

**PORT SAN LUIS HARBOR DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2013

**PORT SAN LUIS HARBOR DISTRICT**  
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**June 30, 2013**

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**FINANCIAL SECTION**



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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Port San Luis Harbor District (the District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Port San Luis Harbor District as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principles***

As discussed in note 1 to the basic financial statements effective July 1, 2012, the Port San Luis Harbor District adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, the budgetary comparison information on page 38, and the Schedule of Funding Progress for Postemployment Benefits Other than Pensions on page 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Port San Luis Harbor District's basic financial statements. The accompanying Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Proprietary Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Port San Luis Harbor School District. The accompanying Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Proprietary Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the Port San Luis Harbor District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Moss, Renz & Hartgrain LLP*

Santa Maria, California  
November 5, 2013

## Management's Discussion and Analysis

This section of Port San Luis Harbor District's ("District") annual financial report represents an analysis of the District's financial performance and financial condition for the year ended June 30, 2013. This information should be read in conjunction with the District's financial statements, which follow the management's discussion and analysis.

### Financial Highlights

- The District's government-wide net position was \$10,204,039 at June 30, 2013. The increase in net position of \$960,487, which included a \$625,000 contribution of improvements to the District's lighthouse property, was offset by a prior period adjustment for pension debt of \$1,116,378 resulting in a net position decrease of \$155,891.
- Revenues of \$5,935,798 exceeded prior year revenues by \$782,052 or 15%. One-time revenues of \$187,990, grants & contributions of \$400,829 and growth in charges for services of \$167,320 accounted for 97% of the increase.
- Expenses of \$4,975,311 exceeded prior year expenses by \$182,890 or 4%.

### Overview of the Financial Statements

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

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

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

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

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

business-type activities support services that require the user to pay rent, fees, or charges for the use of the service (mooring operations, RV park use, property leases, licenses, etc.).

The government-wide financial statements can be found on pages 10-13 of this report.

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

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

Because the focus of governmental funds are narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position (page 16) and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (page 18) provide users visibility as to the differences between the respective statements at June 30, 2013 and the current year changes thereto.

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

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

The basic governmental fund financial statements can be found on pages 14-18 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) trailer park space rentals 6) parking and 7) boat haul out and repair facilities.

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

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

The proprietary fund financial statements can be found on pages 19-21 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 22-37 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. Required supplementary information can be found on pages 38 and 39 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,204,039 at the close of the most recent fiscal year. Of this amount \$8,350,490 is invested in capital assets (net of debt) such as land, buildings, piers, beaches, machinery, and equipment. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Additionally, the District has \$97,280 restricted for future capital projects.

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$2,685,256	\$2,626,202	\$1,528,134	\$1,115,848	\$4,213,390	\$3,742,050
Capital assets	6,196,267	5,693,366	2,154,223	2,139,198	8,350,490	7,832,564
Total assets	8,881,523	8,319,568	3,682,357	3,255,046	12,563,880	11,574,614
Long-term liabilities	1,476,695	318,515	161,304	140,825	1,637,999	459,340
Other liabilities	523,659	617,649	198,183	137,695	721,842	755,344
Total liabilities	2,000,354	936,164	359,487	278,520	2,359,841	1,214,684
Net position:						
Invested in capital assets, net of related debt	6,196,267	5,693,366	2,154,223	2,139,198	8,350,490	7,832,564
Restricted for capital projects	97,280	89,104	-	-	97,280	89,104
Unrestricted	587,622	1,600,934	1,168,647	837,328	1,756,269	2,438,262
Total net position	\$6,881,169	\$7,383,404	\$3,322,870	\$2,976,526	\$10,204,039	\$10,359,930

The remaining amount of \$1,756,269 is unrestricted. This unrestricted amount is available for unforeseen events, general operating purposes, capital asset replacement and for future development opportunities that will provide the District with additional revenue sources.

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 1,708,431	\$ 1,541,111	\$ 1,708,431	\$ 1,541,111
Operating grants and contributions	138,851	35,425	-	-	138,851	35,425
Capital grants and contributions	920,449	749,141	215,505	89,410	1,135,954	838,551
General revenues:						
Property taxes	2,854,582	2,712,469	-	-	2,854,582	2,712,469
Investment income & other	109,309	18,298	(11,329)	7,892	97,980	26,190
Total revenues	<u>4,023,191</u>	<u>3,515,333</u>	<u>1,912,607</u>	<u>1,638,413</u>	<u>5,935,798</u>	<u>5,153,746</u>
Expenses:						
Administration	1,343,232	1,290,041	787,919	745,510	2,131,151	2,035,551
Operations	202,378	96,904	362,629	398,008	565,007	494,912
Maintenance	1,075,958	1,079,954	408,004	373,989	1,483,962	1,453,943
Safety and services	787,480	801,061	7,711	6,954	795,191	808,015
Total expenses	<u>3,409,048</u>	<u>3,267,960</u>	<u>1,566,263</u>	<u>1,524,461</u>	<u>4,975,311</u>	<u>4,792,421</u>
Increase in net position	614,143	247,373	346,344	113,952	960,487	361,325
Net position, beginning of fiscal year	7,383,404	7,136,031	2,976,526	2,862,574	10,359,930	9,998,605
Prior period adjustment	(1,116,378)	-	-	-	(1,116,378)	-
Net position, beginning of fiscal year, restated	<u>6,267,026</u>	<u>7,136,031</u>	<u>2,976,526</u>	<u>2,862,574</u>	<u>9,243,552</u>	<u>9,998,605</u>
Net position, end of fiscal year	<u>\$ 6,881,169</u>	<u>\$ 7,383,404</u>	<u>\$ 3,322,870</u>	<u>\$ 2,976,526</u>	<u>\$ 10,204,039</u>	<u>\$ 10,359,930</u>

During the year ended June 30, 2013, the District's government-wide net position increased by \$960,487. Program revenues were \$2,983,236 which includes \$1,274,805 in operating and capital grants and contributions. General revenues were \$2,952,562, consisting primarily of property tax revenues but also included \$94,990 in insurance proceeds. Expenses of the District for the year ended June 30, 2013 totaled \$4,975,311.

