



**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
WITH INDEPENDENT AUDITOR'S REPORT**

MOSS LANDING HARBOR DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Moss Landing Harbor District
Moss Landing, California

We have audited the accompanying statements of financial position of the Moss Landing Harbor District (a California nontaxable government entity) as of June 30, 2009 and 2008, and the related statements of revenues, expenses, changes in retained earnings, 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 audits 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, 2009 and 2008, 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.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4, 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.

BBR LLP

BBR LLP
Carmel, California
December 4, 2009

MOSS LANDING HARBOR DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Moss Landing Harbor District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. Please read this in conjunction with the District's basic financial statements.

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 of \$2,346,754 were down from prior year by \$17,615 and revenues were below budget by \$45,250, or 1.9%. Revenue from berthing income increased by \$36,028 due primarily to an increase in assigned berthing occupancy. Berthing and related revenues were below budget by \$19,732 or 1.1%. Rent, operations, concessions and other income decreased by \$53,643, which was primarily due to the recognition of security deposit revenues in the prior year.

The District's property tax revenues decreased slightly by \$2,217. Grant revenues decreased by \$1,043,240 due to the completion of the North Harbor Improvement Project in the prior year.

Operating expenses of \$1,382,133 (before depreciation) were down from the prior year by 7.3%, or \$109,476, and below budget by \$125,167, or 8.3%. The decrease in expenses from the prior year was primarily due to decrease in costs for dredging and derelict disposals. General and administrative expenses were below budgeted amounts primarily as a result of cost-saving measures implemented by the District. And one of the highest expenses for all employers is personnel costs; however, the District's expenses for personnel were right in line with budget despite rising medical and other costs.

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 year ended June 30, 2009. The basic financial statements provide readers with a broad overview of the District's finances, in a manner similar to 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 financial position – presents information on all of the District's assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund retained earnings 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 retained earnings – presents information showing how the District's retained earnings changed during the fiscal year. All changes in retained earnings 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.

**MOSS LANDING HARBOR DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS**

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 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 fund equity is presented below:

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Current and other assets | \$ 2,854,495 | \$ 2,394,829 |
| Capital assets, net of depreciation | <u>16,054,246</u> | <u>16,353,500</u> |
| Total assets | <u>\$18,908,741</u> | <u>\$18,748,329</u> |
| Current liabilities | \$ 915,395 | \$ 832,355 |
| Long-term debt | <u>5,953,524</u> | <u>6,198,430</u> |
| Total liabilities | <u>\$ 6,868,919</u> | <u>\$ 7,030,785</u> |
| Investment in capital assets, net of related debt | \$ 8,212,957 | \$ 8,277,434 |
| Retained earnings | <u>3,826,865</u> | <u>3,440,110</u> |
| Total fund equity | <u>\$12,039,822</u> | <u>\$11,717,544</u> |

Summary of changes in retained earnings is presented below:

| | <u>2009</u> | <u>2008</u> |
|-----------------------------------|-------------------|---------------------|
| Changes in retained earnings | | |
| Operating revenues | \$ 2,346,754 | \$ 2,364,369 |
| Operating expenses | (1,382,133) | (1,491,609) |
| Depreciation | <u>(705,275)</u> | <u>(699,395)</u> |
| Net operating income | 259,346 | 173,365 |
| Non-operating revenues | 331,734 | 1,411,817 |
| Non-operating expenses – interest | <u>(268,802)</u> | <u>(282,457)</u> |
| Increase retained earnings | <u>\$ 322,278</u> | <u>\$ 1,302,725</u> |

**MOSS LANDING HARBOR DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS**

Financial Analysis of the District as a Whole (continued)

A statement of major revenues and expenses is presented below:

| | <u>2009</u> | <u>2008</u> |
|-----------------------------------|---------------------|---------------------|
| Revenues | | |
| Berthing | \$ 1,718,096 | \$ 1,682,068 |
| Rents | 493,379 | 456,259 |
| District property taxes | 256,742 | 258,959 |
| Operations, concessions and other | 135,279 | 226,042 |
| Grant revenues | 46,323 | 1,089,563 |
| Interest income | <u>28,669</u> | <u>63,295</u> |
| Total revenues | <u>\$ 2,678,488</u> | <u>\$ 3,776,186</u> |
| Expenses | | |
| Depreciation | \$ 705,275 | \$ 699,395 |
| Personnel | 664,583 | 670,623 |
| Utilities | 311,002 | 259,511 |
| Interest | 268,802 | 282,457 |
| General and administrative | 298,189 | 336,653 |
| Repairs and maintenance | 94,412 | 202,427 |
| District | <u>13,947</u> | <u>22,395</u> |
| Total expenses | <u>\$ 2,356,210</u> | <u>\$ 2,473,461</u> |

