



**MOSS LANDING
HARBOR DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011

AND INDEPENDENT AUDITORS' REPORT

MOSS LANDING HARBOR DISTRICT

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2 – 6
Financial Statements:	
Statements of Net Asset	7
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9 – 10
Notes to Financial Statements	11 – 19

INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
Moss Landing Harbor District
Moss Landing, California**

We have audited the accompanying statements of net assets of the *Moss Landing Harbor District* (a California non-taxable government entity) as of June 30, 2012 and 2011, and the related statements of revenues, expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Moss Landing Harbor District* as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management's discussion and analysis and the budgetary comparison information on pages 2 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 26, 2012

Hayashi & Wayland, LLP

**MOSS LANDING HARBOR DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

Our discussion and analysis of the Moss Landing Harbor District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read this in conjunction with the District's basic financial statements, which follow this section.

Financial Highlights

The District's financial statements are presented in accordance with the requirements of Governmental Accounting Standards Board Statement #34 (GASB 34). The underlying concept is that the financial statements are based on the governmental entity's assets, the liabilities related to those assets and the changes from year-to-year in those assets. The year-to-year changes result from net income, or loss, and contributions from outside sources (such as federal and state funding).

Operating revenues were \$2,631,868 in 2012, \$2,597,646 in 2011 and \$2,435,058 in 2010. Operating revenues were above budget by \$182,558, or 7.5%, in 2012. Berthing income increased by \$7,300 in 2012, due primarily to an increase in temporary and transient berthing occupancy. Berthing and related revenues were above budget by \$119,169, or 7.4%. Rent, concessions and other income increased by \$73,400, or 23.5%, which was primarily due to an increase in launch fee income and an increase in amenity fees.

The District's property tax revenues increased by \$3,564. Grant revenues increased by \$294,104, due to proceeds from the Federal Emergency Management Agency (FEMA) in response to damage incurred from the tsunami in March 2011.

Operating expenses (before depreciation) were \$1,623,936 in 2012, \$1,523,894 in 2011, and \$1,364,878 in 2010. The current year costs were up from the prior year by 6.6%, or \$100,042, and above budget by \$71,992, or 4.6%. The increase in expenses as compared to budget was due to higher than anticipated costs for utilities of \$28,076, and for salaries and related costs of \$43,906, which is associated with the significant increase in berthing revenues due to a strong fishing season.

Using This Annual Report

This annual report consists of management's discussion and analysis, the basic financial statements and notes to financial statements. Management's discussion and analysis provides a narrative of the District's financial performance and activities for the years ended June 30, 2012 and 2011. The basic financial statements provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

Statement of Net Assets – presents information on all of 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.

Statement of Revenues, Expenses and Changes in Net Assets – presents information showing how the District’s net assets changed during the 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. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.

Statement of Cash Flows – presents information showing how the District’s cash changed during the year. It shows the sources and uses of cash and cash equivalents.

Financial Analysis of the District as a Whole

Fund equity invested in capital assets represent the District’s long-term investment in capital assets, net of accumulated depreciation and related debt, and are not available for current operations.

A summary of net assets for the years ended June 30, are presented below.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 4,494,507	\$ 3,902,463	\$ 3,131,077
Non-current assets	257,389	–	–
Capital assets, net of depreciation	<u>14,656,697</u>	<u>15,045,869</u>	<u>15,728,497</u>
 Total assets	 <u>\$ 19,408,593</u>	 <u>\$ 18,948,332</u>	 <u>\$ 18,859,574</u>
 Current liabilities	 \$ 1,000,226	 \$ 831,920	 \$ 786,883
Long-term debt	<u>5,152,083</u>	<u>5,429,352</u>	<u>5,698,243</u>
 Total liabilities	 <u>\$ 6,152,309</u>	 <u>\$ 6,261,272</u>	 <u>\$ 6,485,126</u>
 Investment in capital assets, net of related debt	 \$ 7,256,078	 \$ 7,776,699	 \$ 8,225,007
Unrestricted	<u>6,000,206</u>	<u>4,910,361</u>	<u>4,149,441</u>
 Total net assets	 <u>\$ 13,256,284</u>	 <u>\$ 12,687,060</u>	 <u>\$ 12,374,448</u>

