services	1,261,089	1,160,084	35,020	20,714	1,296,109	1,180,798
Interest expense	6,243		18,729		24,972	
Total expenses	5,306,009	4,560,174	2,452,620	2,020,653	7,758,629	6,580,827
Transfer between funds	-	-	-	-	-	-
Increase (decrease) in net position	(868,102)	221,800	158,528	13,617	(709,574)	235,417
Net position, beginning of fiscal year	3,314,856	3,093,056	5,337,192	5,248,575	8,652,048	8,341,631
Prior period adjustment				75,000		75,000
Net position, beginning of fiscal year - restated	3,314,856	3,093,056	5,337,192	5,323,575	8,652,048	8,416,631
Net position, end of fiscal year	\$ 2,446,754	\$ 3,314,856	\$ 5,495,720	\$ 5,337,192	\$ 7,942,474	\$ 8,652,048

Analysis of Activities

The Government-wide net position decreased by \$709,574 for the year. Significant details of the decrease are:

Governmental Activities

Overall, the governmental activities net position decreased by \$868,102, or 26.2%.

Revenues are \$4,437,907, a decrease of \$344,067, or 7.2%. Revenues include \$4,080,468 of property taxes, an increase of \$151,810, or 3.8%; \$191,588 of SB 1090 mitigation funds; and \$155,503 of operating and capital contributions and grants. The decrease is primarily the result of reduced grants and the timing of SB 1090 funding.

Expenses are \$5,306,009, an increase of \$745,835. Such costs include wages and benefits, operations and maintenance, supplies, utilities, and general and administrative. The increase is primarily related to increased pension costs and a legal settlement.

Business-Type Activities

Overall, the Business-type activities net position increased \$158,528, or 3%. Significant details of the increase are:

Revenues for the business-type activities totaled \$2,611,148 for the year, an increase of \$576,878. Revenues generated from operations include leases, licenses, moorings, RV overnight visits, parking,

grants, and other. The majority of the revenues are attributed to parking (\$553,867), leases and licenses (\$847,790), and RV overnight stays (\$753,273). All three of these functions saw increases for the year due to increases in visitors to the District and minimal COVID-19 restrictions.

Operating expenses are \$2,452,620, an increase of \$431,967 for the year compared to fiscal year 2020/2021. Such costs include wages and benefits, operations and maintenance, supplies, utilities, and general and administrative. Most of the increase is attributed to pension costs.

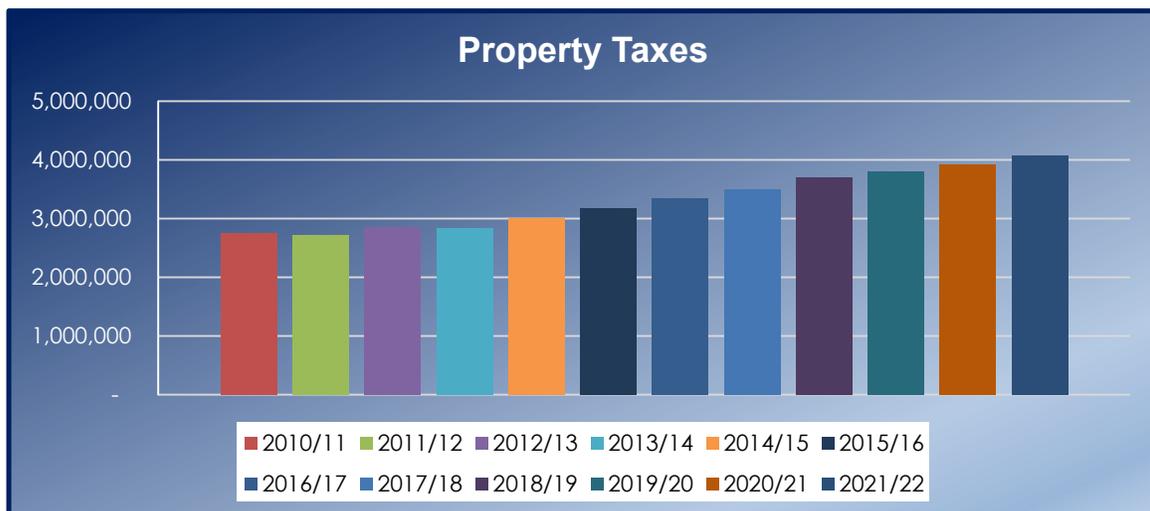
DISTRICT FUND FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements are found on pages 22-31.

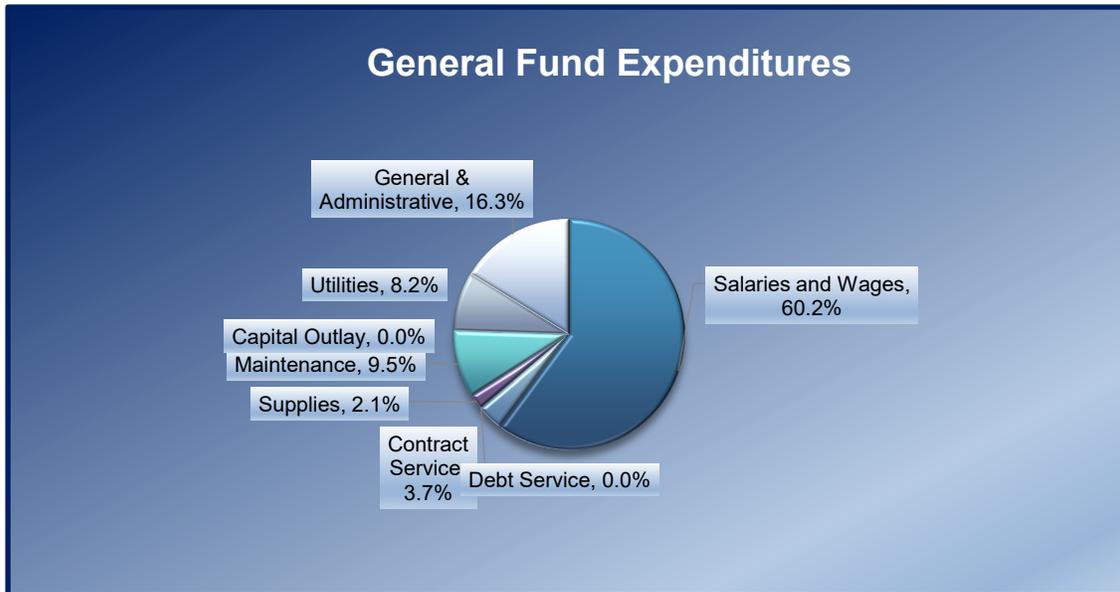
Governmental Funds

The governmental funds are represented by two funds, general governmental services (“general fund”) and capital projects. On June 30, 2022, the District’s governmental funds reported total assets of \$2,579,559 and a combined fund balance of \$1,992,461. Of the \$2,579,559 in assets, \$2,362,223 is held in cash and investments. The liability balance is \$587,098 on June 30, 2022, most of which is unearned revenue in the amount of \$491,522. Accordingly, current assets are sufficient to meet current obligations. The total fund balance is \$1,992,461, an increase of \$177,000 for the year. The fund balance consists of \$213,455, which is restricted; \$827,857, which is assigned; and \$951,149, which is unassigned.

Overall, the governmental funds had total revenues of \$4,587,908, expenditures of \$4,744,158, and other financing sources of \$333,250 for a net increase in fund balance of \$177,000. Revenues consist of \$4,080,468 in property taxes, \$305,503 from grants, \$10,349 from use of money, and \$191,588 received for SB 1090 mitigation funding. Total revenues increased \$40,934, or 1.0%, from last year’s revenues.



General fund expenditures total \$4,264,255, a \$195,604 increase from the prior year. Of the total expenditures 60.2% are for salaries, wages, and benefits; 16.3% for general and administrative; 9.5% for maintenance; 8.2% for utilities; 3.7% contract services; and the remaining 2.1% are for supplies. The overall increase in expenses is primarily related to a legal settlement. In addition, the General Fund transferred \$246,430 to the Capital Projects Fund.

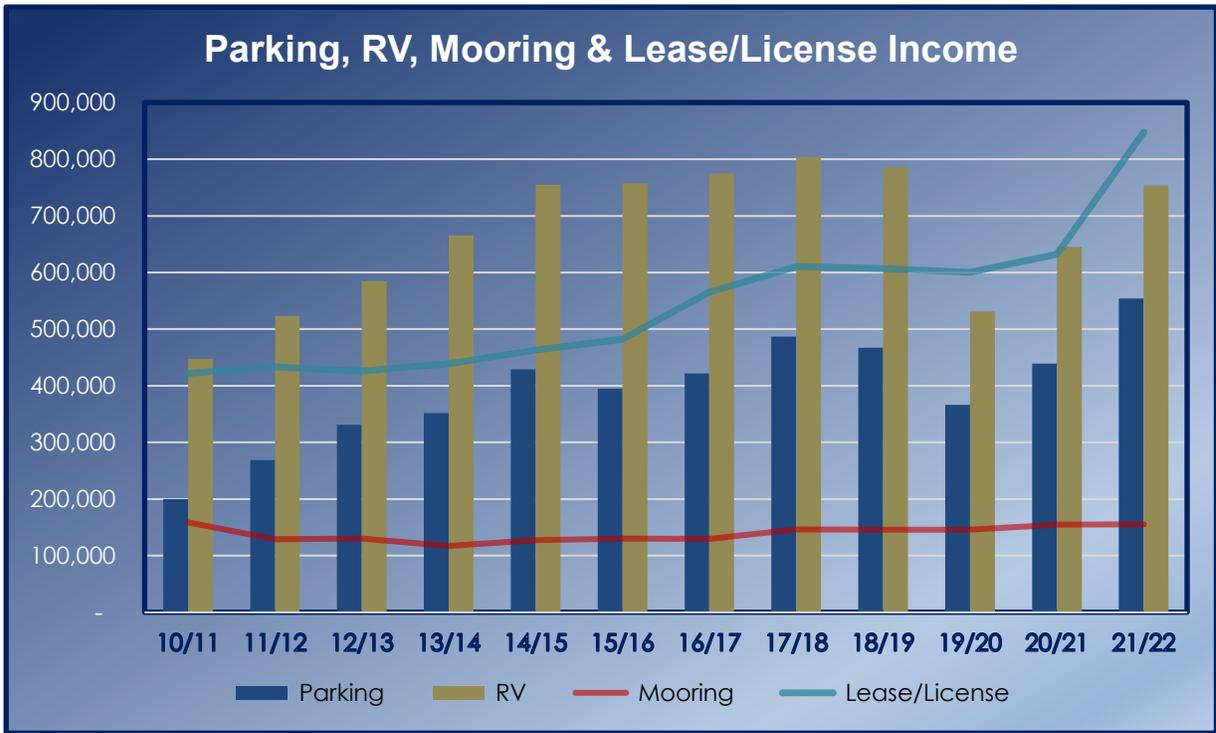


The Capital Projects Fund recognized grants of \$263,678, incurred project costs of \$479,903, received \$333,250 in proceeds from long term debt, and received transfers from the general fund of \$246,430. The Capital Projects Fund incurred costs for the replacement of mooring vessel engine, sewer treatment plant improvements, Harford Pier redevelopment, Avila Pier rehabilitation, and many other projects.

