

PORT SAN LUIS HARBOR DISTRICT

FINANCIAL STATEMENTS

June 30, 2012

PORT SAN LUIS HARBOR DISTRICT
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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 June 30, 2012, and for the fiscal year then ended, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Port San Luis Harbor District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to basic financial statements effective July, 1, 2011, the Port San Luis Harbor District adopted the Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the budgetary information on page 37, and the Schedule of Funding Progress for Postemployment Benefits Other than Pensions on page 38, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of this testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 Assets – 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 Assets – 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.

Moss, Kelly & Hertzheim LLP

Santa Maria, California
November 9, 2012

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, 2012. 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 assets were \$10,359,930 at June 30, 2012. This was an increase of \$361,325 for the year.
- Business-type activities charges for services revenue of \$1,774,179, was over last year's revenue of \$1,576,306 primarily due to additional lease and license, RV, and parking revenue.

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

The *statement of net assets* presents information on all the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows and cash uses in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 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 Assets (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, 2012 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 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 and 6) boat haul out and repair facilities.

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

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

The proprietary fund financial statements can be found on pages 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 22-35 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 37 and 38 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,359,930 at the close of the most recent fiscal year. Of this amount \$7,832,564 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 \$89,104 restricted for future capital projects.

Port San Luis Harbor District's Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|-------------|--------------------------|-------------|--------------|-------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$2,626,202 | \$3,168,109 | \$1,115,848 | \$937,339 | \$3,742,050 | \$4,105,448 |
| Capital assets | 5,693,366 | 5,294,829 | 2,139,198 | 2,174,871 | 7,832,564 | 7,469,700 |
| Total assets | 8,319,568 | 8,462,938 | 3,255,046 | 3,112,210 | 11,574,614 | 11,575,148 |
| Long-term liabilities | 318,515 | 282,258 | 140,825 | 109,575 | 459,340 | 391,833 |
| Other liabilities | 617,649 | 1,044,649 | 137,695 | 140,061 | 755,344 | 1,184,710 |
| Total liabilities | 936,164 | 1,326,907 | 278,520 | 249,636 | 1,214,684 | 1,576,543 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 5,693,366 | 5,294,829 | 2,139,198 | 2,174,871 | 7,832,564 | 7,469,700 |
| Restricted for capital projects | 89,104 | 175,362 | - | - | 89,104 | 175,362 |
| Unrestricted | 1,600,934 | 1,665,840 | 837,328 | 687,703 | 2,438,262 | 2,353,543 |
| Total net assets | \$7,383,404 | \$7,136,031 | \$2,976,526 | \$2,862,574 | \$10,359,930 | \$9,998,605 |

The remaining net assets in the amount of \$2,438,262 are 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 Assets

| | Governmental activities | | Business-type activities | | Total | |
|------------------------------------|-------------------------|--------------------|--------------------------|--------------------|---------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$- | \$- | \$1,774,179 | \$1,576,306 | \$1,774,179 | \$1,576,306 |
| Operating grants and contributions | 35,425 | 47,886 | - | - | 35,425 | 47,886 |
| Capital grants and contributions | 749,141 | 311,872 | 89,410 | 101,236 | 838,551 | 413,108 |
| General revenues: | | | | | | |
| Property taxes | 2,712,469 | 2,748,461 | - | - | 2,712,469 | 2,748,461 |
| Investment income & other | 18,298 | 22,773 | 7,892 | 8,150 | 26,190 | 30,923 |
| Total revenues | <u>3,515,333</u> | <u>3,130,992</u> | <u>1,871,481</u> | <u>1,685,692</u> | <u>5,386,814</u> | <u>4,816,684</u> |
| Expenses: | | | | | | |
| Administration | 1,290,041 | 1,295,334 | 745,510 | 759,817 | 2,035,551 | 2,055,151 |
| Operations | 96,904 | 102,894 | 631,076 | 538,150 | 727,980 | 641,044 |
| Maintenance | 1,079,954 | 1,095,883 | 373,989 | 350,548 | 1,453,943 | 1,446,431 |
| Safety and services | 801,061 | 713,753 | 6,954 | 7,650 | 808,015 | 721,403 |
| Total expenses | <u>3,267,960</u> | <u>3,207,864</u> | <u>1,757,529</u> | <u>1,656,165</u> | <u>5,025,489</u> | <u>4,864,029</u> |
| Increase in net assets | 247,373 | (76,872) | 113,952 | 29,527 | 361,325 | (47,345) |
| Prior year net assets | <u>7,136,031</u> | <u>7,212,903</u> | <u>2,862,574</u> | <u>2,833,047</u> | <u>9,998,605</u> | <u>10,045,950</u> |
| Net assets end of fiscal year | <u>\$7,383,404</u> | <u>\$7,136,031</u> | <u>\$2,976,526</u> | <u>\$2,862,574</u> | <u>\$10,359,930</u> | <u>\$9,998,605</u> |

During the year ended June 30, 2012, the District's government-wide net assets increased by \$361,325. Program revenues were \$2,648,155 which includes \$873,976 in operating and capital grants and contributions. General revenues were \$2,738,659, consisting primarily of property tax revenues. Expenses of the District for the year ended June 30, 2012 totaled \$5,025,489.