Financial Analysis of the District as a Whole (Continued)

A statement of major revenues and expenses for the years ended June 30 is presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Berthing	\$ 1,872,671	\$ 1,865,371	\$ 1,738,558
Rents	524,356	552,847	538,409
District property taxes	221,319	224,883	232,872
Operations, concessions and other	234,841	176,968	158,091
Grant revenues	294,104	-	19,998
Interest income	33,289	39,391	35,279
	<u>3,180,580</u>	<u>2,859,460</u>	<u>2,723,207</u>
Total revenues	<u>\$ 3,180,580</u>	<u>\$ 2,859,460</u>	<u>\$ 2,723,207</u>
Expenses:			
Depreciation	\$ 762,708	\$ 768,434	\$ 764,202
Personnel	686,038	660,888	635,452
Utilities	304,077	274,936	287,630
Interest	224,712	239,520	259,501
General and administrative	401,523	356,625	285,272
Repairs and maintenance	215,667	227,604	143,300
District	16,631	18,841	13,224
	<u>2,611,356</u>	<u>2,546,848</u>	<u>2,388,581</u>
Total expenses	<u>\$ 2,611,356</u>	<u>\$ 2,546,848</u>	<u>\$ 2,388,581</u>

A summary of changes in net assets is presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Changes in net assets			
Operating revenues	\$ 2,631,868	\$ 2,597,646	\$ 2,435,058
Operating expenses	(1,623,936)	(1,538,894)	(1,364,878)
Depreciation	(762,708)	(768,434)	(764,202)
	<u>245,224</u>	<u>290,318</u>	<u>305,978</u>
Net operating income	<u>245,224</u>	<u>290,318</u>	<u>305,978</u>
Non-operating revenues	548,712	261,814	288,149
Non-operating expenses - interest	(224,712)	(239,520)	(259,501)
	<u>569,224</u>	<u>312,612</u>	<u>334,626</u>
Increase in net assets	<u>\$ 569,224</u>	<u>\$ 312,612</u>	<u>\$ 334,626</u>

Future Plans

The District is pleased that it was re-certified as a California Clean Marina during the last year, a standard that it intends to maintain for the benefit of its tenants as well as to attract new tenants. The District is continuing with infrastructure improvement projects with its piling replacement project to be completed by January 2013, maintenance dredging which was completed in October of 2012, recent removal of a sediment mound at the federal entrance channel coordinated with the US Army Corps of Engineers after the fiscal year end, and ongoing dock refurbishing that are all resulting in positive feedback and customer satisfaction. Damage from the Tsunami escalated the pile replacement project to replace 208 piles during the next fiscal year, rather than phasing in replacement of fewer piles over several fiscal years. Dredging and shoreline erosion repairs were also slated for future years but had been escalated because of Tsunami damage. FEMA is slated to cover 75% of the projected costs of these 3 projects, and the District will contribute the remaining 25%. A lease for construction and operation of a new restaurant at the North Harbor has been negotiated; the Architectural /Engineering Services Agreement had been approved to prepare the rendering and engineering plans for construction of the restaurant last year but a new architectural firm was recently awarded the contract. A new entrance sign at south harbor was installed, giving greater visibility to the facilities. Our web page continues to receive compliments on its thoroughness and attractiveness. We added certain words to it that will cause "Moss Landing Harbor" to pop up whenever someone enters a particular word in their search engine. We have welcomed numerous permanent slip holders who had previously been in other harbors but chose Moss Landing because of its reasonable prices and overall improvements. All of these efforts should increase revenue by attracting tenants.