**Governmental activities.** Total revenues for the governmental activities for the year ended June 30, 2013 were \$4,023,191 including \$2,854,582 of property tax revenue and \$1,059,300 of operating and capital contributions and grants. Governmental activities expenses were \$3,409,048 resulting in an increase in net position of \$614,143.

During the year, the District refinanced a pension debt (side fund) totaling \$1,116,378 that it held with CalPERS. The refinancing of the liability reduced the interest rate from 7.5% to 2.6%.

Additionally, the lighthouse restoration project was completed during the fiscal year. The property was contributed by the Lighthouse Keepers resulting in a \$625,000 capital contribution.

**Business-type activities.** Revenues for the business-type activities totaled \$1,912,607 for the fiscal year. Operating expenses were \$1,566,263. The excess of revenues over expenses resulted in an increase in net position of \$346,344 for the enterprise activities.

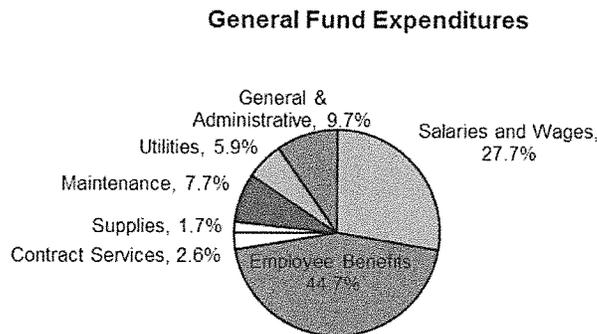
### Financial Analysis of the District's Funds

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

*Governmental funds.* The governmental funds are represented by two funds, general governmental services ("general fund") and capital projects. At June 30, 2013, the District's governmental funds reported total assets of \$2,685,256 and a combined fund balance of \$2,196,696. Of the \$2,685,256 in assets \$2,470,571 is held in cash and investments. The liability balance was \$488,560 at June 30, 2013. Accordingly, current assets are sufficient to meet current obligations.

The general fund revenues were \$3,013,551 with \$2,854,582 coming from property tax revenue, \$144,650 from grants, and \$14,319 from use of money and property. This was an increase of \$220,390 from last year's revenues of \$2,793,161.

General fund expenditures totaled \$3,995,203, a \$1,222,618 increase from the prior year. A lump sum payment to pay off a CalPERS pension debt (side fund) of \$1,116,378 was recorded as an administrative expenditure. More information regarding the payoff of the pension debt can be found in Note 10 to the financial statements. Of the total expenditures, 75% is for salaries, wages and benefits, 10% for general and administrative, 6% for utilities and the remaining 9% for services, supplies and maintenance.

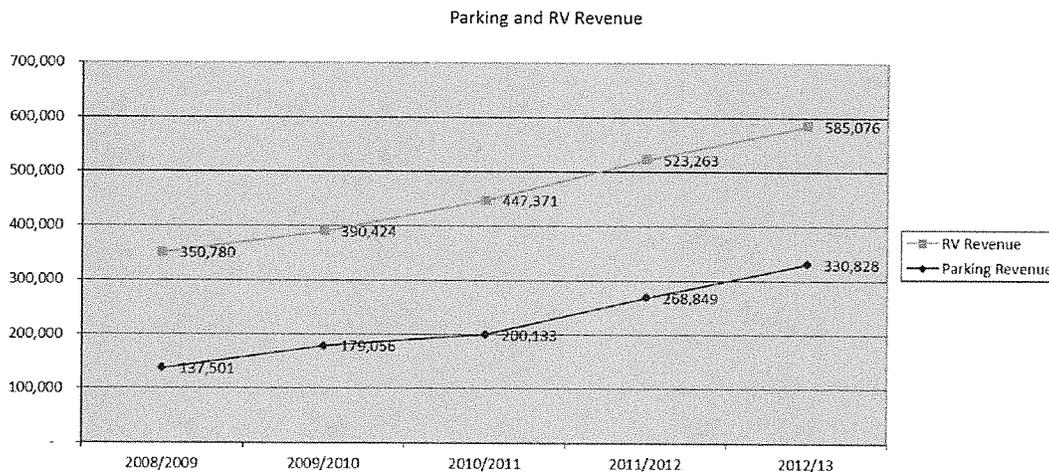


Other Financing Uses included \$1,116,378 of note proceeds which was borrowed from the County of San Luis Obispo to pay off the pension debt as described above and insurance

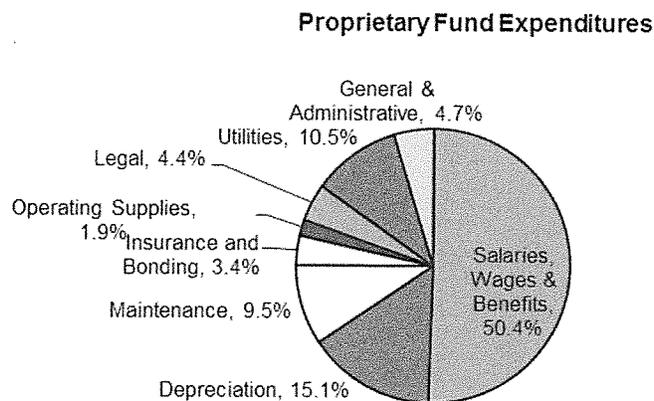
proceeds of \$94,990 for reimbursement of a traffic accident that destroyed a public restroom building.