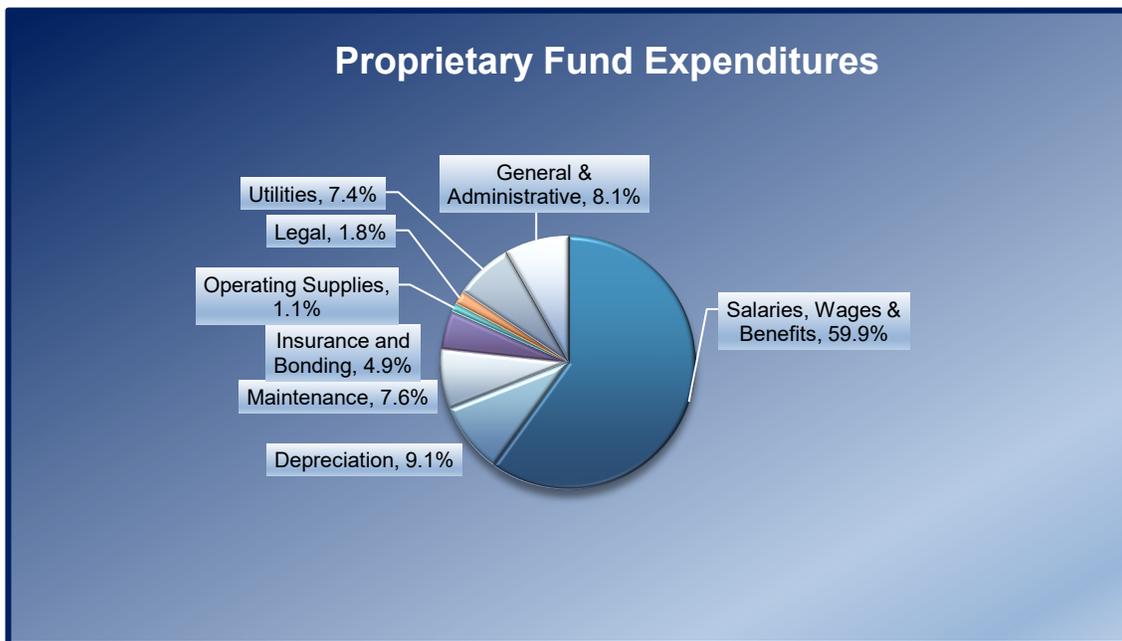
Proprietary Fund

The Proprietary Fund carries on business-like activities. The Proprietary Fund had total assets of \$12,428,803 and deferred outflows of \$392,354 at June 30, 2022. The assets include \$6,446,115 in current assets, \$2,562,067 in noncurrent lease receivables (new GASB 87), and \$3,420,621 in capital assets net of depreciation and amortization. Deferred outflows for pensions and OPEB total \$392,354. The Proprietary Fund has \$3,339,899 in liabilities consisting of current liabilities of \$573,579, long term debt of \$1,183,176, employee pension and OPEB obligations of \$1,493,636, and compensated absences of \$89,508. Deferred inflows of resources total \$3,985,538. These deferred inflows consist of lease revenue, pension, and OPEB benefits. The net position is \$5,495,720, an increase of \$158,528 for the year. Of the net position, \$2,314,259 is invested in capital assets (net of related debt less unspent debt proceeds, depreciation/amortization), and \$3,181,461 is designated as unrestricted.

Operating revenues less cost of goods sold is \$2,469,820 for fiscal year 2021/22, an increase of \$533,843, or 27.6%, from the prior year. The increase in revenues is primarily attributed to the increase of visitors to the District properties which resulted in parking, RV overnight stays, and lease and license revenue increases. Non-operating revenues totaled \$122,596 for the year, an increase of \$24,663 from the prior year.



Operating expenses are \$2,433,888 for fiscal year 2021/22, a \$413,235, or a 20.5 %, increase from prior fiscal year 2020/2021. Salaries, wages, and benefits expenses are 59.9% of the costs; depreciation and amortization are 9.1%; utilities are 7.4%; and insurance is 4.9%. The remaining 18.7% is for supplies, maintenance, legal services, and general and administrative costs. The overall increase in operating expenses is primarily attributed to pension costs.



GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund 2021/2022 original budget estimated revenues at \$4,082,750, and the final budgeted revenues remain the same at \$4,082,750. The original budget for expenditures and transfer out was \$4,625,561. The final budget is \$4,959,738, an increase of \$344,177. In the final budget, expenditures and transfers out exceed revenues by \$876,988. The excess of expenditures over revenues was projected to be funded by reserves.

There are no changes in the budgeted revenues between the original and final budget. The increase in expenditures of \$334,177 includes salaries and wages/benefits/contact security of \$162,008 and general and administrative of \$173,534. The increase in the salaries/wages/benefits/contract security relates to additional costs the District incurred due to personnel changes. The increase in general and administrative expenditures relates to increased legal costs. The increase in the final budget was anticipated to be funded primarily by reserves.

The 2021/2022 actual amounts results in the general fund having a net decrease in the fund balance of \$186,455. This was \$690,533 less of a decrease compared to the final budget. The 2021/2022 actual revenues were \$4,324,230, an increase of \$241,480 over the final budget. This is due primarily to additional property taxes.

The 2021/2022 actual expenditures and transfers out are \$4,510,685, a decrease of \$449,053 from the final budget. The majority of the decrease is the result of significantly less transfers out to the capital outlay fund. See page 65 for Budgetary Comparison Information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets at June 30, 2022 are \$8,962,319 (net of depreciation and amortization), an increase of \$691,057, or 8.35%. The increase is due to continual improvements to the District's infrastructure and equipment.

Port San Luis Harbor District's Capital Assets

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 565,230	\$ 565,230	\$ 598,565	\$ 598,565	\$ 1,163,795	\$ 1,163,795
Intangible	-	-	438,625	438,625	438,625	438,625
Buildings, facilities, and improvements	13,211,801	12,952,048	5,870,511	5,824,202	19,082,312	18,776,250
Equipment and Machinery	1,822,863	1,724,262	1,211,089	905,099	3,033,952	2,629,361
Construction in progress	114,156	-	342,513	-	456,669	-
Less accumulated depreciation	(10,172,352)	(9,830,419)	(5,040,682)	(4,906,350)	(15,213,034)	(14,736,769)
Net capital assets	<u>\$ 5,541,698</u>	<u>\$ 5,411,121</u>	<u>\$ 3,420,621</u>	<u>\$ 2,860,141</u>	<u>\$ 8,962,319</u>	<u>\$ 8,271,262</u>

The District spent \$1,260,677 on project costs and recorded \$568,076 of depreciation and amortization. The District participates in the Avila Community Services District sewer plant and related upgrades and expended \$456,669 for its share of plant upgrades during the year. In addition, the District incurred costs for the replacement of the mooring vessel engine, Harford Pier redevelopment, Avila Pier rehabilitation, and many other projects.

The District's capital asset statements can be found in Note 4 to the financial statements.

Debt Administration

At June 30, 2022, the District had three long-term obligations aggregating \$1,600,625. One obligation entered into prior to the current year was incurred to fund entitlements for an overnight recreational facility on District property. The June 30, 2022 remaining balance is \$313,625. In 2021/2022, the District entered into 1) a \$230,000 tax exempt capital lease obligation for the purchase of a boom truck and 2) an agreement to participate in the financing of its proportionate share of sewer treatment plan expansion costs in the amount of \$1,057,000. All obligations are backed by the full faith and credit of the District.

Port San Luis Harbor District's Long-Term Obligations

Fiscal year ended June 30th

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
ABCSD obligation	\$ 264,250	\$ -	\$ 792,750	\$ -	\$ 1,057,000	\$ -
Boom truck obligation	69,000	-	161,000	-	230,000	-
Coastal Conservancy - entitlements	-	-	313,625	338,625	313,625	338,625
Total	\$ 333,250	\$ -	\$ 1,267,375	\$ 338,625	\$ 1,600,625	\$ 338,625

The remainder of the District's long-term obligations, exclusive of pension and OPEB, are compensated absences. Long-term obligations are described in more detail in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's purpose is to serve the public with an array of commercial and recreational boating, fishing, and coastal-related opportunities, while ensuring environmentally responsible, safe, well managed, and financially sustainable harbor that preserves our marine heritage and character.

For next year's FY 2022/2023 budget to accomplish this purpose, the District budgeted operating and non-operating revenues of \$6,923,058 and operating expenditures of \$6,372,634, resulting in \$550,424 available to fund major maintenance and capital projects. In addition to the \$550,424, the District has budgeted an additional \$3,604,676 for such projects, which will be funded from grants of \$2,627,739 and reserves of \$976,937.

Economic indicators show:

- A softening of the economy next year – property tax estimates from the County of San Luis Obispo indicate property taxes of \$4,129,000, an increase of \$49,000 from the current year, a smaller increase compared to the \$150,000 increase in the current year. Rental income, especially from RV overnights, could be impacted due to increased gas prices and other economic factors.
- Operating costs for materials/supplies continue to increase as inflation approaches 9%. These increases together with supply shortages could impact the cost of operations and the cost and timing of capital projects. Labor costs are projected to increase due to the increased CPI.
- Capital project grants are continuing to be solicited and received, thus eliminating some of the uncertainty with the timing of capital projects.

The scheduled closure of Diablo Canyon in 2025 will have an approximate \$400,000 decrease in the District's revenues (unitary taxes plus SB 1090 mitigation funds). There are various proposals to continue Diablo Canyon's operations past 2025, so we will see how that materializes.

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
Financial Statements
June 30, 2022**

Port San Luis Harbor District
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 2,362,223	\$ 5,317,601	\$ 7,679,824
Restricted cash and investments	69,000	161,013	230,013
Receivables:			
Accounts receivable	-	175,188	175,188
Lease receivable	-	213,879	213,879
Interest receivable	-	13,100	13,100
Inventories	-	112,839	112,839
Prepays and deposits	148,336	452,495	600,831
Total current assets	2,579,559	6,446,115	9,025,674
Noncurrent assets:			
Lease receivable	-	2,562,067	2,562,067
Capital assets:			
Not being depreciated	679,386	1,379,704	2,059,090
Being depreciated, net	4,862,312	2,040,917	6,903,229
Total capital assets	5,541,698	3,420,621	8,962,319
Total noncurrent assets	5,541,698	5,982,688	11,524,386
Total assets	8,121,257	12,428,803	20,550,060
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	724,733	335,046	1,059,779
Deferred outflows of resources - OPEB	113,763	57,308	171,071
Total deferred outflows of resources	838,496	392,354	1,230,850