Governmental activities. Total revenues for the governmental activities for the year ended June 30, 2012 were \$3,515,333 including \$2,712,469 of property tax revenue and \$784,566 of operating and capital contributions and grants. Governmental activities expenses were \$3,267,960 resulting in an increase in net assets of \$247,373.

Business-type activities. Revenues for the business-type activities totaled \$1,871,481 for the fiscal year. Operating expenses were \$1,757,529. The excess of revenues over expenses resulted in an increase in net assets of \$113,952 for the enterprise activities.

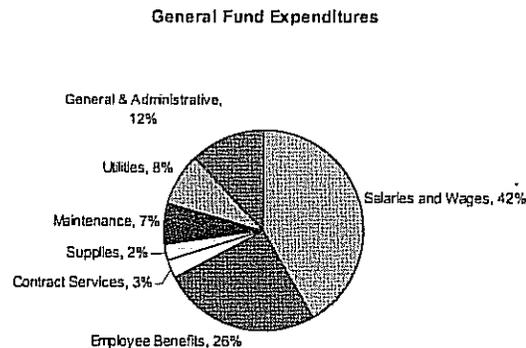
Financial Analysis of the District's Funds

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, 2012, the District's governmental funds reported a combined fund balance of \$2,010,835. Of the \$2,626,202 in assets \$2,299,049 is held in cash and investments. The liability balance was \$615,367 at June 30, 2012. Accordingly, current assets are sufficient to meet current obligations.

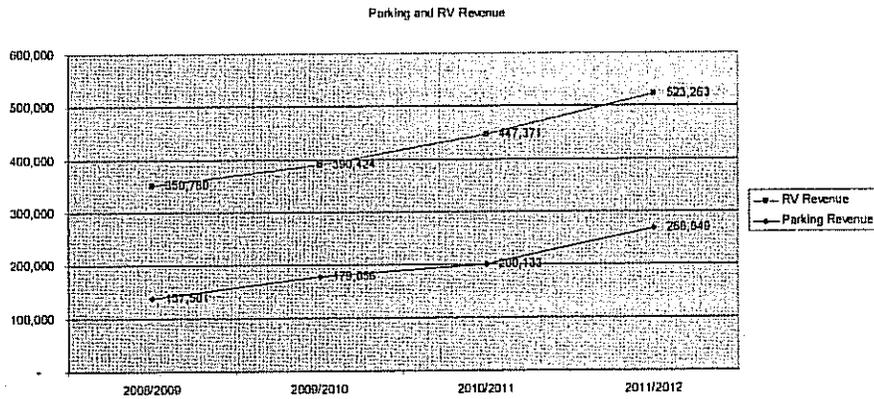
The general fund revenues were \$2,793,161 with \$2,712,469 coming from property tax revenue, \$62,394 from grants, and \$18,298 from interest and investment earnings. This was a decrease of \$45,652 from last year of \$2,838,813.

General fund expenditures totaled \$2,772,585, an \$82,383 increase from the prior year. Of the total expenditures, 68% is for salaries, wages and benefits, 12% for general and administrative, 8% for utilities and the remaining 12% for services, supplies and maintenance.

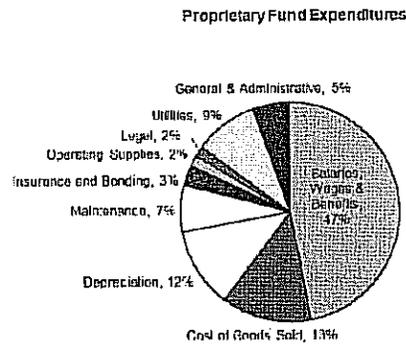


The capital projects fund had grant revenue of \$722,172 and project costs of \$868,662. The majority of the revenue and project costs related to the lighthouse restoration.

Proprietary funds. The proprietary fund carries on business-like activities. Operating revenues were \$1,774,179 for the fiscal year, an increase of \$197,873 or 13% 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 \$7,892 of net revenues.



Operating expenses were \$1,757,529 for the fiscal year, a \$101,364 or 6% increase over the prior fiscal year. Approximately 47% of the costs are salaries, wages and benefits, 12% is depreciation and amortization, 9% is utilities, 13% is cost of products sold, and 3% is insurance. The remaining 6% is for supplies, contract labor, legal services, and general and administrative costs.