The capital projects fund had grant revenue of \$289,650 and project costs of \$333,505. The majority of the revenue and project costs related to the lighthouse restoration.

*Proprietary funds.* The proprietary fund carries on business-like activities. Operating revenues less cost of goods sold were \$1,708,431 for the fiscal year, an increase of \$167,320 or 11% over the prior year. This was primarily due to an increase in RV and Avila parking revenue. Other non-operating revenues less non-operating expenses resulted in a loss of \$11,329.



Operating expenses were \$1,566,263 for the fiscal year, a \$41,802 or 3% increase over the prior fiscal year. Approximately 50% of the costs are salaries, wages and benefits, 15% is depreciation and amortization, 10% is utilities, and 3% is insurance. The remaining 22% is for supplies, general maintenance, legal services, and general and administrative costs.



## General Fund Budgetary Highlights

The Final Budget included estimates of approximately \$2,804,700 in revenues and \$2,744,036 in expenditures providing for a \$60,664 increase in fund balance. The actual net change in fund balance was \$177,685 or an \$117,021 improvement over budget.

## Capital Assets

The District's investment of capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$8,350,490 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, district facilities, and roads. The total increase in the District's investment in capital assets for the current fiscal year was 7%.

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 565,230	\$ 565,230	\$ 565,231	\$ 565,231	\$ 1,130,461	\$ 1,130,461
Buildings, facilities and improvements	10,934,388	9,388,076	4,564,963	4,414,855	15,499,351	13,802,931
Equipment and Machinery	1,242,253	1,234,724	737,352	723,262	1,979,605	1,957,986
Construction in progress	599,413	1,305,027	251,314	172,863	850,727	1,477,890
Less accumulated depreciation	(7,145,017)	(6,799,691)	(3,964,637)	(3,737,013)	(11,109,654)	(10,536,704)
Net capital assets	<u>\$ 6,196,267</u>	<u>\$ 5,693,366</u>	<u>\$ 2,154,223</u>	<u>\$ 2,139,198</u>	<u>\$ 8,350,490</u>	<u>\$ 7,832,564</u>

Capital asset events included the warehouse restoration at the end of Harford Pier, a boat hoist replacement, replacement of a shower on the District's beach, and the restoration of the District's historic lighthouse.

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

The District's projected overall revenues, including grant revenue, for next year are \$4,815,900 while projected expenditures are \$5,311,200. The \$495,300 variance will be funded by assigned reserve balances. The District's 2013/14 budget outlook is in accord with expected economic conditions.

## Request for Information

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

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

June 30, 2013

	Governmental Activities	Business -type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,470,571	\$ 1,163,502	\$ 3,634,073
Accounts receivable	7,038	63,592	70,630
Grants receivable	207,647	184,737	392,384
Interest receivable		2,950	2,950
Inventory		77,667	77,667
Prepaid expenses		2,351	2,351
Prepaid land lease		33,335	33,335
Capital assets:			
Nondepreciable	1,164,643	816,545	1,981,188
Depreciable, net	5,031,624	1,337,678	6,369,302
Total assets	<u>8,881,523</u>	<u>3,682,357</u>	<u>12,563,880</u>
<b>LIABILITIES</b>			
Accounts payable	114,753	98,664	213,417
Accrued expenses	35,059	15,468	50,527
Accrued interest payable	12,094		12,094
Construction retention	15,000		15,000
Unearned revenue	323,748	65,521	389,269
Refundable deposits		8,945	8,945
Noncurrent liabilities:			
Due within one year	23,005	9,585	32,590
Due in more than one year	1,476,695	161,304	1,637,999
Total liabilities	<u>2,000,354</u>	<u>359,487</u>	<u>2,359,841</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,196,267	2,154,223	8,350,490
Restricted for capital projects	97,280		97,280
Unrestricted	587,622	1,168,647	1,756,269
Total net position	<u>\$ 6,881,169</u>	<u>\$ 3,322,870</u>	<u>\$ 10,204,039</u>

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

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**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
Administration	\$ 1,343,232	\$ -	\$ 138,851	\$ 920,449
Operations	202,378			
Maintenance	1,075,958			
Safety and services	787,480			
Total governmental activities	<u>3,409,048</u>		<u>138,851</u>	<u>920,449</u>
Business-type activities:				
Administration	787,919	49,757		215,505
Operations	362,629	1,293,374		
Maintenance	408,004	330,828		
Safety and services	7,711	34,472		
Total business-type activities	<u>1,566,263</u>	<u>1,708,431</u>		<u>215,505</u>
Total government	<u>\$ 4,975,311</u>	<u>\$ 1,708,431</u>	<u>\$ 138,851</u>	<u>\$ 1,135,954</u>

General Revenues

Taxes:

Property taxes and assessments

Investment income and earnings

Other

Total general revenues

Change in net position

Net position, beginning of fiscal year

Prior period adjustment

Net position, beginning of fiscal year, restated

Net position, end of fiscal year

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

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Net (Expense) Revenue and Changes in Net Position

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Governmental Activities	Business-type Activities	Total
\$ (283,932)	\$ -	\$ (283,932)
(202,378)		(202,378)
(1,075,958)		(1,075,958)
(787,480)		(787,480)
<u>(2,349,748)</u>		<u>(2,349,748)</u>
	(522,657)	(522,657)
	930,745	930,745
	(77,176)	(77,176)
	26,761	26,761
	<u>357,673</u>	<u>357,673</u>
<u>(2,349,748)</u>	<u>357,673</u>	<u>(1,992,075)</u>
2,854,582		2,854,582
14,319	(14,277)	42
94,990	2,948	97,938
<u>2,963,891</u>	<u>(11,329)</u>	<u>2,952,562</u>
614,143	346,344	960,487
7,383,404	2,976,526	10,359,930
<u>(1,116,378)</u>		<u>(1,116,378)</u>
<u>6,267,026</u>	<u>2,976,526</u>	<u>9,243,552</u>
<u>\$ 6,881,169</u>	<u>\$ 3,322,870</u>	<u>\$ 10,204,039</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2013