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

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	63,008	30,111	93,119
Accrued expense	32,568	65,285	97,853
Unearned revenue	491,522	350,128	841,650
Refundable deposits	-	15,182	15,182
Interest payable	6,243	18,729	24,972
Compensated absences - due within one year	20,014	9,945	29,959
Long term debt - due within one year	22,604	84,199	106,803
Total current liabilities	<u>635,959</u>	<u>573,579</u>	<u>1,209,538</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	180,123	89,508	269,631
Long-term debt - due in more than one year	310,646	1,183,176	1,493,822
Total OPEB liability	1,054,595	531,233	1,585,828
Net pension liability	2,252,100	962,403	3,214,503
Total noncurrent liabilities	<u>3,797,464</u>	<u>2,766,320</u>	<u>6,563,784</u>
Total liabilities	<u>4,433,423</u>	<u>3,339,899</u>	<u>7,773,322</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - leases	-	2,886,090	2,886,090
Deferred inflows of resources - pension	1,822,760	969,959	2,792,719
Deferred inflows of resources - OPEB	256,816	129,489	386,305
Total deferred inflows of resources	<u>2,079,576</u>	<u>3,985,538</u>	<u>6,065,114</u>
NET POSITION			
Net investment in capital assets	5,277,448	2,314,259	7,591,707
Unrestricted	(2,830,694)	3,181,461	350,767
Total net position	<u>\$ 2,446,754</u>	<u>\$ 5,495,720</u>	<u>\$ 7,942,474</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, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Total
		Charges for Services	Operating Contributions and Grants	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Administration	\$ 1,791,166	\$ -	\$ 41,825	\$ 113,678	\$ 155,503
Operations	459,425	-	-	-	-
Maintenance	1,788,086	-	-	-	-
Safety and services	1,261,089	-	-	-	-
Interest expense	6,243	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	5,306,009	-	41,825	113,678	155,503
BUSINESS-TYPE ACTIVITIES:					
Administration	1,101,533	13,012	-	-	13,012
Operations	475,470	1,879,282	100,000	-	1,979,282
Maintenance	821,868	553,867	-	-	553,867
Safety and services	35,020	23,195	-	-	23,195
Interest expense	18,729	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,452,620	2,469,356	100,000	-	2,569,356
TOTAL PRIMARY GOVERNMENT	\$ 7,758,629	\$ 2,469,356	\$ 141,825	\$ 113,678	\$ 2,724,859

GENERAL REVENUES:

Property taxes and assessments
Investment income and earnings
SB 1090 mitigation funds
Other revenues

Total general revenues

Change in net position

Net position - beginning of year

Net position - end of year

Change in Net Position

Governmental Activities	Business- type Activities	Total
\$ (1,635,663)	\$ -	\$ (1,635,663)
(459,425)	-	(459,425)
(1,788,086)	-	(1,788,086)
(1,261,089)	-	(1,261,089)
(6,243)	-	(6,243)
<u>(5,150,506)</u>	<u>-</u>	<u>(5,150,506)</u>
-	(1,088,521)	(1,088,521)
-	1,503,812	1,503,812
-	(268,001)	(268,001)
-	(11,825)	(11,825)
-	(18,729)	(18,729)
<u>-</u>	<u>-</u>	<u>-</u>
-	116,736	116,736
<u>(5,150,506)</u>	<u>116,736</u>	<u>(5,033,770)</u>
4,080,468	-	4,080,468
10,348	(29,078)	(18,730)
191,588	-	191,588
-	70,870	70,870
<u>4,282,404</u>	<u>41,792</u>	<u>4,324,196</u>
(868,102)	158,528	(709,574)
<u>3,314,856</u>	<u>5,337,192</u>	<u>8,652,048</u>
<u>\$ 2,446,754</u>	<u>\$ 5,495,720</u>	<u>\$ 7,942,474</u>

Port San Luis Harbor District
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 2,362,223	\$ -	\$ 2,362,223
Restricted cash and investments	-	69,000	69,000
Deposits	-	148,336	148,336
Total assets	\$ 2,362,223	\$ 217,336	\$ 2,579,559
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 59,127	\$ 3,881	\$ 63,008
Payroll and related liabilities	32,568	-	32,568
Unearned revenue	491,522	-	491,522
Total liabilities	583,217	3,881	587,098
Fund Balances:			
Restricted:			
Capital projects	-	213,455	213,455
Assigned:			
Vehicle replacement	154,000	-	154,000
Tidelands	50,223	-	50,223
Dredge	516	-	516
Election	45,000	-	45,000
Avila Pier	245,000	-	-
Facilities	108,139	-	108,139
OPEB	41,400	-	41,400
Building improvements	34,910	-	34,910
Hoist	9,500	-	9,500
Crane	7,900	-	7,900
Utility	47,875	-	47,875
Harbor Terrace	23,737	-	23,737
Computer equipment	4,571	-	4,571
Safety equipment	12,000	-	12,000
Coastal Gateway	14,790	-	14,790
Water tank	26,536	-	26,536
Discretionary	1,760	-	1,760
Subtotal assigned	827,857	-	827,857
Unassigned	951,149	-	951,149
Total fund balances	1,779,006	213,455	1,992,461
Total liabilities and fund balances	\$ 2,362,223	\$ 217,336	\$ 2,579,559

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, 2022

Fund Balances of Governmental Funds	\$ 1,992,461
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.	5,541,698
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	724,733
Deferred outflows of resources - OPEB	113,763
Deferred inflows of resources - pension	(1,822,760)
Deferred inflows of resources - OPEB	(256,816)
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid.	(6,243)
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	(20,014)
Compensated absences - due in more than one year	(180,123)
Long-term debt - due within one year	(22,604)
Long-term debt - due in more than one year	(310,646)
Net OPEB liability	(1,054,595)
Net pension liability	(2,252,100)
Net Position of Governmental Activities	<u>\$ 2,446,754</u>

Port San Luis Harbor District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022

	General Fund	Capital Projects Fund	Total
REVENUES:			
Property taxes and assessments	\$ 4,080,468	\$ -	\$ 4,080,468
SB 1090 mitigation funds	191,588	-	191,588
Grant revenue	41,825	263,678	305,503
Use of money and property	10,349	-	10,349
Total revenues	4,324,230	263,678	4,587,908
EXPENDITURES:			
Current			
Salaries and wages	1,675,167	-	1,675,167
Employee benefits	891,924	-	891,924
Contract services	156,557	-	156,557
Supplies	91,398	-	91,398
Maintenance	404,639	-	404,639
Utilities	351,424	-	351,424
General and administrative	693,146	-	693,146
Capital outlay	-	478,153	478,153
Debt service:			
Cost of issuance	-	1,750	1,750
Total expenditures	4,264,255	479,903	4,744,158
REVENUES OVER (UNDER) EXPENDITURES	59,975	(216,225)	(156,250)
OTHER FINANCING SOURCES (USES):			
Proceeds from long term debt	-	333,250	333,250
Transfers in	-	246,430	246,430
Transfers out	(246,430)	-	(246,430)
Total other financing sources (uses)	(246,430)	579,680	333,250
Net change in fund balances	(186,455)	363,455	177,000
FUND BALANCES:			
Beginning of year	1,965,461	(150,000)	1,815,461
End of year	\$ 1,779,006	\$ 213,455	\$ 1,992,461

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, 2022

Net Change in Fund Balances	\$ 177,000
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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:

Current year acquisitions	478,153
Current year depreciation	(346,495)
Current year disposals	(1,081)

Revenues that are not considered available are reported as unavailable revenue in the governmental funds; however, these amounts are recognized in the Government-Wide Statement of Activities.

	(150,000)
--	-----------

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 Statements, these contributions are deferred.

	399,830
--	---------

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 Statements, these contributions are deferred.

	47,680
--	--------

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

	(1,040,423)
--	-------------

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

	(82,206)
--	----------

Proceeds from long term debt are recognized as other financing sources in the governmental funds. However this amount is recognized as long-term debt on the Government-Wide Statement of Net Position, and not recognized on the Statement of Activities.

	(333,250)
--	-----------

Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid.

	(6,243)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. In the current period these amounts are:

Compensated absences	(11,067)
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Change in Net Position of Governmental Activities	<u>\$ (868,102)</u>
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Port San Luis Harbor District
Statement of Net Position
Proprietary Fund
June 30, 2022

ASSETS	<u>Enterprise Fund</u>
Current assets:	
Cash and cash equivalents	\$ 5,317,601
Restricted cash and cash equivalents	161,013
Receivables:	
Accounts receivable, net of allowance	175,188
Grants receivable	-
Lease receivable	213,879
Interest receivable	13,100
Inventories	112,839
Prepays and deposits	452,495
Total current assets	<u>6,446,115</u>
Noncurrent assets:	
Lease receivable	2,562,067
Capital assets:	
Not being depreciated	1,379,704
Being depreciated, net	2,040,917
Total capital assets	<u>3,420,621</u>
Total noncurrent assets	<u>5,982,688</u>
Total assets	<u>12,428,803</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	335,046
Deferred outflows of resources - OPEB	57,308
Total deferred outflows of resources	<u>392,354</u>

	<u>Enterprise Fund</u>
LIABILITIES	
Current liabilities:	
Accounts payable	30,111
Accrued expenses	65,285
Unearned revenue	350,128
Deposits	15,182
Interest payable	18,729
Compensated absence - due within one year	9,945
Long term debt - due within one year	84,199
Total current liabilities	<u>573,579</u>
Noncurrent liabilities:	
Compensated absence - due in more than one year	89,508
Long-term debt - due in more than one year	1,183,176
Total OPEB liability	531,233
Net pension liability	962,403
Total noncurrent liabilities	<u>2,766,320</u>
Total liabilities	<u>3,339,899</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - leases	2,886,090
Deferred inflows of resources - pension	969,959
Deferred inflows of resources - OPEB	129,489
Total deferred inflows of resources	<u>3,985,538</u>
NET POSITION	
Net investment in capital assets	2,314,259
Unrestricted	3,181,461
Total net position	<u><u>\$ 5,495,720</u></u>

Port San Luis Harbor District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the year ended June 30, 2022

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Moorage operations	\$ 155,495
Charge for services	594,287
Leases, licenses, and rentals	1,700,984
Diesel sales	19,054
Total operating revenues	<u>2,469,820</u>
OPERATING EXPENSES:	
Salaries and wages	678,018
Payroll taxes and benefits	780,657
Depreciation	221,581
Maintenance and repairs	186,179
Insurance and bonding	118,779
Operating supplies	26,753
Legal	43,905
Utilities	181,105
General and administrative overhead	196,911
Total operating expenses	<u>2,433,888</u>
OPERATING INCOME	35,932
NONOPERATING REVENUES:	
Interest income (loss)	(29,078)
Interest expense	(18,729)
Grant revenues	100,000
Gain (loss) on sale of capital assets	(463)
Other nonoperating revenues	70,866
Total nonoperating revenues	<u>122,596</u>
CHANGE IN NET POSITION	158,528
NET POSITION	
Beginning of year	<u>5,337,192</u>
End of year	<u>\$ 5,495,720</u>

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

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Port San Luis Harbor District
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2022

	<u>Enterprise Fund</u>
CASH FLOWS FROM	
OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 2,479,914
Payments to suppliers	(1,193,918)
Payments to employees	(1,068,767)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>217,229</u>
 CASH FLOWS FROM NONCAPITAL	
FINANCING ACTIVITIES:	
Operating grants and reimbursements	<u>170,866</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>170,866</u>
 CASH FLOWS FROM CAPITAL	
AND RELATED FINANCING ACTIVITIES:	
Proceeds from long term debt	953,750
Principal payments made on long term debt	(25,000)
Purchase of capital assets	(782,524)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>146,226</u>
 CASH FLOWS FROM	
INVESTING ACTIVITIES:	
Interest income (loss)	(36,638)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(36,638)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	497,683
 CASH AND CASH EQUIVALENTS - Beginning of year	<u>4,980,931</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 5,478,614</u>

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

Port San Luis Harbor District
Statement of Cash Flows, Continued
Proprietary Fund
For the year ended June 30, 2022

	<u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 35,932
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	221,581
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(22,889)
Lease receivable	(2,775,946)
Prepays and deposits	(420,010)
Inventory	(21,896)
Deferred outflows of resources - pension and OPEB	5,280
Accounts payable	1,620
Accrued expenses	30,777
Unearned revenue	(72,415)
Deposits	(4,746)
Accrued compensation	(1,986)
Net pension liability	(577,358)
Deferred inflows of resources - pension and OPEB	992,831
Deferred inflows of resources - leases	2,886,090
Total OPEB liability	(59,636)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 217,229</u></u>

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

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Port San Luis Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2022

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.