General Fund Budgetary Highlights

The Original and Final Budget included estimates of approximately \$2,721,250 in revenues and \$2,716,109 in expenditures providing for a \$5,141 increase in fund balance. The actual revenues of \$2,793,161 resulted in a favorable variance from the Final Budget of \$71,911, while actual expenditures of \$2,772,585 resulted in an unfavorable Final Budget variance of \$56,476. Actual expenditures exceeded Final Budget expenditures primarily due to retirement leave accrual payouts and higher than anticipated sewage treatment plant upgrades.

Capital Assets

The District's investment of capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$7,832,564 (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 5%.

Port San Luis Harbor District's Capital Assets

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$565,230 | \$565,230 | \$565,231 | \$565,231 | \$1,130,461 | \$1,130,461 |
| Buildings, facilities and improvements | 9,388,076 | 9,022,990 | 4,414,855 | 4,278,917 | 13,802,931 | 13,301,907 |
| Equipment and Machinery | 1,234,724 | 1,224,996 | 723,262 | 726,652 | 1,957,986 | 1,951,648 |
| Construction in progress | 1,305,027 | 820,025 | 172,863 | 298,897 | 1,477,890 | 1,118,922 |
| Less accumulated depreciation | <u>6,799,691</u> | <u>6,338,412</u> | <u>3,737,013</u> | <u>3,694,826</u> | <u>10,536,704</u> | <u>10,033,238</u> |
| Total net assets | <u>\$5,693,366</u> | <u>\$5,294,829</u> | <u>\$2,139,198</u> | <u>\$2,174,871</u> | <u>\$7,832,564</u> | <u>\$7,469,700</u> |

Capital asset events included the warehouse restoration, harbor office HVAC upgrade, backhoe maintenance 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 is \$5,011,700. This is a \$375,114 or a 7% decrease from this year's actual primarily due to expected decreases in grant revenues. Projected expenditures are \$4,224,200 versus this year's actual (excluding depreciation) of \$4,089,308 or a 3% increase. The District's 2012/13 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 ASSETS
June 30, 2012

| | Governmental Activities | Business -type Activities | Total |
|---|----------------------------|------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 2,299,049 | \$ 939,535 | \$ 3,238,584 |
| Accounts receivable | | 62,270 | 62,270 |
| Grants receivable | 308,321 | | 308,321 |
| Interest receivable | | 3,478 | 3,478 |
| Prepaid costs | | 742 | 742 |
| Inventory | | 76,286 | 76,286 |
| Notes receivable | 18,832 | | 18,832 |
| Prepaid land lease | | 33,537 | 33,537 |
| Capital assets: | | | |
| Nondepreciable | 1,870,257 | 738,094 | 2,608,351 |
| Depreciable, net | 3,823,109 | 1,401,104 | 5,224,213 |
| Total assets | 8,319,568 | 3,255,046 | 11,574,614 |
| LIABILITIES | | | |
| Accounts payable | 181,327 | 27,734 | 209,061 |
| Accrued expenses | 30,352 | 15,637 | 45,989 |
| Construction retention | 56,706 | | 56,706 |
| Deferred revenue | 346,982 | 80,374 | 427,356 |
| Refundable deposits | | 13,950 | 13,950 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,282 | | 2,282 |
| Due in more than one year | 318,515 | 140,825 | 459,340 |
| Total liabilities | 936,164 | 278,520 | 1,214,684 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 5,693,366 | 2,139,198 | 7,832,564 |
| Restricted for capital projects | 89,104 | | 89,104 |
| Unrestricted | 1,600,934 | 837,328 | 2,438,262 |
| Total net assets | \$ 7,383,404 | \$ 2,976,526 | \$ 10,359,930 |

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, 2012

| | <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 | \$ 1,290,041 | \$ - | \$ 35,425 | \$ 749,141 |
| Operations | 96,904 | | | |
| Maintenance | 1,079,954 | | | |
| Safety and services | 801,061 | | | |
| Total governmental activities | <u>3,267,960</u> | | <u>35,425</u> | <u>749,141</u> |
| Business-type activities: | | | | |
| Administration | 745,510 | 9,611 | | 89,410 |
| Operations | 631,076 | 1,474,900 | | |
| Maintenance | 373,989 | 268,849 | | |
| Safety and services | 6,954 | 20,819 | | |
| Total business-type activities | <u>1,757,529</u> | <u>1,774,179</u> | | <u>89,410</u> |
| Total government | <u>\$ 5,025,489</u> | <u>\$ 1,774,179</u> | <u>\$ 35,425</u> | <u>\$ 838,551</u> |

General Revenues

Taxes:

Property taxes and assessments
Investment income and earnings
Other

Total general revenues

Change in net assets

Net assets, beginning of fiscal year

Net assets, end of fiscal year

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

Net (Expense) Revenue and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (505,475) | \$ - | \$ (505,475) |
| (96,904) | | (96,904) |
| (1,079,954) | | (1,079,954) |
| (801,061) | | (801,061) |
| <u>(2,483,394)</u> | | <u>(2,483,394)</u> |
| | (646,489) | (646,489) |
| | 843,824 | 843,824 |
| | (105,140) | (105,140) |
| | 13,865 | 13,865 |
| | <u>106,060</u> | <u>106,060</u> |
| <u>(2,483,394)</u> | <u>106,060</u> | <u>(2,377,334)</u> |
| 2,712,469 | | 2,712,469 |
| 18,298 | 7,721 | 26,019 |
| | 171 | 171 |
| <u>2,730,767</u> | <u>7,892</u> | <u>2,738,659</u> |
| 247,373 | 113,952 | 361,325 |
| <u>7,136,031</u> | <u>2,862,574</u> | <u>9,998,605</u> |
| <u>\$ 7,383,404</u> | <u>\$ 2,976,526</u> | <u>\$ 10,359,930</u> |

PORT SAN LUIS HARBOR DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2012

| | General Fund | Capital Projects Fund | Total |
|----------------------|---------------------|-----------------------------|---------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and investments | \$ 2,299,049 | \$ - | \$ 2,299,049 |
| Grants receivable | 15,210 | 293,111 | 308,321 |
| Notes receivable | <u>18,832</u> | <u> </u> | <u>18,832</u> |
| Total assets | <u>\$ 2,333,091</u> | <u>\$ 293,111</u> | <u>\$ 2,626,202</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, 2012

| | General Fund | Capital Projects Fund | Total |
|--|---------------------|-----------------------------|---------------------|
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 34,026 | \$ 147,301 | \$ 181,327 |
| Payroll and related liabilities | 30,352 | | 30,352 |
| Construction retention | | 56,706 | 56,706 |
| Deferred revenue | 346,982 | | 346,982 |
| Total liabilities | 411,360 | 204,007 | 615,367 |
| Fund Balances: | | | |
| Restricted: | | | |
| Capital projects | | 89,104 | 89,104 |
| Assigned: | | | |
| Election | 30,000 | | 30,000 |
| Facilities | 7,000 | | 7,000 |
| Vehicle replacement | 170 | | 170 |
| 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 | 16,400 | | 16,400 |
| Building improvements | 33,210 | | 33,210 |
| Hoist | 9,500 | | 9,500 |
| Crane | 14,738 | | 14,738 |
| Utility | 30,800 | | 30,800 |
| Trailer park closure | 21,720 | | 21,720 |
| 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 |
| Public art | 500 | | 500 |
| Unassigned | 1,618,439 | | 1,618,439 |
| Total fund balances | 1,921,731 | 89,104 | 2,010,835 |
| Total liabilities and fund balances | \$ 2,333,091 | \$ 293,111 | \$ 2,626,202 |

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 ASSETS
 June 30, 2012

Total fund balances - governmental funds \$ 2,010,835

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

| | | |
|-----------------------------------|------------------|-----------|
| Capital assets at historical cost | \$ 12,493,057 | |
| Accumulated depreciation | <u>6,799,691</u> | 5,693,366 |

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

| | | |
|------------------------------|----------------|------------------|
| OPEB payable | \$ 129,449 | |
| Capital lease obligation | 12,926 | |
| Compensated absences payable | <u>178,422</u> | <u>(320,797)</u> |

Total net assets - governmental activities \$ 7,383,404

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, 2012

| | General Fund | Capital Projects Fund | Total |
|---|---------------------|-----------------------------|---------------------|
| Revenues: | | | |
| Property taxes and assessments | \$ 2,712,469 | \$ - | \$ 2,712,469 |
| Grant income | 62,394 | 722,172 | 784,566 |
| Use of money and property | 18,298 | | 18,298 |
| Total revenues | 2,793,161 | 722,172 | 3,515,333 |
| Expenditures: | | | |
| Salaries and wages | 1,156,037 | | 1,156,037 |
| Employee benefits | 707,099 | | 707,099 |
| Contract services | 88,547 | | 88,547 |
| Supplies | 66,191 | | 66,191 |
| Maintenance | 188,535 | | 188,535 |
| Capital outlay | | 868,662 | 868,662 |
| Utilities | 229,874 | | 229,874 |
| General and administrative | 336,302 | | 336,302 |
| Total expenditures | 2,772,585 | 868,662 | 3,641,247 |
| Excess of revenues over (under) expenditures | 20,576 | (146,490) | (125,914) |
| Other Financing Sources (Uses): | | | |
| Proceeds from capital lease | 13,289 | | 13,289 |
| Operating transfers in | | 60,232 | 60,232 |
| Operating transfers out | (60,232) | | (60,232) |
| Total other financing sources (uses) | (46,943) | 60,232 | 13,289 |
| Net change in fund balances | (26,367) | (86,258) | (112,625) |
| Fund balances, beginning of fiscal year | 1,948,098 | 175,362 | 2,123,460 |
| Fund balances, end of fiscal year | <u>\$ 1,921,731</u> | <u>\$ 89,104</u> | <u>\$ 2,010,835</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, 2012

| | |
|--|--------------------------|
| Net change in fund balances - governmental funds | \$ (112,625) |
| <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 \$868,661 was greater than depreciation expense of \$470,124 in the period.</p> | 398,537 |
| <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> | (13,289) |
| <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> | 363 |
| <p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid). This fiscal year, vacation used exceeded the amounts earned by \$13,243.</p> | 13,243 |
| <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>(38,856)</u> |
| Change in net assets - governmental activities | <u><u>\$ 247,373</u></u> |