BUDGET HIGHLIGHTS

The District's budget projected operating revenues of \$2,449,310. The District finished the budget year with operating revenues of \$2,631,868, which was \$182,558 or 7.45% more than budgeted. The difference was mostly attributable to berthing and related revenues being above budget by \$119,169 and launch fee income being above budget by \$52,328.

Actual operating expenditures (before depreciation) totaled \$1,623,936 compared to the budget amount of \$1,551,773, or 4.6% higher than budgeted. The increase in expenses as compared to budget was due to higher than anticipated costs for utilities of \$28,076, and for salaries and related costs of \$43,906, which is associated with the significant increase in berthing revenues due to a strong fishing season.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation, at June 30, 2012, 2011 and 2010, totaled \$14,656,697, \$15,045,869 and \$15,728,497, respectively, as shown below. This amount represents a net decrease, including additions and disposals, net of depreciation, of approximately \$389,172 or 2.7% from June 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,642,860	\$ 1,642,860	\$ 1,642,860
Buildings and improvements	16,716,548	16,713,047	16,665,468
Floating docks	6,864,618	6,864,618	6,830,634
Equipment	744,631	732,617	728,374
Construction in progress	358,021	-	-
Total	<u>26,326,678</u>	<u>25,953,142</u>	<u>25,867,336</u>
Less accumulated depreciation	<u>(11,669,981)</u>	<u>(10,907,273)</u>	<u>(10,138,839)</u>
Total capital assets – net	<u>\$ 14,656,697</u>	<u>\$ 15,045,869</u>	<u>\$ 15,728,497</u>

Debt Administration

All of the District's debt is related to the North Harbor facilities expansion. The District's debt at June 30, 2012, 2011 and 2010, totaled \$5,399,738, \$5,626,310 and \$5,860,630, respectively. This represents a decrease of \$226,572 or 4.0%, from 2011.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's accountability for the District's assets. If you have questions about this report or need additional financial information, contact Linda G. McIntyre, General Manager, Moss Landing Harbor District, 7881 Sandholdt Road, Moss Landing, CA 95039, by calling (831) 633-5417, emailing to mcintyre@mosslandingharbor.dst.ca.us or by visiting the District's web page at www.mosslandingharbor.dst.ca.us.

FINANCIAL STATEMENTS

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,295,618	\$ 2,240,282
Accounts receivable, net	96,747	92,897
Grant receivable	294,104	-
Prepaid expenses and other current assets	58,038	69,284
Investments	<u>750,000</u>	<u>1,500,000</u>
Total current assets	<u>4,494,507</u>	<u>3,902,463</u>
NON-CURRENT ASSETS -		
Investments - long-term	<u>257,389</u>	<u>-</u>
Total long-term assets	<u>257,389</u>	<u>-</u>
CAPITAL ASSETS:		
Land	1,642,860	1,642,860
Depreciable property and equipment, net	12,655,816	13,403,009
Construction in progress	<u>358,021</u>	<u>-</u>
Total capital assets	<u>14,656,697</u>	<u>15,045,869</u>
TOTAL ASSETS	<u>\$ 19,408,593</u>	<u>\$ 18,948,332</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 35,952	\$ 28,683
Accrued wages and vacation pay	97,879	78,394
Accrued interest	108,714	77,283
Current portion of long-term debt	247,655	196,958
Deferred revenue	239,364	195,422
Customer deposits	<u>270,662</u>	<u>255,180</u>
Total current liabilities	<u>1,000,226</u>	<u>831,920</u>
LONG-TERM LIABILITIES -		
Long-term debt, net of current portion	<u>5,152,083</u>	<u>5,429,352</u>
Total long-term liabilities	<u>6,152,309</u>	<u>6,261,272</u>
NET ASSETS:		
Investment in capital assets, net of related debt	7,256,078	7,776,699
Unrestricted	<u>6,000,206</u>	<u>4,910,361</u>
Total net assets	<u>13,256,284</u>	<u>12,687,060</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,408,593</u>	<u>\$ 18,948,332</u>

See Notes to Basic Financial Statements.