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, 2022

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 funds. 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 accounts 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 accounts 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, 2022

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. Leases - Lessor

The District is a lessor for multiple properties. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and enterprise fund financial statements.

At the commencement of each lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Leases - Lessor, Continued

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

F. 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.

G. 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.

H. 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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

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.

I. 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.

J. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick and vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Unearned Revenue

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

L. 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:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation, net of any capital related debt.

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 net investment in capital assets or restricted net position.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Position and Fund Balance, Continued

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, 2022.

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, 2022.

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. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the District considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the District considers committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. 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.

N. 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 8. The insurance is subject to a deductible. No significant claims occurred during the year ended June 30, 2022. 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.

O. 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 assets 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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

P. 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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. Other Postemployment Benefits (OPEB)

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, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

R. New Pronouncements

In 2022, the District adopted new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 87, Leases – The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District recognized lease receivables and related deferred inflows of resources related to certain lease agreements for which the District is a lessor.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objective this statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 92, Omnibus – The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers between primary government and pension or OPEB plans, other pension plan reporting, fiduciary activities relating to postemployment benefit arrangements, asset retirement obligations, reporting for public entity risk pools, fair value measurement, and derivative instruments. The requirements of this statement did not have an impact on net position for the year ended June 30, 2022.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Net Pronouncements, Continued

GASB Statement No. 98, The Annual Comprehensive Financial Report - The objective of this statement is to address references in authoritative literature to the term *comprehensive annual financial report*. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 99, Omnibus 2022 - The primary objectives of this statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. The requirements of this statement did not apply for the current fiscal year.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	Government-Wide Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 2,362,223	\$ 5,317,601	\$ 7,679,824
Restricted cash and investments	69,000	161,013	230,013
Total cash and investments	\$ 2,431,223	\$ 5,478,614	\$ 7,909,837

Cash and investments were classified according to GASB Statement No. 40 as follows as of June 30, 2022:

Cash on hand	\$ 1,380
Deposits with financial institution	322,436
Total cash on hand and deposits	<u>323,816</u>
Local Agency Investment funds	7,100,360
San Luis Obispo County Pool	255,648
Total investments	<u>7,356,008</u>
Total District Treasury	<u>7,679,824</u>
Cash with fiscal agent	<u>230,013</u>
Total cash and investments	<u>\$ 7,909,837</u>

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of the District's cash deposit was \$322,436 at June 30, 2022. Balance before reconciling amounts were a positive amount of \$739,538 at June 30, 2022. 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 fair value of the pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits.

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

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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

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.

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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

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, 2022 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes – 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, 2022, the District had \$7,100,360 invested in LAIF, which had invested 1.88% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 2.31% in the previous year. The LAIF fair value factor of 0.9871254 was used to calculate the fair value of the investments in LAIF.

Interest Risk: Interest rate risk is the fair 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, 2022:

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	\$ 7,100,360	\$ 7,100,360	\$ -	\$ -	\$ -	\$ -
San Luis Obispo County Pool	255,648	255,648	-	-	-	-
Total	\$ 7,356,008	\$ 7,356,008	\$ -	\$ -	\$ -	\$ -

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

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, 2022, the District’s deposits and investments were rated as follows:

Investment Type	Fair Value	Not Rated
Local Agency Investment Fund	\$ 7,100,360	\$ 7,100,360
San Luis Obispo County Pool	255,648	255,648
Total	\$ 7,356,008	\$ 7,356,008

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.

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; and Level 3 inputs are significant unobservable inputs. Participation in external investment pools are not subject to levelling disclosure.

3. LEASES RECEIVABLE

For the year ended June 30, 2022, the financial statements include the adoptions of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about the District’s leasing activities. The District has nine building (or similar) financing leases in which it is acting as Lessor. The total value of the lease receivable and deferred inflow of resources at June 30, 2022 were \$2,775,946 and \$2,886,090, respectively. The total of lease revenue recognized during FY2022 was \$225,530. Other payments received related to the leases (variable payments) were \$277,530. The table on the following page describes additional disclosures related to each of the leases.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

3. LEASES RECEIVABLE, Continued

Lease	Months in Lease*	Beginning Receivable*	Payment Amount	Payment Frequency	Interest Rate	Value of Lease Receivable	Deferred Inflow at June 30, 2022	Lease Revenue Recognized in FY 2022	Number of Extensions	Total Months of Extension Options	Notes
Avila Beach Paddle Sports	54	\$ 60,388	\$631 - \$1,782	Monthly	3.50%	\$ 47,641	\$ 47,641	\$ 12,747	None	None	(1), (2)
Cal Poly Pier	360	1,439,292	\$78,910	Annual	3.50%	1,402,361	1,402,361	36,931	None	None	
RTA Harbor Terrace	30	467,308	\$100,000	Annual	3.50%	367,308	367,308	100,000	None	None	
Harford Seafood Market	48	100,938	\$2,250	Monthly	3.50%	94,758	94,758	6,180	None	None	(1)
Lighthouse Keepers	187	132,191	\$1,600	Monthly	3.50%	136,495	246,639	3,248	1	120	(3)
Mermaid Market	45	49,614	\$592 - \$1,778	Monthly	3.50%	36,750	36,750	12,864	None	None	(1), (2)
Merseas	236	446,555	\$2,300 - \$3,096	Monthly	3.50%	429,926	429,926	16,629	1	120	
PSL Boatyard Lease	53	136,703	\$2,215 - \$3,324	Monthly	3.50%	107,380	107,380	29,323	None	None	(1), (2)
San Luis Yacht Club	264	160,935	\$10,424	Annual	3.50%	153,327	153,327	7,608	2	240	
		<u>\$ 2,993,924</u>				<u>\$ 2,775,946</u>	<u>\$ 2,886,090</u>	<u>\$ 225,530</u>			

* As of 7/1/2021

(1) Extension option(s) requires agreement of both lessor and lessee, these periods have been excluded.

(2) Minimum rent fluctuates during the year.

(3) Lessee has prepaid rent to February 2027, monthly payments begin in March 2027 and end on January 2037.

Minimum rental payments for all leases are described below:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 213,879	\$ 95,675	\$ 309,554
2024	222,053	88,129	310,182
2025	226,369	80,299	306,668
2026	191,677	72,760	264,437
2027	62,621	66,984	129,605
2028-2032	425,655	293,371	719,026
2033-2037	456,300	216,369	672,669
2038-2042	408,235	139,618	547,853
2043-2047	328,560	76,648	405,208
2048-2051	240,597	18,532	259,129
Total	<u>\$ 2,775,946</u>	<u>\$ 1,148,385</u>	<u>\$ 3,924,331</u>
Current portion	\$ 213,879	\$ 95,675	\$ 309,554
Noncurrent portion	2,562,067	1,052,710	3,614,777
Total	<u>\$ 2,775,946</u>	<u>\$ 1,148,385</u>	<u>\$ 3,924,331</u>

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

4. CAPITAL ASSETS

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

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 565,230	\$ -	\$ -	\$ 565,230
Construction in progress	-	114,156	-	114,156
Total capital assets, not being depreciated	565,230	114,156	-	679,386
Capital assets, being depreciated/amortized:				
Buildings and improvements	12,952,048	265,394	-	13,217,442
Equipment	1,724,262	98,603	(5,641)	1,817,224
Total capital assets, being depreciated/amortized	14,676,310	363,997	(5,641)	15,034,666
<i>Less accumulated depreciation/amortization for:</i>				
Buildings and improvements	8,791,913	266,196	-	9,058,109
Equipment	1,038,506	80,299	(4,560)	1,114,245
Total accumulated depreciation	9,830,419	346,495	(4,560)	10,172,354
Total capital assets, being depreciated/amortized, net	4,845,891	17,502	(1,081)	4,862,312
Governmental activities capital assets, net	\$ 5,411,121	\$ 131,658	\$ (1,081)	\$ 5,541,698

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

4. CAPITAL ASSETS, Continued

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

	Balance June 30, 2021	Additions	Retirements	Reclassifications	Balance June 30, 2022
Business-type Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 598,565	\$ -	\$ -	\$ -	\$ 598,565
Construction in progress	-	342,514	-	-	342,514
Intangible	438,625	-	-	-	438,625
Total capital assets, not being depreciated	<u>1,037,190</u>	<u>342,514</u>	<u>-</u>	<u>-</u>	<u>1,379,704</u>
Capital assets, being depreciated/amortized:					
Plant and facilities	5,824,202	184,021	(87,712)	(50,000)	5,870,511
Equipment	905,099	255,989	-	50,000	1,211,088
Total capital assets, being depreciated/amortized	<u>6,729,301</u>	<u>440,010</u>	<u>(87,712)</u>	<u>-</u>	<u>7,081,599</u>
<i>Less accumulated depreciation/amortization for:</i>					
Plant and facilities	4,197,895	171,382	(87,249)	-	4,282,028
Equipment	708,455	50,199	-	-	758,654
Total accumulated depreciation	<u>4,906,350</u>	<u>221,581</u>	<u>(87,249)</u>	<u>-</u>	<u>5,040,682</u>
Total capital assets, being depreciated/amortized, net	<u>1,822,951</u>	<u>218,429</u>	<u>(463)</u>	<u>-</u>	<u>2,040,917</u>
Business-type Activities capital assets, net	<u>\$ 2,860,141</u>	<u>\$ 560,943</u>	<u>\$ (463)</u>	<u>\$ -</u>	<u>\$ 3,420,621</u>

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	\$ 927
Operation	59,649
Maintenance	261,300
Safety and services	24,619
Total Governmental Activities	<u>\$ 346,495</u>

Business-type Activities:

Administration	\$ 606
Operation	65,498
Maintenance	155,477
Total Business-type Activities	<u>\$ 221,581</u>

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term liability activity for the year ended June 30, 2022:

	Balance			Balance		
	June 30, 2021	Additions	Reductions	June 30, 2022	Due within one year	Due in more than one year
Governmental Activities:						
Compensated absences	\$ 190,763	\$ 19,076	\$ (9,702)	\$ 200,137	\$ 20,014	\$ 180,123
ABCSD obligation	-	264,250	-	264,250	9,685	254,565
Boom truck purchase obligation	-	69,000	-	69,000	12,919	56,081
Total Governmental activities	<u>\$ 190,763</u>	<u>\$ 352,326</u>	<u>\$ (9,702)</u>	<u>\$ 533,387</u>	<u>\$ 42,618</u>	<u>\$ 490,769</u>
Business-type Activities:						
Compensated absences	\$ 101,439	\$ 19,050	\$ (21,036)	\$ 99,453	\$ 9,945	\$ 89,508
ABCSD obligation	-	792,750	-	792,750	29,055	763,695
Boom truck purchase obligation	-	161,000	-	161,000	30,144	130,856
Loan payable	338,625	-	(25,000)	313,625	25,000	288,625
Total Business-type activities	<u>\$ 440,064</u>	<u>\$ 972,800</u>	<u>\$ (46,036)</u>	<u>\$ 1,366,828</u>	<u>\$ 94,144</u>	<u>\$ 1,272,684</u>

A. Compensated Absences

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

- 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 for governmental activities.