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

PORT SAN LUIS HARBOR DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
 June 30, 2012

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and investments | \$ 939,535 |
| Accounts receivable, net of allowance | 62,270 |
| Interest receivable | 3,478 |
| Prepaid expenses | 742 |
| Inventory | 76,286 |
| Prepaid land lease | <u>33,537</u> |
| Total current assets | <u>1,115,848</u> |
| Capital Assets: | |
| Construction in progress | 172,863 |
| Land | 565,231 |
| Plant and facilities | 4,414,855 |
| Machinery and equipment | 723,262 |
| Less: accumulated depreciation | <u>(3,737,013)</u> |
| Net capital assets | <u>2,139,198</u> |
| Total assets | <u>3,255,046</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 27,734 |
| Payroll and related items | 15,637 |
| Deferred revenue | 80,374 |
| Deposits | <u>13,950</u> |
| Total current liabilities | <u>137,695</u> |
| Noncurrent Liabilities: | |
| Compensated absences | 83,175 |
| OPEB payable | <u>57,650</u> |
| Total noncurrent liabilities | <u>140,825</u> |
| Total liabilities | <u>278,520</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 2,139,198 |
| Unrestricted | <u>837,328</u> |
| Total net assets | <u>\$ 2,976,526</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 ASSETS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012

| | Enterprise Fund |
|--|----------------------------|
| Operating Revenues: | |
| Moorage operations | \$ 153,203 |
| Service charges and fees | 302,878 |
| Leases, licenses, and rentals | 1,092,039 |
| Diesel sales | <u>226,059</u> |
| Total operating revenues | <u>1,774,179</u> |
| Operating Expenses: | |
| Salaries and wages | 498,392 |
| Payroll taxes and benefits | 323,511 |
| Contract labor | 5,596 |
| Cost of goods sold | 233,068 |
| Depreciation and amortization | 207,738 |
| Maintenance and repairs | 119,372 |
| Insurance and bonding | 53,861 |
| Operating supplies | 27,769 |
| Legal | 27,669 |
| Utilities | 164,329 |
| General and administrative overhead | <u>96,224</u> |
| Total operating expenses | <u>1,757,529</u> |
| Operating gain | <u>16,650</u> |
| Non-Operating Income (Expenses): | |
| Interest income | 7,721 |
| Miscellaneous income | <u>171</u> |
| Total non-operating revenues (expenses) | <u>7,892</u> |
| Capital Contributions: | |
| Grant revenue | <u>89,410</u> |
| Total capital contributions | <u>89,410</u> |
| Change in net assets | 113,952 |
| Total net assets, beginning of fiscal year | <u>2,862,574</u> |
| Total net assets, end of fiscal year | <u><u>\$ 2,976,526</u></u> |

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

PORT SAN LUIS HARBOR DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| Cash Flows From Operating Activities: | |
| Receipts from customers and users | \$ 1,781,632 |
| Payments to suppliers | (708,188) |
| Payments to employees | (809,014) |
| Net cash provided by operating activities | <u>264,430</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Grant revenue received | 153,838 |
| Purchase of capital assets | (175,315) |
| Net cash used by capital and related financing activities | <u>(21,477)</u> |
| Cash Flows from Non-Capital and Related Financing Activities: | |
| Miscellaneous revenues | <u>3,623</u> |
| Net cash provided by non-capital and related financing activities | <u>3,623</u> |
| Cash Flows from Investing Activities: | |
| Investment income | <u>9,055</u> |
| Net cash provided by investing activities | <u>9,055</u> |
| Net increase in cash and cash equivalents | 255,631 |
| Cash and cash equivalents, beginning of fiscal year | <u>683,904</u> |
| Cash and cash equivalents, end of fiscal year | <u>\$ 939,535</u> |
| Reconciliation to Statement of Net Assets: | |
| Cash and investments | <u>\$ 939,535</u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities: | |
| Operating gain | \$ 16,650 |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation and amortization | 207,738 |
| Change in operating assets and liabilities: | |
| (Increase) decrease in accounts receivable | (2,847) |
| (Increase) decrease in prepaid expenses | 762 |
| (Increase) decrease in inventory | 13,243 |
| Increase (decrease) in accounts payable | 5,695 |
| Increase (decrease) in accrued payroll | (18,361) |
| Increase (decrease) in deferred revenue | 10,716 |
| Increase (decrease) in deposits | (416) |
| Increase (decrease) in accrued compensation | 11,834 |
| Increase (decrease) in OPEB payable | 19,416 |
| Net cash provided by operating activities | <u>\$ 264,430</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 enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded by subsequent amendments to the budget by the District's Board of Commissioners.