Future Plans

The District is pleased that it continued to maintain its certified California Clean Marina status during the last year, a standard that it intends to maintain for the benefit of its tenants as well as to attract new tenants. Along this vein, the District is continuing with its piling replacement project to be completed by the next fiscal year end, and electrical upgrade with dock refurbishing is an ongoing project that is resulting in positive feedback and customer satisfaction. This should also increase revenue by attracting tenants. Other revenue-enhancing plans include grading and installing base rock at a dry storage yard opposite the South Harbor parking lot, which will maximize efficient use of the property and improve the view-shed. A lease for construction and operation of a new restaurant is planned at the North Harbor which will complete the first phase of the North Harbor Improvement Project.

Contacting the District's Financial Management

The 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 the Moss Landing Harbor District, 7881 Sandholdt Road, Moss Landing, CA 95039.

MOSS LANDING HARBOR DISTRICT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

(See notes to financial statements)

| | <u>2009</u> | <u>2008</u> |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and equivalents | \$ 2,738,522 | \$ 2,099,407 |
| Accounts receivable, net | 48,206 | 55,395 |
| Prepaid expenses and other current assets | 67,767 | 40,152 |
| Investments | - | 199,875 |
| Total current assets | <u>2,854,495</u> | <u>2,394,829</u> |
| CAPITAL ASSETS | | |
| Land | 1,642,860 | 1,642,860 |
| Depreciable property and equipment, net | <u>14,411,386</u> | <u>14,710,640</u> |
| Total capital assets | <u>16,054,246</u> | <u>16,353,500</u> |
| Total assets | <u>\$ 18,908,741</u> | <u>\$ 18,748,329</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 81,352 | \$ 20,705 |
| Accrued wages and vacation pay | 68,192 | 69,132 |
| Accrued interest | 137,773 | 130,789 |
| Current portion of long-term debt | 244,905 | 234,776 |
| Deferred revenue | 177,499 | 197,614 |
| Customer deposits | <u>205,674</u> | <u>179,339</u> |
| Total current liabilities | 915,395 | 832,355 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, net of current portion | <u>5,953,524</u> | <u>6,198,430</u> |
| Total liabilities | <u>6,868,919</u> | <u>7,030,785</u> |
| FUND EQUITY | | |
| Investment in capital assets, net of related debt | 8,212,957 | 8,277,434 |
| Retained earnings | <u>3,826,865</u> | <u>3,440,110</u> |
| Total fund equity | <u>12,039,822</u> | <u>11,717,544</u> |
| Total liabilities and fund equity | <u>\$ 18,908,741</u> | <u>\$ 18,748,329</u> |

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(See notes to financial statements)

| | <u>2009</u> | <u>2008</u> |
|--|----------------------|----------------------|
| OPERATING REVENUE | | |
| Berthing | \$ 1,718,096 | \$ 1,682,068 |
| Rent | 493,379 | 456,259 |
| Operations | 66,396 | 163,626 |
| Concessions and other revenue | <u>68,883</u> | <u>62,416</u> |
| Total operating revenue | <u>2,346,754</u> | <u>2,364,369</u> |
| OPERATING EXPENSES | | |
| Depreciation | 705,275 | 699,395 |
| Personnel | 664,583 | 670,623 |
| Utilities | 311,002 | 259,511 |
| General and administrative | 131,533 | 162,628 |
| Insurance | 111,059 | 109,043 |
| Repairs and maintenance | 94,412 | 202,427 |
| Operating supplies | 26,593 | 17,644 |
| Bad debt | 20,867 | 26,605 |
| Commissioner | 13,947 | 22,395 |
| Miscellaneous | <u>8,137</u> | <u>20,733</u> |
| Total operating expenses | <u>2,087,408</u> | <u>2,191,004</u> |
| NET OPERATING INCOME | <u>259,346</u> | <u>173,365</u> |
| NON-OPERATING REVENUE (EXPENSE) | | |
| Grant revenues | 46,323 | 1,089,563 |
| District taxes | 256,742 | 258,959 |
| Interest income | 28,669 | 63,295 |
| Interest expense | <u>(268,802)</u> | <u>(282,457)</u> |
| Total net non-operating revenue | <u>62,932</u> | <u>1,129,360</u> |
| CHANGE IN RETAINED EARNINGS | <u>322,278</u> | <u>1,302,725</u> |
| RETAINED EARNINGS | | |
| Beginning of year | <u>11,717,544</u> | <u>10,414,819</u> |
| End of year | <u>\$ 12,039,822</u> | <u>\$ 11,717,544</u> |