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	General Fund	Capital Projects Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 2,470,571	\$ -	\$ 2,470,571
Accounts receivable	7,038		7,038
Grants receivable	34,312	173,335	207,647
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,511,921</u>	<u>\$ 173,335</u>	<u>\$ 2,685,256</u>

continued

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

**PORT SAN LUIS HARBOR DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General Fund	Capital Projects Fund	Total
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 53,698	\$ 61,055	\$ 114,753
Payroll and related liabilities	35,059		35,059
Construction retention		15,000	15,000
Unearned revenue	323,748		323,748
<b>Total liabilities</b>	<b>412,505</b>	<b>76,055</b>	<b>488,560</b>
Fund Balances:			
Restricted:			
Capital projects		97,280	97,280
Assigned:			
Dredge	11,535		11,535
TRAN reserve	76,000		76,000
Facilities	185,900		185,900
Vehicle replacement	36,670		36,670
OPEB	41,400		41,400
Parking lot/road improvement	7,210		7,210
Pier improvements	2,775		2,775
Equipment	13,250		13,250
Lighthouse facility	13,400		13,400
Building improvements	33,210		33,210
Hoist	9,500		9,500
Crane	14,738		14,738
Utility	45,800		45,800
Trailer park closure	111,720		111,720
Computer equipment	10,729		10,729
Safety equipment	12,000		12,000
Coastal gateway	17,680		17,680
Insurance	14,210		14,210
Waste treatment plant	20,000		20,000
Discretionary	1,250		1,250
Unassigned	1,420,439		1,420,439
<b>Total fund balances</b>	<b>2,099,416</b>	<b>97,280</b>	<b>2,196,696</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,511,921</b>	<b>\$ 173,335</b>	<b>\$ 2,685,256</b>

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

**PORT SAN LUIS HARBOR DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

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Total fund balances - governmental funds \$ 2,196,696

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

Capital assets at historical cost	\$ 13,341,284	
Accumulated depreciation	<u>7,145,017</u>	6,196,267

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

Long-term liabilities relating to governmental activities consist of:

OPEB payable	\$ 166,224	
Capital lease obligation	10,015	
Note payable	1,116,378	
Accrued interest payable	12,094	
Compensated absences payable	<u>207,083</u>	<u>(1,511,794)</u>

Total net position - governmental activities \$ 6,881,169

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

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2013

	General Fund	Capital Projects Fund	Total
<b>Revenues:</b>			
Property taxes and assessments	\$ 2,854,582	\$ -	\$ 2,854,582
Grant income	144,650	289,650	434,300
Use of money and property	14,319		14,319
	<u>3,013,551</u>	<u>289,650</u>	<u>3,303,201</u>
<b>Expenditures:</b>			
Salaries and wages	1,105,657		1,105,657
Employee benefits	1,786,921		1,786,921
Contract services	103,441		103,441
Supplies	68,230		68,230
Maintenance	308,975		308,975
Capital outlay		333,505	333,505
Utilities	235,189		235,189
General and administrative	386,790		386,790
	<u>3,995,203</u>	<u>333,505</u>	<u>4,328,708</u>
Excess of revenues over (under) expenditures	<u>(981,652)</u>	<u>(43,855)</u>	<u>(1,025,507)</u>
<b>Other Financing Sources (Uses):</b>			
Note proceeds	1,116,378		1,116,378
Insurance proceeds	94,990		94,990
Operating transfers in		52,031	52,031
Operating transfers out	(52,031)		(52,031)
	<u>1,159,337</u>	<u>52,031</u>	<u>1,211,368</u>
Net change in fund balances	177,685	8,176	185,861
Fund balances, beginning of fiscal year	<u>1,921,731</u>	<u>89,104</u>	<u>2,010,835</u>
Fund balances, end of fiscal year	<u>\$ 2,099,416</u>	<u>\$ 97,280</u>	<u>\$ 2,196,696</u>

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

**PORT SAN LUIS HARBOR DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**

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Net change in fund balances - governmental funds	\$ 185,861
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay additions of \$333,505 was less than depreciation expense of \$452,873 in the period.</p>	(119,368)
<p>In governmental funds, proceeds from debt are recognized as Other Financing Sources. In government-wide statements, proceeds from debt are reported as increases in liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:</p>	(1,116,378)
<p>In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.</p>	1,119,289
<p>In governmental funds, gains and losses on the disposal of capital assets are not recorded. In the government-wide statements, the gain (loss) on the disposal of a capital asset is recorded.</p>	(2,731)
<p>In governmental funds, donations of capital assets are not recorded. In the government-wide statements, the donation is recorded as a capital contribution.</p>	625,000
<p>In governmental funds, expenses incurred during the period but not expected to be liquidated with expendable available financial resources are not recorded. In the government-wide statements, these expenses are recorded during the period related to the liabilities that are still outstanding at year-end.</p>	(12,094)
<p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid). This fiscal year, vacation earned exceeded the amounts used by \$28,661.</p>	(28,661)
<p>In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:</p>	<u>(36,775)</u>
Change in net position - governmental activities	<u><u>\$ 614,143</u></u>