An opening 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 by resolutions approved by the Board of Commissioners.

D. Cash and Cash Equivalents

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

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

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

E. Investments

Investments are stated at fair value.

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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 average cost.

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 in excess of two years.

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 | 3 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. 64

For the fiscal year ended June 30, 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2012.

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012, the District had the following cash and investments:

| | |
|---|---------------------|
| Deposits: | |
| Cash on hand | \$ 850 |
| Cash in banks | <u>325,698</u> |
| | <u>326,548</u> |
| Pooled Investment Funds: | |
| Cash and investments in San Luis Obispo | |
| County Treasury | 63,730 |
| State of California Local Agency Investment Fund (LAIF) | <u>2,482,930</u> |
| | <u>2,546,660</u> |
| Investments: | |
| U.S. Government Securities Fund | <u>365,376</u> |
| | <u>365,376</u> |
| Total Cash and Investments | <u>\$ 3,238,584</u> |

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

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

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

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

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

| <u>Investment Type</u> | <u>Carrying Amount</u> | <u>Remaining Maturity (in Months)</u> | | | |
|--|----------------------------|---------------------------------------|---------------------|---------------------|----------------------------|
| | | <u>12 Months Or Less</u> | <u>13-24 Months</u> | <u>25-60 Months</u> | <u>More than 60 Months</u> |
| San Luis Obispo County Investment Pool | \$ 63,730 | \$ 63,730 | \$ - | \$ - | \$ - |
| U.S. Government Securities Fund | 365,376 | 365,376 | | | |
| LAIF | <u>2,482,930</u> | <u>2,482,930</u> | | | |
| Total | \$ <u>2,912,036</u> | \$ <u>2,912,036</u> | \$ - | \$ - | \$ - |

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 | \$ 63,730 | N/A | \$ - | \$ - | \$ - | \$ 63,730 |
| U.S. Government Securities Fund | 365,376 | N/A | | 365,376 | | |
| LAIF | <u>2,482,930</u> | N/A | | | | <u>2,482,930</u> |
| Total | \$ <u>2,912,036</u> | | \$ - | \$ <u>365,376</u> | \$ - | \$ <u>2,546,660</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.

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3 - PROPERTY TAXES (Continued)

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.

NOTE 5 - NOTE RECEIVABLE

The District entered into a line of credit agreement with the Point San Luis Lighthouse Keepers up to \$100,000, for the purpose of restoration and maintenance of the Point San Luis Lighthouse and the Pecho Coast Trail. The note carries no interest and the original agreement stated that principal outstanding shall be due and payable to the District on or before the earlier of 1) when grant fund are received from grant #08-018 or 2) June 30, 2011. The District granted an extension on the due date to March 31, 2012, and increased the line of credit to \$125,000. An additional extension was granted extending the term to match the close out date of the grant.

NOTE 6 - CAPITAL ASSETS

| | Balance July, 1 2011 | Additions | Deletions | Reclassification | Balance June 30, 2012 |
|--|----------------------------|-------------------|--------------|------------------|-----------------------------|
| Governmental Activities | | | | | |
| Nondepreciable capital assets: | | | | | |
| Land | \$ 565,230 | \$ - | \$ - | \$ - | \$ 565,230 |
| Construction in progress | 820,025 | 521,508 | | (36,506) | 1,305,027 |
| Total nondepreciable capital assets | 1,385,255 | 521,508 | | (36,506) | 1,870,257 |
| Depreciable capital assets: | | | | | |
| Buildings and improvements | 9,022,990 | 328,580 | | 36,506 | 9,388,076 |
| Equipment | 1,224,996 | 18,573 | 8,845 | | 1,234,724 |
| Total depreciable capital assets | 10,247,986 | 347,153 | 8,845 | 36,506 | 10,622,800 |
| Less accumulated depreciation | 6,338,412 | 470,124 | 8,845 | | 6,799,691 |
| Net depreciable capital assets | 3,909,574 | (122,971) | | 36,506 | 3,823,109 |
| Net capital assets | \$ 5,294,829 | \$ 398,537 | \$ - | \$ - | \$ 5,693,366 |