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Berthing (cabin in a ship)	\$ 1,872,671	\$ 1,865,371
Rent	524,356	552,847
Operations	86,694	73,000
Concessions and other revenues	<u>148,147</u>	<u>106,428</u>
Total operating revenues	<u>2,631,868</u>	<u>2,597,646</u>
OPERATING EXPENSES:		
Depreciation	762,708	768,434
Personnel	686,038	660,888
Utilities	304,077	274,936
General and administrative	174,463	182,933
Insurance	108,474	100,493
Repairs and maintenance	215,667	227,604
Operating supplies	24,398	16,123
Bad debt	41,521	46,516
Commissioner	16,631	18,841
Miscellaneous	<u>52,667</u>	<u>10,560</u>
Total operating expenses	<u>2,386,644</u>	<u>2,307,328</u>
NET OPERATING INCOME	<u>245,224</u>	<u>290,318</u>
NON-OPERATING REVENUES (EXPENSES):		
Grant revenues	294,104	-
District taxes	221,319	224,883
Interest and investment income	33,289	36,931
Interest expense	<u>(224,712)</u>	<u>(239,520)</u>
Total non-operating revenues (expenses)	<u>324,000</u>	<u>22,294</u>
CHANGE IN NET ASSETS	569,224	312,612
NET ASSETS –		
Beginning of year	<u>12,687,060</u>	<u>12,374,448</u>
End of year	<u>\$ 13,256,284</u>	<u>\$ 12,687,060</u>

See Notes to Basic Financial Statements.

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,687,442	\$ 2,580,904
Cash paid to suppliers	(919,383)	(875,893)
Cash paid to employees	<u>(666,553)</u>	<u>(659,607)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,101,506</u>	<u>1,045,404</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	25,900	36,931
Purchases of investments	(1,000,000)	—
Maturities of investments	<u>1,500,000</u>	<u>250,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>525,900</u>	<u>286,931</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES –		
Cash received from district taxes	<u>221,319</u>	<u>224,883</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>221,319</u>	<u>224,883</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long-term debt	(226,572)	(234,320)
Interest paid	(193,282)	(232,448)
Purchases of property and equipment	<u>(373,535)</u>	<u>(85,806)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(793,389)</u>	<u>(552,574)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,055,336	1,004,644
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,240,282</u>	<u>1,235,638</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,295,618</u>	<u>\$ 2,240,282</u>

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)

	2012	2011
RECONCILIATION OF INCREASE IN NET OPERATING REVENUE TO NET CASH PROVIDED BY OPERATING ACTIVITIES –		
Net operating income	\$ 245,224	\$ 290,318
ADJUSTMENTS TO RECONCILE NET OPERATING REVENUE TO NET CASH PROVIDED BY OPERATING ACTIVITIES –		
Depreciation	762,708	768,434
CHANGES IN ASSETS AND LIABILITIES:		
Accounts receivable	(3,850)	(17,217)
Prepaid expenses	11,246	475
Accounts payable	7,269	(13,896)
Accrued expenses	19,485	1,281
Deferred revenue	43,942	(13,437)
Customer deposits	15,482	29,446
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,101,506	\$ 1,045,404

See Notes to Basic Financial Statements.

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1. ORGANIZATION

The Moss Landing Harbor District (the “District”) was formed in 1947 as a non-taxable government entity under California Senate Bill 1116 to provide for harbor and port facilities. It was formed for the purpose of creating a legal entity to negotiate with various governmental agencies for the financing and construction of a small craft harbor and the subsequent operation of the facility. The District is governed by an elected Board of five Commissioners. The District derives its revenues principally from fees charged to users of the harbor facilities, rent and concessions.

The accompanying financial statements include all the accounts of the District. There are no component units included in the District financial statements nor has the District been determined to be a component unit of any other entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus – The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. When both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first, then unrestricted resources as they are needed.