B. Avila Beach Community Services District (ABCSD) Obligation

In October 2021, Avila Beach Community Services District (ABCSD) issued \$3,000,000 in lease revenue bonds for Sewer Treatment Plant Improvements. The District has agreed to pay for 35% of the costs related to Sewer Treatment Plant improvement, which is part of a separate agreement dated September 30, 2016 whereby the District has the rights to 35% of the treatment plant capacity and pays for 35% of the improvement costs, plus its monthly share of operating costs based on a formula.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

5. LONG-TERM OBLIGATIONS, Continued

B. Avila Beach Community Services District (ABCSD) Obligation, Continued

The District agreed to pay for its share of these expansion improvements by participating in the financing via making 35% of the payments on the lease agreement. Per the September 2016 agreement, the District still has the right to use its cash to pay off its portion of the improvement costs that were financed by the lease agreement. As such, the District has recognized its share of \$1,057,000 as a long-term debt. Payments to ABCSD are due annually. The District expects to fund the obligation from governmental activities (25%) and business-type activities (75%).

Annual debt service requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 38,740	\$ 33,296	\$ 72,036
2024	39,961	32,075	72,036
2025	41,220	30,816	72,036
2026	42,518	29,518	72,036
2027	43,857	28,179	72,036
2028-2032	240,901	119,279	360,180
2033-2037	281,308	78,871	360,179
2038-2042	328,495	31,685	360,180
	<u>\$ 1,057,000</u>	<u>\$ 383,719</u>	<u>\$ 1,440,719</u>
Governmental activities (25%)	\$ 264,250	\$ 95,930	\$ 360,180
Business-type activities (75%)	792,750	287,789	1,080,539
Total	<u>\$ 1,057,000</u>	<u>\$ 383,719</u>	<u>\$ 1,440,719</u>

C. Boom Truck Purchase Obligation

On May 3, 2022, the District entered into a financing agreement with Municipal Finance Corporation for the purpose of obtaining financing for the purchase of a Boom Truck. The terms of the agreement require the District to make 60 monthly payments starting from July 1, 2022 in the amount of \$4,158. The agreement has a stated interest rate of 3.25%. The District expects to fund the obligation from governmental activities (30%) and business-type activities (70%).

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

5. LONG-TERM OBLIGATIONS, Continued

C. Boom Truck Purchase Obligation, Continued

Annual debt service requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 43,063	\$ 6,838	\$ 49,901
2024	44,485	5,416	49,901
2025	45,952	3,949	49,901
2026	47,467	2,433	49,900
2027	49,033	867	49,900
	<u>\$ 230,000</u>	<u>\$ 19,503</u>	<u>\$ 249,503</u>
Governmental activities (30%)	\$ 69,000	\$ 5,851	\$ 74,851
Business-type activities (70%)	161,000	13,652	174,652
Total	<u>\$ 230,000</u>	<u>\$ 19,503</u>	<u>\$ 249,503</u>

D. Loan Payable

The District entered into an agreement with California Coastal Conservancy (“Agreement”) on June 24, 2013 and amended on December 15, 2015 to fund entitlements related to the Harbor Terrace Development. Per the terms of the Agreement, the District will repay California Coastal Conservancy per stipulated repayment terms stated in the Agreement. Repayments would be made from revenues generated from the proposed development on Harbor Terrace; however, a minimum payment of \$25,000 is required per year regardless of income generated from the project until Coastal Conservancy is paid in full. Subsequently, the District is only required to make payments to Coastal Conservancy based on a percentage of revenues generated from the project.

There is no specified repayment schedule; however, the following repayment schedule describes the future minimum required payments, until the Coastal Conservancy is paid in full.

Fiscal Year Ended June 30,	Principal
2023	\$ 25,000
2024	25,000
2025	25,000
2026	25,000
2027	25,000
2028-2032	125,000
2033-2035	63,625
	<u>\$ 313,625</u>

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. 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.

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 Employees' Retirement Law.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. RETIREMENT BENEFITS, Continued

B. Benefits Provided

The rate plans' provisions and benefits in effect at June 30, 2022 is summarized as follows:

	Miscellaneous - Classic*	Miscellaneous - PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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%	6.750%
Required employer contribution rates	13.350%	7.590%
Required unfunded liability payment	\$ 286,048	\$ 11,299
	Safety - Classic	Safety - PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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%	13.000%
Required employer contribution rates	22.480%	13.130%
Required unfunded liability payment	\$ 69,867	\$ 32
	Safety - 2nd Tier	
Hire date	On or after January 1, 2013	
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	13.00%	
Required employer contribution rates	18.190%	
Required unfunded liability payment	\$ 4,301	

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

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The General Fund has typically been used in prior years to liquidate pension liabilities.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. RETIREMENT BENEFITS, Continued

B. Benefits Provided, Continued

The District's contributions to the Plan for the measurement period ended June 30, 2021 was \$531,155.

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

As of June 30, 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,214,503.

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, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 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.

The District's proportionate share of the net pension liability for the plan as of the measurement dates June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.04474%
Proportion - June 30, 2021	0.05944%
Change - Increase (Decrease)	0.01470%

For the year ended June 30, 2022, the District recognized pension expense of \$1,581,075. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 596,759	\$ -
Changes in employer's proportion	67,209	47,882
Differences between the employer's contribution and the employer's proportionate share of contributions	-	105,934
Differences between expected and actual experiences	395,811	-
Net differences between projected and actual earnings on plan investments	-	2,638,903
Total	\$ 1,059,779	\$ 2,792,719

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. RETIREMENT BENEFITS, Continued

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

\$596,759 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (Income) as follows:

Fiscal Year Ending June 30:		
2023	\$	(479,060)
2024		(522,177)
2025		(599,622)
2026		(728,840)

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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 mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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, 2021. 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.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. RETIREMENT BENEFITS, Continued

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. RETIREMENT BENEFITS, Continued

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in 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	\$	5,494,959
Current Discount Rate		7.15%
Net Pension Liability	\$	3,214,503
1% Increase		8.15%
Net Pension Liability	\$	1,331,974

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, 2022, the District reported a payable of \$3,901 for outstanding amount of required contributions to the pension plan required.

Events Subsequent to the Measurement Date

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions, and administrative expense assumptions support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

It is expected for the fiscal year ended June 30, 2022 that CalPERS will report investment losses resulting in a significant decrease in fiduciary net position and hence increase in the Plan net pension liability. Information is currently unavailable as to the amount of losses incurred.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

7. 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 2021, the required minimum contribution was \$143 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 June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Retiree Health Plan:

Active employees	27
Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving benefits	<u>-</u>
Total	36

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. Total OPEB Liability

The District’s total OPEB liability was measured as of June 30, 2021, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Level % of Pay
Actuarial Assumptions:	
Discount Rate	2.18%
Inflation	2.50%
Mortality ⁽¹⁾	CalPERS 2017 Experience Study; Projected with MW Scale 2022
Healthcare cost trend rates:	3.9 to 5.8%

⁽¹⁾ Demographic actuarial assumptions used are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015 with adjustments for improvements per Macleod Watts Scale 2022.

Change of assumption - For measurement date June 30, 2021, the discount rate was lowered to 2.18%.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

E. Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. 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 measurement date.

F. Changes in the Total OPEB Liability

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

	Total OPEB Liability	
Balance at June 30, 2020	\$	1,763,847
Changes in the year:		
Service cost		111,880
Interest on the total OPEB liability		49,042
Differences between actual and expected experience		(160,456)
Changes in assumptions		(114,407)
Benefit payments		(64,078)
Net changes		(178,019)
Balance at June 30, 2021	\$	1,585,828

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

The following presents the total 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, 2021:

1% Decrease - 1.18%		
Total OPEB liability	\$	1,855,710
Current Discount Rate - 2.18%		
Total OPEB liability	\$	1,585,828
1% Increase - 3.18%		
Total OPEB liability	\$	1,370,426

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

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

The following presents the total 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, 2021:

1% Decrease - 4.8% Decreasing to 2.9%		
Total OPEB liability	\$	1,341,137
Current Discount Rate - 5.8% Decreasing to 3.9%		
Total OPEB liability	\$	1,585,828
1% Increase - 6.8% Decreasing to 4.9%		
Total OPEB liability	\$	1,903,462

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$123,084. For the fiscal year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 71,164	\$ -
Differences between expected and actual experience	51,255	145,276
Changes of assumptions	48,652	241,029
Total	<u>\$ 171,071</u>	<u>\$ 386,305</u>

The \$71,164, reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date, will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense (income) as follows:

Fiscal Year Ending June 30:	
2023	\$ (37,838)
2024	(37,838)
2025	(37,838)
2026	(28,084)
2027	(27,437)
Thereafter	(117,363)

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

8. 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 50,000
Property damage	800,000,000	1,000
Uninsured motorist	1,000,000	1,000
Boiler and machinery	100,000,000	1,000
Employee dishonesty	1,000,000	None
Worker's compensation	5,000,000	None
Board member liability	500,000	1000

9. 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 Revenue Sharing

The District entered into an agreement with California Coastal Conservancy (“Agreement”) on June 24, 2013, and amended on December 15, 2015, to fund entitlements related to the proposed Harbor Terrace Development. Per the terms of the Agreement, the District will repay California Coastal Conservancy per stipulated repayment terms stated in the Agreement. Repayments would be made from revenues generated from the proposed development on Harbor Terrace.

Revenue sharing commences upon full repayment of the \$436,285 at approximately 1.6% of project revenues until June 23, 2043, at which time the Agreement terminates.

Port San Luis Harbor District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

10. RESTATEMENT OF ASSETS AND LIABILITIES

As part of implementation of GASB Statement No. 87, *Leases*, the District restated assets and deferred inflows of resources to reflect beginning balances of leases receivable and related deferred inflows of resources in the amount of \$2,993,924. There was no impact on net position as a result of these restatements, as they are offsetting.