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 6 – CAPITAL ASSETS (Continued)

| | Balance July, 1 2011 | Additions | Deletions | Reclassification | Balance June 30, 2012 |
|-------------------------------------|----------------------------|--------------------|-----------------|------------------|-----------------------------|
| Business-Type Activities | | | | | |
| Nondepreciable capital assets: | | | | | |
| Land | \$ 565,231 | \$ - | \$ - | \$ - | \$ 565,231 |
| Construction in progress | 298,897 | | | (126,034) | 172,863 |
| Total nondepreciable capital assets | <u>864,128</u> | | | <u>(126,034)</u> | <u>738,094</u> |
| Depreciable capital assets: | | | | | |
| Plant and facilities | 4,278,917 | 173,052 | 163,148 | 126,034 | 4,414,855 |
| Machinery and equipment | 726,652 | 2,263 | 5,653 | | 723,262 |
| Total depreciable capital assets | 5,005,569 | 175,315 | 168,801 | 126,034 | 5,138,117 |
| Less accumulated depreciation | 3,694,826 | 207,536 | 165,349 | | 3,737,013 |
| Net depreciable capital assets | 1,310,743 | (32,221) | 3,452 | 126,034 | 1,401,104 |
| Net capital assets | <u>\$ 2,174,871</u> | <u>\$ (32,221)</u> | <u>\$ 3,452</u> | <u>\$ -</u> | <u>\$ 2,139,198</u> |

Depreciation expense was charged as follows:

| | |
|--------------------------|-------------------|
| Governmental Activities | \$ 470,124 |
| Business-type Activities | 207,536 |
| | <u>\$ 677,660</u> |

NOTE 7 – 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, 2012:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 | Due Within One Year |
|----------------------------------|-------------------------|------------------|------------------|--------------------------|------------------------|
| Governmental activities: | | | | | |
| OPEB payable | \$ 90,593 | \$ 42,669 | \$ 3,813 | \$ 129,449 | \$ - |
| Capital lease payable | | 13,289 | 363 | 12,926 | 2,282 |
| Compensated absences | 191,665 | 28,633 | 41,876 | 178,422 | |
| | <u>\$ 282,258</u> | <u>\$ 84,591</u> | <u>\$ 46,052</u> | <u>\$ 320,797</u> | <u>\$ 2,282</u> |
| Business-type activities: | | | | | |
| OPEB payable | \$ 38,234 | \$ 21,322 | \$ 1,906 | \$ 57,650 | \$ - |
| Compensated absences | 71,341 | 14,996 | 3,162 | 83,175 | |
| | <u>\$ 109,575</u> | <u>\$ 36,318</u> | <u>\$ 5,068</u> | <u>\$ 140,825</u> | <u>\$ -</u> |

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

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.

NOTE 8 – 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 \$269.39. Future minimum lease payments are as follows:

| Fiscal Year Ending June 30 | Amount |
|---|------------------|
| 2013 | \$ 3,233 |
| 2014 | 3,233 |
| 2015 | 3,233 |
| 2016 | 3,233 |
| 2017 | 2,694 |
| Total minimum lease payments | 15,626 |
| Less amount representing interest | (2,700) |
| Present value on net minimum lease payments | <u>\$ 12,926</u> |

NOTE 9 – 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.

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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 29 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 | 5,133 |
| Adjustment to annual required contribution | <u>(5,181)</u> |
| Annual OPEB cost (expense) | 63,991 |
| Contributions made | <u>5,719</u> |
| Increase in net OPEB obligation | 58,272 |
| Net OPEB obligation - beginning of fiscal year | <u>128,827</u> |
| Net OPEB obligation - end of fiscal year | <u><u>\$ 187,099</u></u> |

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

| Fiscal Year Ended | OPEB Cost | Cost Contributed | Net OPEB Obligation |
|----------------------|--------------|---------------------|------------------------|
| June 30, 2010 | \$ 75,357 | 8% | \$ 69,057 |
| June 30, 2011 | \$ 64,013 | 7% | \$ 128,827 |
| June 30, 2012 | \$ 63,991 | 9% | \$ 187,099 |

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 event 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 as 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.

PORT SAN LUIS HARBOR DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 10 - 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 2011-2012 fiscal year, are as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| Major Funds: | | |
| General Fund | \$ - | \$ 60,232 |
| Capital Projects Fund | <u>60,232</u> | <u> </u> |
| Totals | <u>\$ 60,232</u> | <u>\$ 60,232</u> |

NOTE 11 - DISTRICT EMPLOYEES' RETIREMENT PLAN/DEFINED BENEFIT PENSION PLAN (FULL TIME EMPLOYEES)

Plan Description

The Port San Luis Harbor District's (the District) defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The PERS is part the Public Agency portion of the California Public Employees' Retirement System, (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Active plan members in the PERS are required to contribute 8% for miscellaneous members and 9% for safety members of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates of fiscal 2011/2012, were 27.102% for miscellaneous employees and 34.072% for safety employees. The contribution requirements of the plan members are established by State statute and employer contribution rates established may be amended by CalPERS. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$410,439, \$388,143, and \$361,133, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 12 – NET ASSETS

The government-wide activity and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets – 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 Assets – This category represents net assets of the District, not restricted for any project or other purpose.

NOTE 13 – 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.

Commitment

The District had \$110,000 outstanding as of June 30, 2012 to Tomar Construction as part of the lighthouse restoration project.

NOTE 14 – 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.