Operating revenues are generated by the berthing, rental, concessions and other operations of the harbor facilities. Operating expenses include the maintenance of the facilities. Management, administration, bad debts and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Investment earnings are accrued. Earned but unbilled revenues are accrued and reported in the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents – The District considers all highly liquid assets, which have a term of less than ninety days to maturity as cash equivalents. Included in cash and cash equivalents, is restricted cash that is kept in a separate bank account to be used for capital projects.

Investments – Investments consist of certificates of deposit held at local financial institutions. Investments are stated at their original deposit amount. The investments are insured in full under FDIC and Certificates of Deposit Registry Service (CDARS) coverage.

Accounts Receivables – Accounts receivable are composed of amounts due from customers for berthing fees. Accounts receivable are recorded net of an allowance for doubtful accounts. The allowance is estimated from historical experience and management’s analysis of individual customer balances. The allowance for doubtful accounts was \$24,171 and \$25,486 at June 30, 2012 and 2011, respectively.

Capital Assets – Capital assets are stated at cost. Gifts or contributions of such assets are stated at their estimated fair market value at the date received.

Depreciation has been computed over the following estimated useful lives using the straight-line method:

Land improvements	10 to 40 Years
Buildings and improvements	10 to 40 Years
Furniture, equipment and vehicles	3 to 20 Years

Depreciation of assets is recorded as an expense in the statements of revenues, expenses and changes in net assets. Land and construction in progress are not depreciated.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Revenues and Expenses – Revenues are recognized when earned. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for rent. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions. When an expense is incurred for which there are both restricted and unrestricted net assets available, it is the District’s policy to apply these expenses to restricted net assets to the extent that such are available and then to unrestricted net assets.

Compensated Absences – The District’s personnel policy provides full-time employees with vacation and sick leave in varying amounts. At termination, unrepresented employees are paid for accumulated (vested) vacation and one-half of their sick leave. Accordingly, compensation for vacation and sick leave is charged to expense as earned by the employee and accumulated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue – Deferred revenue represents amounts collected before year-end which were not earned as of June 30, 2012 and 2011. All deferred revenue is expected to be earned within the following year.

Budget Policy – The District adopts an annual budget. The budget includes expenditures and the means of financing them and is used for planning purposes. The budget is prepared on the accrual basis.

Net Assets – The District’s net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

Invested in Capital Assets, Net of Related Debt – This component of net assets, includes restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

District Tax Revenue – District tax revenue is composed of property taxes received from the County of Monterey. District tax revenue is recognized when it is available from the County.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – Provisions for income taxes are not recorded since Moss Landing Harbor District is a special district in Monterey County and is not subject to income taxes.

Subsequent Events – Subsequent events have been evaluated through November 26, 2012, which is the date the financial statements were available to be issued.

NOTE 3. CONCENTRATION OF CREDIT RISK

The District maintains its cash account in commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, a State regulation requires the Bank to place collateral on public funds deposits. The regulation stipulates that all deposits made by public entities made to accounts held at FDIC insured institutions must be collateralized at a rate of 110% by securities, which are held for the benefit of the entity. Therefore, no balances as of June 30, 2012 and 2011 are uninsured.

NOTE 4. CAPITAL ASSETS

Capital assets experienced the following changes for the year ended June 30, 2012:

	<u>Balance Beginning of Year</u>	<u>Current Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 1,642,860	\$ —	\$ —	\$ 1,642,860
Buildings and improvements	23,577,667	3,501	—	23,581,166
Furniture, equipment, and vehicles	732,615	12,014	—	744,631
Construction in progress	<u>—</u>	<u>358,021</u>	<u>—</u>	<u>358,021</u>
Total capital assets	25,953,142	373,536	—	26,326,678
Less accumulated depreciation	<u>(10,907,273)</u>	<u>(762,708)</u>	<u>—</u>	<u>(11,669,981)</u>
Capital assets – net	<u>\$15,045,869</u>	<u>\$ (389,172)</u>	<u>\$ —</u>	<u>\$14,656,697</u>