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

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2013

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and investments	\$ 1,163,502
Accounts receivable, net of allowance	63,592
Grants Receivable	184,737
Interest receivable	2,950
Prepaid expenses	2,351
Inventory	77,667
Prepaid land lease	<u>33,335</u>
Total current assets	<u>1,528,134</u>
<b>Capital Assets:</b>	
Construction in progress	251,314
Land	565,231
Plant and facilities	4,564,963
Machinery and equipment	737,352
Less: accumulated depreciation	<u>(3,964,637)</u>
Net capital assets	<u>2,154,223</u>
Total assets	<u>3,682,357</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	98,664
Payroll and related items	15,468
Unearned revenue	65,521
Deposits	8,945
Compensated absences	<u>9,585</u>
Total current liabilities	<u>198,183</u>
<b>Noncurrent Liabilities:</b>	
Compensated absences	86,264
OPEB payable	<u>75,040</u>
Total noncurrent liabilities	<u>161,304</u>
Total liabilities	<u>359,487</u>
<b>Net Position</b>	
Net investment in capital assets	2,154,223
Unrestricted	<u>1,168,647</u>
Total net position	<u>\$ 3,322,870</u>

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

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2013

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	Enterprise Fund
<b>Operating Revenues:</b>	
Moorage operations	\$ 129,872
Service charges and fees	415,618
Leases, licenses, and rentals	1,143,609
Diesel sales	19,332
	<hr/>
Total operating revenues	1,708,431
	<hr/>
<b>Operating Expenses:</b>	
Salaries and wages	490,532
Payroll taxes and benefits	293,203
Contract labor	6,276
Depreciation and amortization	237,045
Maintenance and repairs	148,840
Insurance and bonding	53,933
Operating supplies	30,258
Legal	68,642
Utilities	163,700
General and administrative overhead	73,834
	<hr/>
Total operating expenses	1,566,263
	<hr/>
Operating income	142,168
	<hr/>
<b>Non-Operating Income (Expenses):</b>	
Investment income and earnings	(14,277)
Miscellaneous income	2,948
	<hr/>
Total non-operating revenues (expenses)	(11,329)
	<hr/>
<b>Capital Contributions:</b>	
Grant revenue	215,505
	<hr/>
Total capital contributions	215,505
	<hr/>
Change in net position	346,344
	<hr/>
Total net position, beginning of fiscal year	2,976,526
	<hr/>
Total net position, end of fiscal year	<u>\$ 3,322,870</u>

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

**PORT SAN LUIS HARBOR DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2013

	<u>Enterprise Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Receipts from customers and users	\$ 1,502,514
Payments to suppliers	(477,543)
Payments to employees	(753,840)
Net cash provided by operating activities	<u>271,131</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Grant revenue received	215,505
Purchase of capital assets	(251,868)
Net cash used by capital and related financing activities	<u>(36,363)</u>
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>	
Miscellaneous revenues	2,948
Net cash provided by non-capital and related financing activities	<u>2,948</u>
<b>Cash Flows from Investing Activities:</b>	
Investment income	(13,749)
Net cash provided by investing activities	<u>(13,749)</u>
Net increase in cash and cash equivalents	223,967
Cash and cash equivalents, beginning of fiscal year	<u>939,535</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 1,163,502</u>
Reconciliation to Statement of Net Position:	
Cash and investments	<u>\$ 1,163,502</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 142,168
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	237,045
Change in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(186,059)
(Increase) decrease in prepaid expenses	(1,609)
(Increase) decrease in inventory	(1,381)
Increase (decrease) in accounts payable	70,930
Increase (decrease) in accrued payroll	(169)
Increase (decrease) in unearned revenue	(14,853)
Increase (decrease) in deposits	(5,005)
Increase (decrease) in accrued compensation	12,674
Increase (decrease) in OPEB payable	17,390
Net cash provided by operating activities	<u>\$ 271,131</u>

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

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

**A. Reporting Entity**

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

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

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

Governmental Funds

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following major proprietary fund:

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

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

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

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

**C. Budgetary Basis of Accounting**

In accordance with the provisions of Sections 29000 and 29143, inclusive of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the District prepares and legally adopts a final budget for each fiscal year on or before August 30. Budgeted expenditures are approved through a resolution to adopt the final budget. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded unless subsequent amendments to the budget are approved by the District's Board of Commissioners.

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

**D. Cash and Cash Equivalents**

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

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

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

**E. Investments**

Investments are stated at fair market value.

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

**F. Inventories**

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

**G. Prepaid Items**

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

**H. Capital Assets**

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

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

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

Equipment	2 to 10 years
Improvements	5 to 60 years

**I. Long-term Obligations**

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

**J. Compensated Absences**

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

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

**K. Fund Balances**

Fund balances of the governmental funds are classified as follows:

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

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

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

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

**K. Fund Balances (Continued)**

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

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

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

**L. Interfund Transactions**

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

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

**M. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements.” This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60, did not have an impact on the District’s financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 61 “The Financial Reporting Entity: Omnibus.” This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61, did not have an impact on the District’s financial statements for the fiscal year ended June 30, 2013.

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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

**M. New Accounting Pronouncements (Continued)**

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989* FASB and AICPA Pronouncements.” This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the District’s financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the District’s financial statements are explained in Note 11- Net Position.