NOTE 15 – 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. It is anticipated that this sub-leased land will be conveyed by PG&E to the District and become the property of the District, at no cost, by the end of the fiscal year 2012/2013.

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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, 2012

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance Favorable (Unfavorable) |
|---|------------------|--------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes and assessments | \$ 2,700,000 | \$ 2,700,000 | \$ 2,712,469 | \$ 12,469 |
| Grant income | | | 62,394 | 62,394 |
| Use of money and property | 21,250 | 21,250 | 18,298 | (2,952) |
| Total revenues | 2,721,250 | 2,721,250 | 2,793,161 | 71,911 |
| Expenditures: | | | | |
| Salaries and wages | 1,122,982 | 1,122,982 | 1,156,037 | (33,055) |
| Employee benefits | 700,423 | 692,923 | 707,099 | (14,176) |
| Contract services | 76,729 | 76,729 | 88,547 | (11,818) |
| Supplies | 58,233 | 59,232 | 66,191 | (6,959) |
| Maintenance | 117,107 | 137,108 | 188,535 | (51,427) |
| Capital outlay | 119,500 | 83,000 | | 83,000 |
| Utilities | 207,704 | 230,704 | 229,874 | 830 |
| General and administrative | 313,431 | 313,431 | 336,302 | (22,871) |
| Total expenditures | 2,716,109 | 2,716,109 | 2,772,585 | (56,476) |
| Excess of revenues over (under) expenditures | 5,141 | 5,141 | 20,576 | 15,435 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from capital lease | | | 13,289 | 13,289 |
| Operating transfers out | | | (60,232) | (60,232) |
| Total other financing sources (uses) | | | (46,943) | (46,943) |
| Net change in fund balance | 5,141 | 5,141 | (26,367) | (31,508) |
| Fund balance, beginning of fiscal year | 1,948,098 | 1,948,098 | 1,948,098 | |
| Fund balance, end of fiscal year | \$ 1,953,239 | \$ 1,953,239 | \$ 1,921,731 | \$ (31,508) |

PORT SAN LUIS HARBOR DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS
For the Fiscal Year Ended June 30, 2012

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

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) Entry Age (a) | Actuarial Value of Assets (b) | Unfunded Liability (UAAL) (a-b) | Funded Status (b/a) | Annual Covered Payroll (c) | UAAL as a % of payroll ([a-b]/c) |
|--------------------------------|--|--|--|---------------------------|-------------------------------------|---|
| 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 ASSETS -
BUDGET AND ACTUAL
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Moorage operations | \$ 159,000 | \$ 159,000 | \$ 128,916 | \$ (30,084) |
| Service charges and fees | 231,000 | 281,000 | 302,878 | 21,878 |
| Leases, licenses, and rentals | 1,039,400 | 1,039,400 | 1,092,039 | 52,639 |
| Diesel sales | 10,000 | 10,000 | 17,278 | 7,278 |
| Total revenues | 1,439,400 | 1,489,400 | 1,541,111 | 51,711 |
| Expenditures: | | | | |
| Salaries and wages | 515,318 | 499,318 | 498,392 | 926 |
| Payroll taxes and benefits | 334,377 | 334,377 | 323,511 | 10,866 |
| Contract labor | 17,271 | 15,271 | 5,596 | 9,675 |
| Depreciation and amortization | | | 207,738 | (207,738) |
| Maintenance and repairs | 94,593 | 103,593 | 119,372 | (15,779) |
| Insurance and bonding | 56,000 | 56,000 | 53,861 | 2,139 |
| Operating supplies | 33,367 | 31,368 | 27,769 | 3,599 |
| Legal | 20,000 | 20,000 | 27,669 | (7,669) |
| Utilities | 172,996 | 179,996 | 164,329 | 15,667 |
| General and administrative overhead | 141,869 | 141,869 | 96,224 | 45,645 |
| Capital projects | 134,300 | 188,300 | | 188,300 |
| Total expenditures | 1,520,091 | 1,570,092 | 1,524,461 | 45,631 |
| Operating income (loss) | (80,691) | (80,692) | 16,650 | 97,342 |
| Non-Operating Income (Expenses): | | | | |
| Interest income | 3,750 | 3,750 | 7,721 | 3,971 |
| Miscellaneous income | 2,000 | 2,000 | 171 | (1,829) |
| Total non-operating revenues (expenses) | 5,750 | 5,750 | 7,892 | 2,142 |
| Capital Contributions: | | | | |
| Grant revenue | | | 89,410 | 89,410 |
| Total grant revenue | | | 89,410 | 89,410 |
| Change in net assets | (74,941) | (74,942) | 113,952 | 188,894 |
| Net assets, beginning of fiscal year | 2,862,574 | 2,862,574 | 2,862,574 | |
| Net assets, end of fiscal year | \$ 2,787,633 | \$ 2,787,632 | \$ 2,976,526 | \$ 188,894 |