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(See notes to financial statements)

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 2,339,296 | \$ 2,287,655 |
| Cash paid to suppliers | (663,651) | (836,590) |
| Cash paid to employees | (665,523) | (654,268) |
| Net cash provided by operating activities | <u>1,010,122</u> | <u>796,797</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 28,669 | 62,283 |
| Purchases of investments | (500,000) | (899,875) |
| Maturities of investments | 699,875 | 700,000 |
| Purchases of property and equipment | (406,021) | (1,543,368) |
| Net cash used by investing activities | <u>(177,477)</u> | <u>(1,680,960)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Cash received from grants | 46,323 | 1,089,563 |
| Cash received from district taxes | 256,742 | 258,959 |
| Net cash provided by non-capital financing activities | <u>303,065</u> | <u>1,348,522</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal payments on long-term debt | (234,777) | (219,639) |
| Interest paid | (261,818) | (287,329) |
| Net cash used by capital and related financing activities | <u>(496,595)</u> | <u>(506,968)</u> |
| NET CHANGE IN CASH AND EQUIVALENTS | 639,115 | (42,609) |
| CASH AND EQUIVALENTS | | |
| Beginning of year | <u>2,099,407</u> | <u>2,142,016</u> |
| End of year | <u>\$ 2,738,522</u> | <u>\$ 2,099,407</u> |
| Reconciliation of increase in net operating revenue to net cash provided by operating activities | | |
| Net operating income | \$ 259,346 | \$ 173,365 |
| Adjustments to reconcile net operating revenue to net cash provided by operating activities | | |
| Depreciation | 705,275 | 699,395 |
| Changes in assets and liabilities | | |
| Accounts receivable | 7,189 | 6,347 |
| Prepaid expense | (27,615) | (24,511) |
| Accounts payable | 60,647 | (17,698) |
| Accrued expenses | (940) | 16,355 |
| Deferred revenues | 6,220 | (56,456) |
| Net cash provided by operating activities | <u>\$ 1,010,122</u> | <u>\$ 796,797</u> |

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION

The Moss Landing Harbor District (the District) was formed in 1947 as a nontaxable 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.

SIGNIFICANT ACCOUNTING POLICIES

The District's significant accounting policies follow:

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.

The District has elected under Government Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

In accordance with Government Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply only those applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates – Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the 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. Accordingly, actual results could differ from such estimates.

Cash and equivalents – Investments are categorized as cash equivalents if their original maturity date is 90 days or less when purchased. Cash equivalents include checking, savings and money market accounts with an original maturity of 90 days or less. Cash balances held in major financial institutions exceed federally insured limits. The District has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk. Cash balances at financial institutions are insured by the Federal Deposit Insurance Corporation to \$250,000. Cash and securities held at a brokerage firm are protected by the Securities Investor Protection Corporation to \$500,000. The District has cash and securities at institutions in excess of insured or protected amounts. Included in cash and equivalents, is restricted cash that is kept in a separate bank account to be used for capital projects. Restricted cash at June 30, 2009 and 2008 totaled \$5,980 and \$5,974, respectively.

Investments – Investments consist of unrated certificates of deposit held at Raymond James, and are stated at original deposit plus accrued interest. Raymond James carries account protection equal to the amount of total net equity of securities held in the account. Raymond James is also a member of Securities Investor Protection Corporation (SIPC), which protects securities customers of its members up to \$500,000, including \$100,000 in claims for cash awaiting investment (SIPC coverage). The District does not have a policy that addresses custodial credit risk.

Financial instruments – Accounting principles generally accepted in the United States of America requires disclosure of an estimate of fair value of certain financial instruments. Financial instruments included in the District's statements of financial position include cash and equivalents, accounts receivable, net, investments, and long-term debt. For these instruments, carrying value approximates fair value.

Accounts receivable – Accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. The allowance for doubtful accounts was \$0 and \$10,000 at June 30, 2009 and 2008, respectively.

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

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

| | |
|-----------------------------------|---------------|
| Land improvements | 10 – 40 years |
| Buildings and improvements | 10 – 40 years |
| Furniture, equipment and vehicles | 3 – 20 years |

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

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 sick leave. Accordingly, compensation for vacation and sick leave is charged to expense as earned by the employee and accumulated.

Deferred revenue – Deferred revenue represents amounts collected before year-end which were not earned as of June 30, 2009 and 2008. All deferred revenue is expected to be earned within one year.