**NOTE 2 - CASH AND INVESTMENTS**

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

On June 30, 2013, the District had the following cash and investments:

Deposits:	
Cash on hand	\$ 930
Cash in banks	<u>207,712</u>
	<u>208,642</u>
Pooled Investment Funds:	
Cash and investments in San Luis Obispo	
County Treasury	42,004
State of California Local Agency Investment Fund (LAIF)	<u>3,037,142</u>
	<u>3,079,146</u>
Investments:	
U.S. Government Securities Fund	<u>346,285</u>
	<u>346,285</u>
Total Cash and Investments	<u>\$ 3,634,073</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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

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

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

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

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
San Luis Obispo County Investment Pool	\$ 42,004	\$ 42,004	\$ -	\$ -	\$ -
U.S. Government Securities Fund	346,285	346,285			
LAIF	<u>3,037,142</u>	<u>3,037,142</u>			
Total	<u>\$ 3,425,431</u>	<u>\$ 3,425,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
San Luis Obispo County Investment Pool	\$ 42,004	N/A	\$ -	\$ -	\$ -	\$ 42,004
U.S. Government Securities Fund	346,285	N/A		346,285		
LAIF	<u>3,037,142</u>	N/A				<u>3,037,142</u>
Total	<u>\$ 3,425,431</u>		<u>\$ -</u>	<u>\$ 346,285</u>	<u>\$ -</u>	<u>\$ 3,079,146</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

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

Investment in State Investment Pool

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

**NOTE 3 - PROPERTY TAXES**

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

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

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

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

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

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

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

**NOTE 4 – PREPAID LAND LEASE**

In June 1980, the District purchased two consecutive 99 year leasehold agreement for land in the amount of \$40,000. The District is considered the sub-lessee and the term of the first 99 year agreement began on December 25, 1968. In order to exercise the second 99 year option, notice must be given at least 16 years (or by 12/25/2051) prior to the expiration of the initial 99 year term. The District amortizes the amount of the prepaid in the amount of \$202 each fiscal year.

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 5 – CAPITAL ASSETS**

	Balance July, 1 2012	Additions	Deletions	Reclassification	Balance June 30, 2013
<b>Governmental Activities</b>					
Nondepreciable capital assets:					
Land	\$ 565,230	\$ -	\$ -	\$ -	\$ 565,230
Construction in progress	1,305,027	920,791		(1,626,405)	599,413
Total nondepreciable capital assets	1,870,257	920,791		(1,626,405)	1,164,643
Depreciable capital assets:					
Buildings and improvements	9,388,076	30,185	110,278	1,626,405	10,934,388
Equipment	1,234,724	7,529			1,242,253
Total depreciable capital assets	10,622,800	37,714	110,278	1,626,405	12,176,641
Less accumulated depreciation	6,799,691	452,873	107,547		7,145,017
Net depreciable capital assets	3,823,109	(415,159)	2,731	1,626,405	5,031,624
Net capital assets	\$ 5,693,366	\$ 505,632	\$ 2,731	\$ -	\$ 6,196,267
	Balance July, 1 2012	Additions	Deletions	Reclassification	Balance June 30, 2013
<b>Business-Type Activities</b>					
Nondepreciable capital assets:					
Land	\$ 565,231	\$ -	\$ -	\$ -	\$ 565,231
Construction in progress	172,863	78,451			251,314
Total nondepreciable capital assets	738,094	78,451			816,545
Depreciable capital assets:					
Plant and facilities	4,414,855	159,328	9,220		4,564,963
Machinery and equipment	723,263	14,089			737,352
Total depreciable capital assets	5,138,118	173,417	9,220		5,302,315
Less accumulated depreciation	3,737,014	236,843	9,220		3,964,637
Net depreciable capital assets	1,401,104	(63,426)			1,337,678
Net capital assets	\$ 2,139,198	\$ 15,025	\$ -	\$ -	\$ 2,154,223

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

**NOTE 6 – LONG-TERM DEBT**

**Changes in long-term liabilities**

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2013	Due Within One Year
<b>Governmental activities:</b>						
OPEB payable	\$ 129,449	\$	\$ 43,432	\$ 6,657	\$ 166,224	\$ -
Note payable			1,116,378		1,116,378	
Capital lease payable	12,926			2,911	10,015	2,297
PERS side fund payable		1,116,378		1,116,378		
Compensated absences	178,422		45,180	16,519	207,083	20,708
	<u>\$ 320,797</u>	<u>\$ 1,116,378</u>	<u>\$ 1,204,990</u>	<u>\$ 1,142,465</u>	<u>\$ 1,499,700</u>	<u>\$ 23,005</u>
<b>Business-type activities:</b>						
OPEB payable	\$ 57,650	\$ -	\$ 20,538	\$ 3,148	\$ 75,040	\$ -
Compensated absences	83,175		21,525	8,851	95,849	9,585
	<u>\$ 140,825</u>	<u>\$ -</u>	<u>\$ 42,063</u>	<u>\$ 11,999</u>	<u>\$ 170,889</u>	<u>\$ 9,585</u>

**A. Compensated Absences**

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

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

**B. Tax and Revenue Anticipation Note**

On January 22, 2013, the District entered into a Note Purchase Contract with San Luis Obispo County Treasurer in an amount not to exceed \$1,200,000. The Note is in the form of a Tax Revenue Anticipation Note (TRAN) which pledges property tax revenues for payment of principal and interest on the Note. The principal amount borrowed of \$1,116,378 was used to pay-down side fund retirement liabilities with CalPERS (refer to Note 10). The Note's annual interest rate is 2.60% versus the side fund retirement liability interest rate of 7.5% previously paid by the District to CalPERS. Interest payments are due annually on January 31 and the principal payment is due on January 30, 2018.