Capital assets experienced the following changes for the year ended June 30, 2011:

	<u>Balance Beginning of Year</u>	<u>Current Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 1,642,860	\$ —	\$ —	\$ 1,642,860
Buildings and improvements	23,496,104	81,563	—	23,577,667
Furniture, equipment, and vehicles	<u>728,372</u>	<u>4,243</u>	<u>—</u>	<u>732,615</u>
Total capital assets	25,867,336	85,806	—	25,953,142
Less accumulated depreciation	<u>(10,138,839)</u>	<u>(768,434)</u>	<u>—</u>	<u>(10,907,273)</u>
Capital assets – net	<u>\$15,728,497</u>	<u>\$ (682,628)</u>	<u>\$ —</u>	<u>\$15,045,869</u>

Depreciation expense was \$762,708 and \$768,434 for the years ended June 30, 2012 and 2011, respectively.

NOTE 5. LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Loans payable to State of California Department of Boating and Waterways (DBAW) with maximum commitment of \$2,850,000, for the purpose of funding the North Harbor Expansion project. Loans are secured by assignment of the District's berthing revenues and by its authority to levy taxes. Outstanding balances accrue interest at 4.5% per annum. Principal and interest payments of \$117,475 are due annually. These loans mature between August 2020 and August 2025.	\$ 1,005,584	\$ 1,005,584
Installment sale payable to the California Infrastructure and Economic Development Bank, with a maximum commitment of project funds totaling \$4,500,000, for the purposes of funding K-Dock Renovation, North Harbor and Elkhorn Slough Shoreline Protection Project. Outstanding balance accrues interest at 3.73% per annum. Fluctuating principal and interest payments are due in February and August each year. All amounts outstanding are due by August 2030.	3,517,558	3,643,376
Unsecured term note payable to Santa Barbara Bank & Trust, formerly First National Bank of Central California, with a maximum commitment of \$750,000. Principal and interest payments of \$71,515 are due annually. Outstanding balance accrues interest at 5% per annum. This note matures on November 2016.	534,598	577,521
Lease payments to Municipal Finance Corporation totaling \$500,000 to provide additional funding for the North Harbor Expansion project. The agreement is secured by a site lease covering an undeveloped 5-acre parcel. Principal and interest payments of \$48,008 are due annually. Outstanding balance accrues interest at 4.95% per annum. This agreement matures in December 2021.	<u>341,998</u>	<u>399,829</u>
Total long-term debt	\$ 5,399,738	\$ 5,626,310
Less current portion	<u>247,655</u>	<u>196,958</u>
Long-term debt, non-current portion	<u>\$ 5,152,083</u>	<u>\$ 5,429,352</u>

NOTE 5. LONG-TERM DEBT (Continued)

Total interest expense incurred in the years ended June 30, 2012 and 2011 was \$224,712 and \$239,520, respectively, all of which was charged to operations.

Santa Barbara Bank & Trust (formerly First National Bank of Central California) and The California Infrastructure and Economic Development Bank require the District to meet certain financial statement covenants. At June 30, 2012, the District was in compliance with all covenants.

Aggregate maturities or payments of principal and interest under long-term debt as of June 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 247,655	\$ 200,095	\$ 447,750
2014	289,344	206,471	495,815
2015	301,761	193,925	495,686
2016	315,537	180,816	496,353
2017	611,273	158,203	769,476
2018 – 2022	1,479,401	568,693	2,048,094
2023 – 2027	1,179,208	279,479	1,458,687
2028 – 2032	<u>975,559</u>	<u>62,291</u>	<u>1,037,850</u>
Total	<u>\$ 5,399,738</u>	<u>\$ 1,849,973</u>	<u>\$ 7,249,711</u>

NOTE 6. GRANT REVENUES

Grant revenues recognized during the year ended June 30, were comprised of grant awards received for the repair of tsunami damage.