REQUIRED SUPPLEMENTARY INFORMATION

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Port San Luis Harbor District
Required Supplementary Information
For the year ended June 30, 2022

1. BUDGETARY COMPARISON INFORMATION - GENERAL FUND (GAAP BASIS)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes and assessments	\$ 3,875,162	\$ 3,875,162	\$ 4,080,468	\$ 205,306
SB1090 mitigation funds	191,588	191,588	191,588	-
Grant income	-	-	41,825	41,825
Use of money and property	16,000	16,000	10,349	(5,651)
Total revenues	4,082,750	4,082,750	4,324,230	241,480
EXPENDITURES:				
Current:				
Salaries and wages	1,649,000	1,774,628	1,675,167	99,461
Employee benefits	927,500	928,400	891,924	36,476
Contract services	132,200	167,200	156,557	10,643
Supplies	94,300	94,300	91,398	2,902
Maintenance	183,287	182,500	404,639	(222,139)
Utilities	327,548	327,450	351,424	(23,974)
General and administrative	621,266	794,800	693,146	101,654
Total expenditures	3,935,101	4,269,278	4,264,255	5,023
REVENUES OVER (UNDER) EXPENDITURES	147,649	(186,528)	59,975	246,503
OTHER FINANCING SOURCES (USES):				
Transfer out	(690,460)	(690,460)	(246,430)	444,030
Total other financing sources (uses)	(690,460)	(690,460)	(246,430)	444,030
Net change in fund balance	\$ (542,811)	\$ (876,988)	(186,455)	\$ 690,533
FUND BALANCE:				
Beginning of year			1,965,461	
End of year			\$ 1,779,006	

**Port San Luis Harbor District
Required Supplementary Information
For the Year Ended June 30, 2022**

2. DEFINED BENEFIT PENSION PLAN

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

	2022	2021	2020	2019
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Proportionate share of the net pension liability	\$ 3,214,503	\$ 4,867,876	\$ 4,497,236	\$ 4,135,352
Proportion of the net pension liability	0.05944%	0.04474%	0.04389%	0.04291%
Covered payroll	\$ 1,909,099	\$ 1,809,051	\$ 1,777,692	\$ 1,725,915
Proportionate share of the net pension liability as percentage of covered payroll	168.38%	269.08%	252.98%	239.60%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%

Notes to Schedule

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

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

	2018		2017		2016		2015
	6/30/2017		6/30/2016		6/30/2015		6/30/2014
\$	4,176,535	\$	3,593,614	\$	2,791,198	\$	2,166,927
	0.04211%		0.04153%		0.04066%		0.03482%
\$	1,595,434	\$	1,507,959	\$	1,471,763	\$	1,443,877
	261.78%		238.31%		189.65%		150.08%
	73.31%		74.06%		78.40%		79.82%

Port San Luis Harbor District
Required Supplementary Information
For the Year Ended June 30, 2022

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Contributions - Last 10 Years*

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	\$ 596,759	\$ 531,155	\$ 470,088	\$ 409,609
Contribution in relation to the actuarially determined contributions	(596,759)	(531,155)	(470,088)	(409,609)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,966,372	\$ 1,909,099	\$ 1,809,051	\$ 1,777,692
Contributions as a percentage of covered payroll	30.35%	27.82%	25.99%	23.04%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Valuation date :	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value

Inflation:	2.50%	2.50%	2.63%	2.75%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%	7.375%
Retirement age:	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) 50 for all plans, with the exception of 52 for Miscellaneous
PEPRA 2%@62

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

2018	2017	2016	2015
\$ 362,147	\$ 322,091	\$ 294,153	\$ 255,797
(362,147)	(322,091)	(294,153)	(255,797)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,725,915	\$ 1,595,434	\$ 1,507,959	\$ 1,471,763
20.98%	20.19%	19.51%	17.38%

6/30/2015 Entry Age (1) Market Value	6/30/2014 Entry Age (1) Market Value	6/30/2013 Entry Age (1) Market Value	6/30/2012 Entry Age (1) 15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)
7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)

Port San Luis Harbor District
Required Supplementary Information
For the Year Ended June 30, 2022

3. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Schedule of Changes in the District's Total OPEB Liability and Related Ratios - Last 10 Years*

	2022	2021	2020
Measurement Date	6/30/2021	6/30/2020	6/30/2019
Total OPEB Liability			
Service Cost	\$ 111,880	\$ 105,305	\$ 98,255
Interest on the total OPEB liability	49,042	47,816	50,041
Differences between expected and actual experience	(160,456)	-	77,583
Changes of assumptions	(114,407)	34,858	(138,468)
Benefit payments, including refunds of employee contributions	(64,078)	(65,340)	(54,384)
Net change in total OPEB liability	(178,019)	122,639	33,027
Total OPEB Liability - beginning	1,763,847	1,641,208	1,608,181
Total OPEB Liability - ending	<u>\$ 1,585,828</u>	<u>\$ 1,763,847</u>	<u>\$ 1,641,208</u>
Covered-employee payroll	\$ 2,404,332	\$ 2,280,787	\$ 1,809,051
Total OPEB liability as a percentage of covered-employee payroll	65.96%	77.34%	90.72%

Notes to Schedule

* Historical information is required only for measurement periods for which GASB 75 is applicable.

Fiduciary Net Position - There are currently no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

Changes of assumptions:

In 2018, the discount rate was changed from 3.13% to 2.98%.

In 2019, the discount rate was changed from 2.98% to 2.79%, inflation was updated from 2.75% to 2.5%, mortality information was updated based on updated experience studies, and the healthcare cost trend rates were changed from a range of '5% to 8%' to a range of '4% to 5.4%'.

In 2020, the discount rate was changed from 2.79% to 2.66%.

In 2021, the discount rate was changed from 2.66% to 2.18%.

	2019		2018
	<u>6/30/2018</u>		<u>6/30/2017</u>
\$	91,690	\$	99,361
	48,410		42,437
	-		-
	41,848		(115,625)
	<u>(57,472)</u>		<u>(53,171)</u>
	124,476		(26,998)
	<u>1,483,705</u>		<u>1,510,703</u>
\$	<u>1,608,181</u>	\$	<u>1,483,705</u>
\$	1,777,692	\$	1,725,915
	90.46%		85.97%

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STATISTICAL SECTION

Port San Luis Harbor District



- Financial Trend Information
- Revenue Capacity Information
- Debt Capacity Information
- Demographic and Economic Information
- Operating Information

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STATISTICAL SECTION

Port San Luis Harbor District

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 – Last Ten Fiscal Years
2. Changes in Net Position – Last Ten Fiscal Years
3. Fund Balances of Governmental Funds – Last Ten Fiscal Years
4. Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years

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. Assessed Value of Taxable Property – Last Ten Fiscal Years
2. Principal Property Taxpayers – Current Fiscal Year and for the Period Nine Years Prior

Debt Capacity

These schedules present information on computation of legal debt margin. The District has an outstanding debt balance of \$1,600,625 as of June 30, 2022 and does not project to issue additional new debt during the 2022/23 fiscal year.

1. Ratios of Total Debt Outstanding – Last Ten Fiscal Years
2. Legal Debt Margin Information – Last Ten Fiscal Years

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 – Last Ten Calendar Years
2. Principal Employers – Current Fiscal Year and for the Period Nine Years Prior

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 – Last Ten Fiscal Years
2. Operating Indicators by Function/Program – Last Ten Fiscal Years
3. Capital Asset Statistics by Function/Program – Last Ten Fiscal Years

Sources

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

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 6,196,267	\$ 6,554,982	\$ 6,109,778	\$ 5,780,658	\$ 5,644,194	\$ 5,364,913	\$ 5,071,161	\$ 4,892,212	\$ 5,411,121	\$ 5,277,448
Restricted	97,280	170,198	154,050	12,230	-	-	-	-	-	-
Unrestricted	587,622	437,514	(1,365,927)	(865,945)	(1,034,801)	(1,766,144)	(1,890,235)	(1,799,156)	(2,096,265)	(2,830,694)
Total governmental activities net position	<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>	<u>\$ 3,180,926</u>	<u>\$ 3,093,056</u>	<u>\$ 3,314,856</u>	<u>\$ 2,446,754</u>
Business-type activities										
Net investment in capital assets	\$ 2,154,223	\$ 2,743,733	\$ 2,910,474	\$ 2,748,637	\$ 2,672,048	\$ 2,467,644	\$ 2,353,513	\$ 2,339,101	\$ 2,521,516	\$ 2,314,259
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,168,647	1,393,152	1,228,948	1,522,551	1,968,808	2,352,484	3,050,113	2,909,474	2,815,676	3,181,461
Prior period adjustment	-	-	-	-	-	-	-	75,000	-	-
Total business-type activities net position	<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>	<u>\$ 5,403,626</u>	<u>\$ 5,323,575</u>	<u>\$ 5,337,192</u>	<u>\$ 5,495,720</u>
Port San Luis Harbor District										
Net investment in capital assets	\$ 8,350,490	\$ 9,298,715	\$ 9,020,252	\$ 8,529,295	\$ 8,316,242	\$ 7,832,557	\$ 7,424,674	\$ 7,231,313	\$ 7,932,637	\$ 7,591,707
Restricted	97,280	170,198	154,050	12,230	-	-	-	-	-	-
Unrestricted	1,756,269	1,830,666	(136,979)	656,606	934,007	586,340	1,159,878	1,110,318	719,411	350,767
Total Port San Luis Harbor District net position	<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>	<u>\$ 8,584,552</u>	<u>\$ 8,341,631</u>	<u>\$ 8,652,048</u>	<u>\$ 7,942,474</u>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
Administration	\$ 1,343,232	\$ 1,098,715	\$ 1,316,743	\$ 1,134,580	\$ 926,926	\$ 1,039,755	\$ 1,188,944	\$ 847,202	\$ 1,250,143	\$ 1,791,166
Operations	202,378	219,691	105,034	131,448	261,224	207,529	405,624	363,904	324,353	459,425
Maintenance	1,075,958	1,095,533	1,156,489	1,219,212	1,593,987	1,647,158	1,586,315	1,980,217	1,825,594	1,788,086
Safety and services	787,480	800,251	806,265	877,904	980,336	1,130,674	1,050,058	1,239,969	1,160,084	1,261,089
Interest expense										6,243
Total governmental activities expenses	<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>	<u>4,230,941</u>	<u>4,431,292</u>	<u>4,560,174</u>	<u>5,306,009</u>
Business-type activities:										
Administration	787,919	904,244	725,515	986,333	731,895	773,441	782,036	886,327	731,548	1,101,533
Operations	362,629	345,664	365,736	370,377	403,144	430,623	434,807	440,106	549,534	475,470
Maintenance	408,004	385,272	439,270	455,634	593,405	610,351	567,980	628,965	718,857	821,868
Safety and services	7,711	12,496	10,580	11,015	25,507	12,928	23,634	36,556	20,714	35,020
Interest expense										18,729
Total business-type activities expenses	<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>	<u>1,808,457</u>	<u>1,991,954</u>	<u>2,020,653</u>	<u>2,452,620</u>
Total Harbor District expenses	<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>	<u>\$ 6,039,398</u>	<u>\$ 6,423,246</u>	<u>\$ 6,580,827</u>	<u>\$ 7,758,629</u>
Program revenues										
Governmental activities:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating contributions and grants	138,851	140,825	37,000	69,974	77,991	79,599	69,285	17,510	13,664	41,825
Capital contributions and grants	920,449	510,000	-	-	-	35,000	6,671	104,189	358,558	113,678
Total governmental activities program revenues	<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>	<u>75,956</u>	<u>121,699</u>	<u>372,222</u>	<u>155,503</u>
Business-type activities:										
Charges for services										
Administration	49,757	23,519	54,011	98,260	20,748	31,516	34,217	9,993	6,839	13,012
Operations	1,293,374	1,361,880	1,490,837	1,528,314	1,621,878	1,737,160	1,700,422	1,293,858	1,464,597	1,879,282
Maintenance	330,828	351,479	429,162	395,133	421,680	486,971	467,185	366,472	439,183	553,867
Safety and services	34,472	36,642	32,392	39,138	26,417	24,617	67,617	54,819	25,718	23,195
Operating contributions and grants	-	-	-	-	7,200	2,001	7,133	4,108	55,337	100,000
Capital contributions and grants	215,505	172,384	291,456	8,859	18,500	4	-	-	-	-
Total business-type activities program revenues	<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>	<u>2,276,574</u>	<u>1,729,250</u>	<u>1,991,674</u>	<u>2,569,356</u>
Total Harbor District program revenues	<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>	<u>\$ 2,352,530</u>	<u>\$ 1,850,949</u>	<u>\$ 2,363,896</u>	<u>\$ 2,724,859</u>
Net revenue/(expense)										
Governmental activities										
	\$ (2,349,748)	\$ (2,563,365)	\$ (3,347,531)	\$ (3,293,170)	\$ (3,684,482)	\$ (3,910,517)	\$ (4,154,985)	\$ (4,309,593)	\$ (4,187,952)	\$ (5,150,506)
Business-type activities										
	357,673	298,228	756,757	246,345	362,472	454,926	468,117	(262,704)	(28,979)	116,736
Total Harbor District net revenue/(expense)	<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>	<u>\$ (3,686,868)</u>	<u>\$ (4,572,297)</u>	<u>\$ (4,216,931)</u>	<u>\$ (5,033,770)</u>
General revenues and other changes in net position										
Governmental activities:										
Property taxes and assessments	\$ 2,854,582	\$ 2,832,841	\$ 3,011,338	\$ 3,181,468	\$ 3,351,619	\$ 3,505,000	\$ 3,692,758	\$ 4,182,430	\$ 3,928,658	\$ 4,080,468
SB 90 Mitigation Funds	-	-	-	-	-	-	-	-	383,176	191,588
Investment income and earnings	14,319	12,049	10,347	12,242	15,313	12,135	44,384	39,293	12,918	10,348
Other revenues	-	-	-	-	-	-	-	-	85,000	-
Miscellaneous	94,990	-	-	(6,798)	-	21,083	-	-	-	-