Fiscal Year Ending June 30	Principal	Interest
2014	\$ -	\$ 29,026
2015		29,026
2016		29,026
2017		29,026
2018	1,116,378	17,097
	<u>\$ 1,116,378</u>	<u>\$ 133,201</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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**NOTE 7 – CAPITAL LEASE PAYABLE**

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

Fiscal Year Ending June 30	Amount
2014	\$ 3,014
2015	3,014
2016	3,014
2017	2,635
Total minimum lease payments	11,677
Less amount representing interest	(1,662)
Present value on net minimum lease payments	<u>\$ 10,015</u>

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

The District provides a defined benefit healthcare plan (the “Retiree Health Plan”). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members. Spouses are also covered throughout his or her life. The District only pays up to the required minimum employer premium contribution calculated using the unequal contribution method. Under this method, the District’s contribution for retiree is calculated by the number of years the District has participated in CalPERS, multiplied by at least five percent (5%), and multiplied by the current employer contribution toward active employees, which is adjusted based on the medical care portion of the Consumer Price Index. Benefit provisions are established by the Board of Commissioners.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 64,039
Interest on net OPEB obligation	7,319
Adjustment to annual required contribution	<u>(7,388)</u>
Annual OPEB cost (expense)	63,970
Contributions made	<u>9,805</u>
Increase in net OPEB obligation	54,165
Net OPEB obligation - beginning of fiscal year	<u>187,099</u>
Net OPEB obligation - end of fiscal year	<u>\$ 241,264</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

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

<u>Fiscal Year</u> <u>Ended</u>	<u>OPEB</u> <u>Cost</u>	<u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 64,013	7%	\$ 128,827
June 30, 2012	\$ 63,991	9%	\$ 187,099
June 30, 2013	\$ 63,970	15%	\$ 241,264

Funding Status and Funding Progress

As of July 1, 2010, the actuarial accrued liability (AAL) for benefits was \$493,493, all of which was unfunded.

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

Methods and Assumptions

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

**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2012-2013 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ -	\$ 52,031
Capital Projects Fund	<u>52,031</u>	<u>          </u>
Totals	<u>\$ 52,031</u>	<u>\$ 52,031</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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**NOTE 10 - DISTRICT EMPLOYEES' RETIREMENT PLAN/DEFINED BENEFIT PENSION PLAN (FULL TIME EMPLOYEES)**

Plan Description

Port San Luis Harbor District (District) contributes to the California Public Employees Retirement System (CalPERS) in a cost sharing multiple-employer defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California and provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions and other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District ordinance.

CalPERS issues a separate comprehensive annual financial report which is available to the public on the web-site at [www.calpers.ca.gov](http://www.calpers.ca.gov). Copies of the CalPERS' annual financial report may be obtained by contacting the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

On September 12, 2012, the State of California adopted assembly bill 340 "Public Employees' Pension Reform Act of 2013". The changes to Public Employee's Retirement Law include a definition of types of memberships- a new plan member versus a classic plan member. A new plan member is defined as a member that was brought into CalPERS membership on or after January 1, 2013 whereas a classic plan member was brought into CalPERS membership before January 1, 2013. There are special rules if an employee has a break in service or the employee was in a reciprocal retirement plan. Beginning with the passage of this law CalPERS has the sole authority to establish or amend the obligation of the employer, employees, or others that are required to contribute to the plans.

CalPERS administers different risk pools and the District contributes to these risk pools at varying rates. District Employees are assigned to the different risk pools based on date of hire, whether the employee is a classic member or new member, and whether the employee is a safety member or miscellaneous member. As of June 30, 2013 the District is eligible to contribute to five risk pools including:

- 1) 3% at 50 Safety Police Plan- for safety members hired prior to December 23, 2012. The members in this plan are required to contribute 9% of eligible pay as required by CalPERS. A contract was negotiated with the applicable bargaining unit that requires the District to contribute 1% of the 9% on behalf of the member. In addition, the District's contribution rate for normal cost was 17.245% and for payment on an amortization bases was 6.436% for a total contribution rate of 23.681%.
- 2) 2% at 50 Safety Police Plan- for safety members hired on or after December 23, 2012 and are considered classic plan members (i.e. previously employed by an agency that participated in CalPERS retirement or a reciprocal retirement plan). As of June 30, 2013 there are no members in this plan.
- 3) 2.7% at 57 Safety Police Plan- for safety members hired on or after December 23, 2012 and are considered new plan members. As of June 30, 2013 there are no members in this plan.
- 4) 2.7% at 55 Miscellaneous Plan- for non-safety members hired before January 1, 2013 or are classic members. The members in this plan are required to contribute 8% of eligible pay as required by CalPERS. Miscellaneous Plan members covered under the applicable bargaining unit requires the District to contribute 1% of the 8% on behalf of the member. The District's contribution rate for normal cost was 9.981% plus payment on an amortization bases was 4.544% for a total contribution rate of 14.525%.
- 5) 2% at 62 Miscellaneous Plan for non-safety employees hired on or after January 1, 2013 and are new plan members. CalPERS requires members of this plan to contribute 6.25% and the District to contribute 6.25%.

For calendar year beginning January 1, 2013, the maximum amount that contribution rates may be applied to is \$255,000 for classic members and \$136,440 for new members. New member contribution rates must be 50% of the total normal cost rate of the risk pool up to 8% for non-safety employees and 12% for safety employees.

In February, the District submitted lump sum payments of \$217,396 to the 3% at 50 Safety Police Plan and \$898,982 to the 2.7% at 55 Miscellaneous Plan to pay off side fund liabilities. These liabilities were created when the District entered into a contract with CalPERS to increase the benefits of the defined benefit plan in 2008 and 2003 respectively. The District's contribution rate for the 3% at 50 Safety Police Plan decreased from 34.913% to 23.681% while the District's contribution rate for the 2.7% at 55 Miscellaneous Plan decreased from 27.566% to 14.525%.

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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**NOTE 10 - DISTRICT EMPLOYEES' RETIREMENT PLAN/DEFINED BENEFIT PENSION PLAN (FULL TIME EMPLOYEES) (continued)**

The \$1,116,378 lump sum payment to pay off the side fund liabilities was recorded as an expenditure in the general fund.