Budget – 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.

Fund equity – Fund equity is classified as follows:

- Investment in capital assets, net of related debt, which consists of capital assets, net of accumulated depreciation and reduced by related debt; or
- Retained earnings, which consists of all other fund equity

The District did not have any restricted fund equity subject to external constraints.

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.

FAIR VALUE MEASUREMENTS

SFAS No. 157, Fair Value Measurements ("SFAS 157") defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS 157 also expands financial statement disclosures about fair value measurements.

Fair values of assets measured on a recurring basis at June 30, 2009 consists of the following.

| <u>Assets</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Value</u> |
|----------------|----------------|----------------|----------------|---------------|
| Long-term debt | \$6,198,429 | \$ - | \$ - | \$ 6, 198,429 |

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS

Capital assets consist of the following:

| | <u>Land</u> | <u>Improve- ments</u> | <u>Construc- tion in Progress</u> | <u>Equipment</u> | <u>Total</u> |
|--|---------------------|---------------------------|---|-------------------|---------------------|
| Cost at June 30, 2007 | \$ 1,642,860 | \$20,931,919 | \$ 188,790 | \$ 715,925 | \$23,479,494 |
| Additions | - | 1,725,193 | 1,099,171 | 6,965 | 2,831,329 |
| Deletions | <u>-</u> | <u>-</u> | <u>(1,287,961)</u> | <u>-</u> | <u>(1,287,961)</u> |
| Cost at June 30, 2008 | <u>1,642,860</u> | <u>22,657,112</u> | <u>-</u> | <u>722,890</u> | <u>25,022,862</u> |
| Accumulated depreciation at June 30, 2007 | - | (7,423,015) | - | (546,952) | (7,969,967) |
| Current expense charged to operations | <u>-</u> | <u>(658,416)</u> | <u>-</u> | <u>(40,979)</u> | <u>(699,395)</u> |
| Accumulated depreciation at June 30, 2008 | <u>-</u> | <u>(8,081,431)</u> | <u>-</u> | <u>(587,931)</u> | <u>(8,669,362)</u> |
| Net book value at June 30, 2008 | <u>\$ 1,642,860</u> | <u>\$14,575,681</u> | <u>\$ -</u> | <u>\$ 134,959</u> | <u>\$16,353,500</u> |
| Cost at June 30, 2008 | \$ 1,642,860 | \$22,657,112 | \$ - | \$ 722,890 | \$25,022,862 |
| Additions | - | 403,812 | - | 2,209 | 406,021 |
| Deletions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cost at June 30, 2009 | <u>1,642,860</u> | <u>23,060,924</u> | <u>-</u> | <u>725,099</u> | <u>25,428,883</u> |
| Accumulated depreciation at June 30, 2008 | - | (8,081,431) | - | (587,931) | (8,669,362) |
| Current expense charged to operations | <u>-</u> | <u>(686,573)</u> | <u>-</u> | <u>(18,702)</u> | <u>(705,275)</u> |
| Accumulated depreciation at June 30, 2009 | <u>-</u> | <u>(8,768,004)</u> | <u>-</u> | <u>(606,633)</u> | <u>(9,374,637)</u> |
| Net book value at June 30, 2009 | <u>\$ 1,642,860</u> | <u>\$14,292,920</u> | <u>\$ -</u> | <u>\$ 118,466</u> | <u>\$16,054,246</u> |

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS

LONG-TERM DEBT

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

| | 2009 | 2008 |
|--|--------------------|---------------------|
| 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%. Principal and interest payments are due annually. These loans mature between August 2020 and August 2025. | \$ 1,206,732 | \$ 1,267,296 |
| 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%. Principal and interest payments are due in February and August each year. The agreement expires in August 2030. | 3,881,601 | 3,994,328 |
| Unsecured term note payable to First National Bank of Central California with a maximum commitment of \$750,000. Principal and interest payments are due monthly. Outstanding balance accrues interest at 5.0%. This note matures on November 2021. | 657,764 | 694,839 |
| Sublease payments to Municipal Finance Corporation totaling \$500,000 to provide additional funding the North Harbor Expansion project. The agreement is secured by a site lease covering an undeveloped 5-acre parcel. Principal and interest payments are due monthly. Outstanding balance accrues interest at 4.95%. This agreement matures in December 2021. | 452,332 | 476,743 |
| | \$6,198,429 | \$ 6,433,206 |

Total interest expense incurred in the years ended June 30, 2009 and 2008 was \$268,802 and \$282,457, respectively, all of which was charged to operations.

The California Infrastructure and Economic Development Bank requires the District to meet certain financial statement covenants.