	<u>2012</u>	<u>2011</u>
Federal Emergency Management Agency	\$ 294,104	\$ –
	<u>\$ 294,104</u>	<u>\$ –</u>

The District sustained damages as a result of the March, 2011 tsunami. In July, 2011 the District received an Approval of Request for Public Assistance from the Federal Emergency Management Agency (FEMA) through its state agency the California Emergency Management Agency (Cal EMA). In April, 2012 the District received a Notification of Obligation and Public Assistance Grant Summary from Cal EMA stating that six of the District's seven project applications for damage repairs had been approved. Total estimated project cost is \$2,668,834 of which the District has been granted reimbursement approval for \$2,001,626 or approximately 75%. As of the year ended June 30, 2012, the District had submitted reimbursement for \$294,104. As of the date of this report, the District had received reimbursement for the majority of this amount.

NOTE 7. RENTAL INCOME

The District is the lessor of land and improvements under operating leases expiring in various years through 2053. Future minimum lease payments to be received on non-cancelable operating leases as of June 30, 2012, for each of the next five years and thereafter are as follows:

2013	\$ 371,153
2014	363,216
2015	363,216
2016	346,947
2017	327,246
Thereafter	<u>5,926,276</u>
	<u>\$ 7,698,054</u>

Future minimum rentals do not include contingent rentals that may be received under certain leases based on the volume of business conducted by the lessee. Total contingent rentals for the years ended June 30, 2012 and 2011 were \$20,233 and \$31,161, respectively.

NOTE 8. RETIREMENT PLANS

Moss Landing Harbor District provides benefits to all of its employees through a defined contribution plan (SEP-IRA). The plan covers all full-time employees including those working under collective bargaining agreements.

In July 2000, the District established a 457/401(a) defined contribution plan for its non-union employees and continued the SEP-IRA for its union employees. The Plan offers each participating employee the ability to select various investment options. Employees are eligible to participate upon the completion of six months of employment. Participants are vested in the District contributions 20% per year after the first year of service and are fully vested after five years of service.

The District makes contributions based on 11% of base salaries for union employees and 6% of base salaries for non-union employees. Also, if the non-union employees elect to contribute to the 457 plan, the District contributes up to an additional 6%. For the years ended June 30, 2012 and 2011, the District's contributions to the SEP-IRA, 401(a), and 457 plans were \$109,716 and \$104,163, respectively.

NOTE 9. RISK MANAGEMENT

The District covers its liability for significant claims by purchasing workers' compensation, property and liability insurance. There have been no significant reductions in insurance coverage in the current year. Settlement amounts have not materially exceeded insurance coverage for the years ended June 30, 2012 and 2011.

NOTE 10. AUTHORITATIVE PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED

In November 2010, GASB issued Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. As a result, proprietary funds will no longer have to consider pre-1989 FASB or AICPA pronouncements nor will they be permitted to apply "new" FASB pronouncements issued after November 30, 1989. This statement is effective for fiscal years beginning after December 15, 2011. At this time the District is not certain of the effect the adoption of Statement 62 will have on the accompanying financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for fiscal years beginning after December 15, 2011. At this time the District is not certain of the effect the adoption of Statement 63 will have on the accompanying financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items were previously reported as assets and liabilities. This statement is effective for fiscal years beginning after June 15, 2013. The District has no plan for early implementation of this statement. At this time the District is not certain of the effect the adoption of Statement 65 will have on the accompanying financial statements.

NOTE 10. AUTHORITATIVE PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED
(Continued)

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosures and required supplementary information requirements about pensions are also addressed.

The requirements of this statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

This statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The District has no plan for early implementation of this statement. At this time the District is not certain of the effect the adoption of Statement 68 will have on the accompanying financial statements.