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Transfers	-	-	-	135,300	-	-	-	-	-	-
Total governmental activities general revenues	2,963,891	2,844,890	3,021,685	3,322,212	3,366,932	3,538,218	3,737,142	4,221,723	4,409,752	4,282,404
Business-Type Activities:										
Investment Income and Earnings	(14,277)	6,678	3,078	10,222	22,520	-	111,655	105,869	23,363	(29,078)
Miscellaneous	2,948	38,349	3,297	10,499	(15,324)	45,890	3,726	1,784	-	-
Other Revenues	-	-	-	-	-	-	-	-	19,233	70,870
Transfers	-	-	-	(135,300)	-	-	-	-	-	-
Total business-type activities general revenues	(11,329)	45,027	6,375	(114,579)	7,196	45,890	115,381	107,653	42,596	41,792
Total Harbor District general revenues	<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>	<u>\$ 3,852,523</u>	<u>\$ 4,329,376</u>	<u>\$ 4,452,348</u>	<u>\$ 4,324,196</u>
Change in net position										
Governmental activities before prior period adjustment	\$ 614,143	\$ 281,525	\$ (325,846)	\$ 29,042	\$ (317,550)	\$ (372,299)	\$ (417,843)	\$ (87,870)	\$ 221,800	\$ (868,102)
Prior period adjustment	\$ (1,116,378)	-	\$ (1,938,947)	-	-	\$ (638,307)	\$ -	-	-	-
Governmental activities change in net position	<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>	<u>\$ (417,843)</u>	<u>\$ (87,870)</u>	<u>\$ 221,800</u>	<u>\$ (868,102)</u>
Business-type activities before prior period adjustment	346,344	343,255	763,132	131,766	369,668	500,816	583,498	(155,051)	13,617	158,528
Prior period adjustment	-	\$ 470,760	\$ (760,595)	-	-	\$ (321,562)	\$ -	\$ 75,000	\$ -	\$ -
Business-type activities change in net position	<u>346,344</u>	<u>814,015</u>	<u>2,537</u>	<u>131,766</u>	<u>369,668</u>	<u>179,254</u>	<u>583,498</u>	<u>(80,051)</u>	<u>13,617</u>	<u>158,528</u>
Total Harbor District change in net position	<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>	<u>\$ 165,655</u>	<u>\$ (167,921)</u>	<u>\$ 235,417</u>	<u>\$ (709,574)</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"

2021 - To adjust for prior period adjustment related to Coastal Conservancy loan of \$438,625

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	678,977	453,602	469,102	710,752	547,352	565,209	631,107	688,438	688,438	827,857
Unassigned	1,420,439	1,081,200	1,032,076	941,046	825,727	1,006,321	1,042,837	1,386,847	893,847	951,149
Total general fund	<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>	<u>\$ 1,673,944</u>	<u>\$ 2,075,285</u>	<u>\$ 1,582,285</u>	<u>\$ 1,779,006</u>
Capital projects fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	97,280	170,198	154,050	12,230	-	-	-	-	-	213,455
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(10,709)	(4,387)	(19,261)	(13,883)	(150,000)	-
Total capital projects fund	<u>\$ 97,280</u>	<u>\$ 170,198</u>	<u>\$ 154,050</u>	<u>\$ 12,230</u>	<u>\$ (10,709)</u>	<u>\$ (4,387)</u>	<u>\$ (19,261)</u>	<u>\$ (13,883)</u>	<u>\$ (150,000)</u>	<u>\$ 213,455</u>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Property taxes and assessments	\$ 2,854,582	\$ 2,832,841	\$ 3,011,338	\$ 3,181,468	\$ 3,351,619	\$ 3,505,000	\$ 3,692,758	\$ 4,182,430	\$ 3,928,658	\$ 4,080,468
SB 1090 mitigation funds	-	-	-	-	-	-	-	-	383,176	191,588
Grant income	434,300	588,115	75,809	69,974	77,991	114,599	75,956	121,699	222,222	305,503
Use of money and property	14,319	12,049	10,347	12,242	14,313	12,135	44,384	39,293	12,918	10,349
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total revenues	<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>	<u>3,813,098</u>	<u>4,343,422</u>	<u>4,546,974</u>	<u>4,587,908</u>
Expenditures										
Salaries and wages	1,105,657	1,180,528	1,208,488	1,329,536	1,361,898	1,408,878	1,445,870	1,215,183	1,608,436	1,675,167
Employee benefits	1,786,921	419,189	740,341	799,533	596,340	699,584	805,816	1,157,507	849,869	891,924
Contract services	103,441	105,185	118,723	105,762	104,381	114,937	131,425	127,789	110,481	156,557
Supplies	68,230	69,404	67,900	73,468	85,964	82,744	87,878	78,303	88,514	91,398
Maintenance	308,975	277,168	279,781	371,573	217,780	270,252	429,377	407,579	311,526	404,639
Capital outlay	333,505	787,868	56,278	141,820	333,690	121,740	50,502	309,990	280,411	478,153
Utilities	235,189	236,366	266,779	272,372	287,581	293,959	316,122	205,600	508,031	351,424
General and administrative	386,790	418,689	410,297	296,120	444,612	455,950	458,568	434,752	1,120,647	693,146
Debt service	-	493,014	-	-	313,335	-	-	-	-	1,750
Total expenditures	<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>	<u>3,725,558</u>	<u>3,936,703</u>	<u>4,877,915</u>	<u>4,744,158</u>
Excess of revenues over (under) expenditures	(1,025,507)	(554,406)	(51,093)	(126,500)	(301,658)	183,690	87,540	406,719	(330,941)	(156,250)
Other financing sources (uses)										
Proceeds from long term debt	-	-	-	-	-	-	-	-	-	333,250
Proceeds from sale of capital asset	-	-	-	-	-	-	-	-	85,000	-
Proceeds from note	1,116,378	-	-	-	-	-	-	-	-	-
Proceeds from insurance	94,990	62,710	1,321	-	-	21,083	-	-	-	-
Transfers in	-	-	-	135,300	-	93,062	28,957	39,151	464,589	246,430
Transfers out	-	-	-	-	-	(93,062)	(28,957)	(39,151)	(464,589)	(246,430)
Total other financing sources (uses)	<u>1,211,368</u>	<u>62,710</u>	<u>1,321</u>	<u>135,300</u>	<u>-</u>	<u>21,083</u>	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>333,250</u>
Net change in fund balances	<u>\$ 185,861</u>	<u>\$ (491,696)</u>	<u>\$ (49,772)</u>	<u>\$ 8,800</u>	<u>\$ (301,658)</u>	<u>\$ 204,773</u>	<u>\$ 87,540</u>	<u>\$ 406,719</u>	<u>\$ (245,941)</u>	<u>\$ 177,000</u>

**Port San Luis Harbor District
Assessed Value of Taxable Property*
Last Ten Fiscal Years (in thousands)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Secured	\$ 17,629,489	\$ 18,135,640	\$ 19,196,460	\$ 20,529,917	\$ 21,785,031	\$ 23,025,453	\$ 24,505,067	\$ 25,923,852	\$ 27,492,319	\$ 28,691,274
Unsecured	484,382	509,324	517,865	519,592	526,631	562,396	596,616	629,246	652,244	619,133
Exemptions	(142,200)	(141,081)	(140,986)	(142,728)	(143,524)	(144,320)	(145,946)	(146,303)	(146,823)	(147,118)
Net assessed value of taxable property	\$ 17,971,671	\$ 18,503,883	\$ 19,573,339	\$ 20,906,781	\$ 22,168,138	\$ 23,443,529	\$ 24,955,737	\$ 26,406,795	\$ 27,997,740	\$ 29,163,289
Percentage increase from prior year	0.6%	3.0%	5.8%	6.8%	6.0%	5.8%	6.5%	5.8%	6.0%	4.2%
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	0.00400	0.00400	0.00400	0.00374	0.00400	0.00400	0.00400	0.00400	0.00400	0.00400
Total direct rate	1.00400	1.00400	1.00400	1.00374	1.00400	1.00400	1.00400	1.00400	1.00400	1.00400
Property tax revenue	\$ 2,855	\$ 2,855	\$ 2,833	\$ 3,181	\$ 3,352	\$ 3,505	\$ 3,693	\$ 4,182	\$ 3,929	\$ 4,080
District tax rate	0.02%	0.02%	0.01%	0.02%	0.02%	0.01%	0.01%	0.02%	0.01%	0.01%

Source: County of San Luis Obispo Assessed Values, Exemptions and Growth % 2021-2022, County Property Tax Rates 2021-2022

<https://www.slocounty.ca.gov>

*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, 2018)