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS

LONG-TERM DEBT (continued)

Debt activity for the year ended June 30, 2009 was as follows:

| | <u>June 30, 2008</u> | <u>Draws</u> | <u>Payments</u> | <u>June 30, 2009</u> |
|--|----------------------|--------------|---------------------|----------------------|
| DBAW | \$ 1,267,296 | \$ - | \$ (60,564) | \$ 1,206,732 |
| California Infrastructure and Economic Development Bank | 3,994,328 | - | (112,727) | 3,881,601 |
| First National Bank of Central California | 694,839 | - | (37,075) | 657,764 |
| Municipal Finance Corporation | <u>476,743</u> | <u>-</u> | <u>(24,411)</u> | <u>452,332</u> |
| | <u>\$ 6,433,206</u> | <u>\$ -</u> | <u>\$ (234,777)</u> | <u>\$ 6,198,429</u> |

Debt activity for the year ended June 30, 2008 was as follows:

| | <u>June 30, 2007</u> | <u>Draws</u> | <u>Payments</u> | <u>June 30, 2008</u> |
|--|----------------------|--------------|---------------------|----------------------|
| DBAW | \$ 1,322,646 | \$ - | \$ (55,350) | \$ 1,267,296 |
| California Infrastructure and Economic Development Bank | 4,103,002 | - | (108,674) | 3,994,328 |
| First National Bank of Central California | 727,197 | - | (32,358) | 694,839 |
| Municipal Finance Corporation | <u>500,000</u> | <u>-</u> | <u>(23,257)</u> | <u>476,743</u> |
| | <u>\$ 6,652,845</u> | <u>\$ -</u> | <u>\$ (219,639)</u> | <u>\$ 6,433,206</u> |

Aggregate maturities or payments of principal and interest under long-term debt for each of the succeeding years ending June 30 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|---------------------|
| 2010 | \$ 244,905 | \$ 251,627 | \$ 496,532 |
| 2011 | 255,409 | 241,041 | 496,450 |
| 2012 | 266,296 | 230,070 | 496,366 |
| 2013 | 277,814 | 218,467 | 496,281 |
| 2014 | 289,756 | 206,434 | 496,190 |
| 2015-2019 | 1,646,991 | 831,760 | 2,478,751 |
| 2020-2024 | 1,531,861 | 465,516 | 1,997,377 |
| 2025-2029 | 1,189,864 | 203,581 | 1,393,445 |
| 2030-2031 | <u>495,533</u> | <u>18,652</u> | <u>514,185</u> |
| | <u>\$ 6,198,429</u> | <u>\$ 2,667,148</u> | <u>\$ 8,865,577</u> |

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS

LONG-TERM DEBT (continued)

Debt due during the year ended June 30, 2010 is comprised of the following:

| | |
|---|-------------------|
| DBAW | \$ 63,288 |
| California Infrastructure and Economic Development Bank | 116,933 |
| First National Bank of Central California | 39,066 |
| Municipal Finance Corporation | <u>25,618</u> |
| | <u>\$ 244,905</u> |

GRANT REVENUES

Grant revenues received during the years ended June 30, were comprised of grant awards received for the North Harbor Expansion project from the following sources:

| | <u>2009</u> | <u>2008</u> |
|--|------------------|---------------------|
| Transportation Agency for Monterey County | \$ 46,323 | \$ 73,724 |
| DBAW | - | 748,114 |
| State of California Department of Transportation | <u>-</u> | <u>267,725</u> |
| | <u>\$ 46,323</u> | <u>\$ 1,089,563</u> |

OPERATING LEASES

The District is the lessor of land and improvements under operating leases expiring in various years through 2053. Minimum future lease payments to be received on non-cancelable leases as of June 30, 2009, for each of the next five years and thereafter are:

| | |
|------------|---------------------|
| 2010 | \$ 361,236 |
| 2011 | 341,580 |
| 2012 | 307,810 |
| 2013 | 290,677 |
| 2014 | 284,545 |
| Thereafter | <u>6,523,588</u> |
| | <u>\$ 8,109,436</u> |

Minimum future 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, 2009 and 2008 were \$20,474 and \$24,379, respectively.

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS

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% 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, 2009 and 2008, the District's contributions to the SEP-IRA plan were \$14,538 and \$14,508 and contributions to the 401(a) and 457 plans were \$22,157 and \$19,832, respectively.

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 current year.

SUBSEQUENT EVENTS

The District has evaluated subsequent events for potential recognition and/or disclosure through DATE, the date which the financial statements were available to be issued. No such events exist.