The District's required and actual contributions to CalPERS for the fiscal year ending June 30, 2013, 2012, and 2011 was \$352,883 (not including pay off of side funds), \$410,439, and \$388,143 respectively.

The required contribution for classic member risk pools was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% depending on age, service and type of employment, (c) 2.75% cost-of-living adjustment, and (d) 3.00% payroll growth. The actuarial value of plan assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year period.

The unfunded actuarial accrued liability is being amortized as a percentage of projected payroll. For classic members the remaining amortization period at June 30, 2011 was twenty years for non-safety members and twenty-one years for safety members.

**NOTE 11 – NET POSITION**

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

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

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

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

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

State and Federal Financial Assistance

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

Litigation

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

Commitments

The District had a \$250,260 outstanding contract as of June 30, 2013 to Rengel & Associates and Associated Pacific Constructor for the Harford Pier and \$136,700 contract to Carroll Building for the Old Port Beach Restrooms.

**NOTE 13 – RISK MANAGEMENT**

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

**PORT SAN LUIS HARBOR DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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**NOTE 14 – SUBSEQUENT EVENT**

Pacific Gas & Electric Company (PG&E), through its holding company Eureka Energy, holds title to the land and leased the land to Sullivan (see Note 4). The District paid Sullivan \$40,000 in June 1980 as a pre-payment to sub-lease the land for the balance of two consecutive 99 year leasehold agreements. This sub-leased land was conveyed by PG&E to the District and become the property of the District, at no cost, on September 3, 2013.

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

Prior period adjustment was made in the government-wide financial statements for the PERS side fund payable in the amount of \$1,116,378 which was not reported as a liability in previous years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PORT SAN LUIS HARBOR DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Property taxes and assessments	\$ 2,700,000	\$ 2,793,000	\$ 2,854,582	\$ 61,582
Grant income			144,650	144,650
Use of money and property	11,700	11,700	14,319	2,619
Total revenues	<u>2,711,700</u>	<u>2,804,700</u>	<u>3,013,551</u>	<u>208,851</u>
<b>Expenditures:</b>				
Salaries and wages	1,080,807	1,140,807	1,105,657	35,150
Employee benefits	684,514	684,514	1,786,921	(1,102,407)
Contract services	75,556	75,556	103,441	(27,885)
Supplies	64,116	69,116	68,230	886
Maintenance	129,442	134,442	308,975	(174,533)
Utilities	225,083	228,083	235,189	(7,106)
General and administrative	386,808	411,518	386,790	24,728
Total expenditures	<u>2,646,326</u>	<u>2,744,036</u>	<u>3,995,203</u>	<u>(1,251,167)</u>
Excess of revenues over (under) expenditures	<u>65,374</u>	<u>60,664</u>	<u>(981,652)</u>	<u>(1,042,316)</u>
<b>Other Financing Sources (Uses):</b>				
Note proceeds			1,116,378	1,116,378
Insurance proceeds			94,990	94,990
Operating transfers out			(52,031)	(52,031)
Total other financing sources (uses)			<u>1,159,337</u>	<u>1,159,337</u>
Net change in fund balance	65,374	60,664	177,685	117,021
Fund balance, beginning of fiscal year	<u>1,921,731</u>	<u>1,921,731</u>	<u>1,921,731</u>	
Fund balance, end of fiscal year	<u>\$ 1,987,105</u>	<u>\$ 1,982,395</u>	<u>\$ 2,099,416</u>	<u>\$ 117,021</u>

**PORT SAN LUIS HARBOR DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS**  
**OTHER THAN PENSIONS**  
**For the Fiscal Year Ended June 30, 2013**

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

**SCHEDULE OF FUNDING PROGRESS**

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

**OTHER SUPPLEMENTARY INFORMATION**

**PORT SAN LUIS HARBOR DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**BUDGET AND ACTUAL**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Moorage operations	\$ 133,000	\$ 133,000	\$ 129,872	\$ (3,128)
Service charges and fees	274,400	309,400	415,618	106,218
Leases, licenses, and rentals	1,048,200	1,048,200	1,143,609	95,409
Diesel sales	27,600	27,600	19,332	(8,268)
Total revenues	1,483,200	1,518,200	1,708,431	190,231
<b>Expenses:</b>				
Salaries and wages	496,093	496,093	490,532	5,561
Payroll taxes and benefits	327,586	327,586	293,203	34,383
Contract labor	10,444	10,444	6,276	4,168
Depreciation and amortization			237,045	(237,045)
Maintenance and repairs	88,158	103,158	148,840	(45,682)
Insurance and bonding	58,040	58,040	53,933	4,107
Operating supplies	34,384	34,384	30,258	4,126
Legal	20,453	20,453	68,642	(48,189)
Utilities	179,217	179,217	163,700	15,517
General and administrative overhead	158,989	133,989	73,834	60,155
Capital projects				0
Total expenditures	1,373,364	1,363,364	1,566,263	(202,899)
Operating income (loss)	109,836	154,836	142,168	(12,668)
<b>Non-Operating Income (Expenses):</b>				
Interest income	6,300	6,300	(14,277)	(20,577)
Miscellaneous income	2,000	2,000	2,948	948
Total non-operating revenues (expenses)	8,300	8,300	(11,329)	(19,629)
<b>Capital Contributions:</b>				
Grant revenue	267,640	267,640	215,505	(52,135)
Total grant revenue	267,640	267,640	215,505	(52,135)
Change in net position	385,776	430,776	346,344	(84,432)
Net position, beginning of fiscal year	2,976,526	2,976,526	2,976,526	
Net position, end of fiscal year	\$ 3,362,302	\$ 3,407,302	\$ 3,322,870	\$ (84,432)