**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 Fiscal Year and for the Period Nine Years Prior (in Thousands)**

Taxpayer	Industry	Fiscal Year 2022			Fiscal Year 2013		
		Assessed Value	Rank	Percentage of Total County Assessed Value	Assessed Value	Rank	Percentage of Total County Assessed Value
Pacific Gas & Electric Co.	Utility	\$ 1,482,777,943	1	2.31%	\$ 2,641,186,010	1	6.32%
High Plains Ranch II LLC	Solar Ranch	762,250,904	2	1.19%			
Phillips 66 Company	Oil Refinery	139,217,708	5	0.22%			
Jamestown Premier	Commercial	153,163,528	4	0.24%			
Southern California Gas Co.	Utility	154,627,681	3	0.24%	63,866,206	7	0.15%
E & J Gallo Winery	Winery	98,162,295	6	0.15%			
CAP VIII - Mustang Village LLC	Apartments	98,067,585	7	0.15%			
Firestone Walker LLC	Brewery	91,594,583	8	0.14%			
Treasury Wine Estates Americas Co	Winery	89,934,781	9	0.14%			
Sierra Vista Hospital	Hospital	84,245,815	10	0.13%	55,004,045	10	0.13%
Tosco Corp.	Petroleum & Gas				144,966,403	2	0.35%
Beringer Wine Estates	Winery				89,873,436	3	0.22%
Plains Exploration & Prod Co	Petroleum & Gas				81,401,328	4	0.19%
CSHV Mustang Village LLC	Apartments				76,799,857	5	0.18%
Pacific Bell Telephone	Telephone				71,896,552	6	0.17%
Martin Hotel Mgmt Co LLC	Hotel				62,521,326	8	0.15%
Pasquini Charles Jr Tre Etal	Private				55,665,095	9	0.13%
		<u>\$ 3,154,042,823</u>		<u>4.91%</u>	<u>\$ 3,343,180,258</u>		<u>8.00%</u>
Total County Assessed Value		\$ 64,189,521,342			\$ 41,790,917,880		

Source: County Property Tax Information Booklet "2021-22 Property Tax Perspective", County Property Tax Information Booklet "2012-13 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
Ratios of Total Debt Outstanding
Last Ten Fiscal Years**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Capital lease	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Note payable	\$ 1,116,378	\$ 651,467	\$ 488,359	\$ 303,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,250
Total governmental activities debt	<u>\$ 1,126,393</u>	<u>\$ 659,185</u>	<u>\$ 493,590</u>	<u>\$ 306,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,250</u>
Business-type activities										
Capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Note payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,625	\$ 338,625	\$ 1,267,375
Total business-type activities debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363,625</u>	<u>\$ 338,625</u>	<u>\$ 1,267,375</u>
Port San Luis Harbor District										
Capital lease	\$ 10,015	\$ 7,718	\$ 5,231	\$ 2,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Note payable	\$ 1,116,378	\$ 651,467	\$ 488,359	\$ 303,922	\$ -	\$ -	\$ -	\$ 363,625	\$ 338,625	\$ 1,600,625
Total Port San Luis Harbor District debt	<u>\$ 1,126,393</u>	<u>\$ 659,185</u>	<u>\$ 493,590</u>	<u>\$ 306,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363,625</u>	<u>\$ 338,625</u>	<u>\$ 1,600,625</u>
Percentage of personal income	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Percentage of net assessed valuation of property	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Net outstanding debt Per Capita	\$ 4.09	\$ 2.37	\$ 1.76	\$ 1.09	\$ -	\$ -	\$ -	\$ 1.29	\$ 1.20	\$ 5.65

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.
Governmental activities note payable: Boom truck and wastewater treatment plant proportionate share
Business-type activities note payable: Harbor Terrace Entitlements
Per capita information uses the total population for San Luis Obispo County
Current fiscal year per capita is based on the calendar year ending December 31, 2021

**Port San Luis Harbor District
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net assessed value of taxable property	\$ 17,971,671,000	\$ 18,503,883,000	\$ 19,573,339,000	\$ 20,906,781,000	\$ 22,168,138,000	\$ 23,443,529,000	\$ 24,955,737,000	\$ 26,406,795,000	\$ 27,997,740,000	\$ 29,163,289,000
Debt limit, 15% of assessed value of taxable property	2,695,750,650	2,775,582,450	2,936,000,850	3,136,017,150	3,325,220,700	3,516,529,350	3,743,360,550	3,961,019,250	4,199,661,000	4,374,493,350
Total net debt applicable to limit	-	-	-	-	-	-	-	363,625	338,625	1,600,625
Legal debt margin	<u>\$ 2,695,750,650</u>	<u>\$ 2,775,582,450</u>	<u>\$ 2,936,000,850</u>	<u>\$ 3,136,017,150</u>	<u>\$ 3,325,220,700</u>	<u>\$ 3,516,529,350</u>	<u>\$ 3,743,360,550</u>	<u>\$ 3,960,655,625</u>	<u>\$ 4,199,322,375</u>	<u>\$ 4,372,892,725</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%	0.01%	0.01%	0.04%

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 Calendar Years**

Calendar Year	Population (1,a)	Personal Income (in thousands) (1,a)	Per Capita Personal Income (1,a)	Median Age (4,c)	School Enrollment (3,b,d)	Unemployment Rate (2,e)
2013	275,681	12,477,912	45,262	39.50	42,600	6.4%
2014	278,231	13,297,837	47,794	39.50	42,911	5.3%
2015	280,088	14,202,463	50,707	39.30	41,853	4.4%
2016	281,825	14,591,004	51,773	39.00	43,117	4.5%
2017	282,406	15,331,154	54,288	38.80	43,112	3.6%
2018	283,176	15,851,762	55,978	39.60	42,713	3.2%
2019	282,646	16,904,030	59,806	39.60	42,673	2.9%
2020	282,231	17,964,706	63,652	40.00	42,556	11.5%
2021	283,159	18,863,123	66,617	Not Avail.	40,403	5.9%
2022	Not Avail.	Not Avail.	Not Avail.	Not Avail.	Not Avail.	2.6%

Sources:

1. Bureau of Economic Analysis
2. State of California Employment Development Department
3. California Department of Education & California Community Colleges Chancellor's Office
4. U.S. Census Bureau Labor Statistics https://www.bls.gov/eag/eag.ca_sanluisobispo_msa.htm

Notes:

Not Avail. = data not available

a. Data for Calendar Years

b. Data includes kindergarten through 12th grade and Cuesta College

c. Calendar year 2012-2016 figures are projections based on the American Community Survey 5-Year Estimates

d. Data for School Year ending in the stated calendar year

e. Data as of June 30, 2022

**County of San Luis Obispo
Port San Luis Harbor District*
Principal Employers
Current Fiscal Year and for the Period Nine Years Prior**

Employer	Fiscal Year 2022		Fiscal Year 2013	
	# of Employees	Rank	# of Employees	Rank
California Polytechnic University	3,100	1	2,573	2
County of San Luis Obispo	2,920	2	2,800	1
Department of State Hospitals - Atascadero	2,140	3	2,300	3
Pacific Gas & Electric	1,950	4	1,700	5
California Men's Colony	1,500	5	2,000	4
Tenet Health Central Coast	1,305	6	1,200	6
Compass Health Inc.	1,200	7	-	-
San Luis Coastal Unified School District	1,200	8	902	10
Dignity Health Central Coast	1,000	9	-	-
Lucia Mar Unified School District	1,000	10	1,000	7
Paso Robles Joint Unified School District	-	-	935	9
King Ventures	-	-	Unknown	8

Source: County of San Luis Obispo, Fiscal Year 2022-23 Budget and 2012-13 Budget

<https://www.slocounty.ca.gov>

*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 District Employees by Function
Last Ten Fiscal Years

	Full-Time Equivalent Employees as of June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function										
Administration	6.75	6.75	6.75	6.75	6.75	6.75	7.00	7.00	7.00	7.00
Public safety	5.00	4.00	5.00	6.00	6.46	7.00	6.00	6.00	6.00	6.00
Maintenance	11.00	12.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	15.00
Total	22.75	22.75	23.75	25.75	26.21	26.75	26.00	26.00	26.00	28.00

Port San Luis Harbor District
Operating Indicators by Function/Program
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function										
Administration										
Claims filed against District	6	1	1	-	2	1	1	2	2	1
Lien sales	4	2	1	-	1	0	0	1	-	-
Prior patrons on no services list (as of June 30th)	16	23	12	6	7	8	6	10	12	13
Recruitments	3	3	3	12	3	4	6	7	5	6
RFP's released	4	5	5	6	7	4	6	3	4	2
Public safety										
Agency to agency assistance	223	188	155	141	98	132	173	227	216	187
Water taxi passengers	Not Avail.	3,506	5,377	5,609	4,681	4,847	5,148	3,284	4,264	3,148
Wildlife rescues	117	75	109	64	23	24	87	121	92	65
Maintenance										
Commercial fishermen	24	24	28	27	28	28	28	25	24	31
Dredge hours	655	467	520	493	535	348	600	458	388	443
Invitation for bids released	6	7	4	4	5	4	3	2	3	4
Major maintenance and capital projects completed	20	26	17	18	17	9	15	24	17	17
Amount of major maintenance and capital projects completed	\$ 838,035	\$ 1,379,542	\$ 688,216	\$ 475,320	\$ 644,915	\$ 366,570	\$ 456,248	\$ 726,327	\$ 1,769,434	\$ 2,268,415
Revenue producing activities										
Avila parking lot spaces	62,716	69,923	84,353	79,591	70,174	78,228	78,228	60,851	75,029	75,000
RV camping nights	12,059	13,744	13,840	13,931	13,827	14,344	13,359	8,375	7,682	10,200
Parking citations	473	741	483	583	339	280	316	433	368	314
Coastal Gateway room rentals	5	8	4	12	10	14	14	8	Covid-19 Closure	5
Special event permits	60	47	60	49	7	57	56	24	7	28
Leases (as of June 30th)	10	10	10	10	13	13	11	10	10	10
Licenses (as of June 30th)	11	11	10	12	11	11	12	12	6	6
Mooring patrons (as of June 30th)	164	154	154	153	148	151	155	163	167	172
Skiff storage patrons	51	50	50	47	50	52	56	59	61	60
Boat storage patrons	35	34	48	44	49	48	Temp Closure	Temp Closure	Temp Closure	17
Gear storage patrons	12	13	14	13	15	15	15	13	13	18
Boats fueled	199	215	285	288	340	275	275	205	300	275
Grants received	6	6	6	5	7	9	7	11	6	8
Amount of grants received	\$ 784,126	\$ 492,016	\$ 64,545	\$ 60,450	\$ 64,864	116,604	83,090	125,806	284,500	1,214,000

Port San Luis Harbor District
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years ^(a)

Function	2022
Administration	
Parking lot	1
Various	(b)
Public safety	
Patrol boats	3
Patrol vehicles	2
Maintenance	
Heavy equipment	6
Skiff	1
Vehicles	5
Revenue producing activities	
Buildings - lease sites	8
LCM boat	1
Parking lot	1
Piers	3*
Skiff	1
Vehicle	1

Notes:

(a) Reporting is for current year only; ten years of information is being accumulated for the other reporting years

(b) The District owns various other buildings, improvements, and equipment that are classified under administration.

*Two of the three piers serve multiple purposes - both revenue producing and public access. One pier is revenue producing only.

Source: District departments' managements



**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**

Independent Auditors' Report

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 Port San Luis Harbor District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated January 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

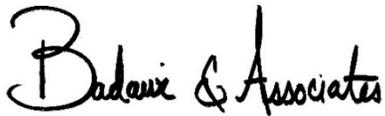
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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

Badawi & Associates, CPAs
Berkeley, California
January 13, 2023