

MOSS LANDING HARBOR DISTRICT

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Moss Landing Harbor District
Moss Landing, California

Opinion

We have audited the accompanying financial statements of the Moss Landing Harbor District (the District), as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

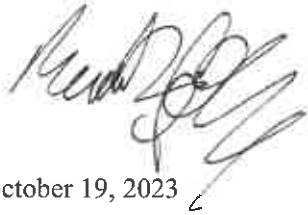
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The basic financial statements include summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's basic financial statements for the year ended June 30, 2022, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

A handwritten signature in black ink, appearing to be "Kendall J. [unclear]", written over the date.

October 19, 2023

**MOSS LANDING HARBOR DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

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, 2023 and 2022. 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 were \$3,659,053 in 2023, \$3,695,603 in 2022, and \$3,670,226 in 2021. Operating revenues were below budget by \$217,174 or 5.60%, in 2023. Berthing income and related revenues increased by \$67,057 or 2.64%, in 2023. Berthing and related revenues were below budget by \$97,147 or 3.60%. Rent, concessions and other income decreased by \$103,067, or 8.94%, over the prior year.

The District's property tax revenues increased by \$29,371.

Operating expenses (before depreciation) were \$2,497,231 in 2023, \$1,822,445 in 2022, and \$1,847,139 in 2021. The current year costs were higher than the prior year by \$674,786 or 37.03%, and below budget by \$1,182,920 or 32.14%. Expenses were below budget primarily due to personnel costs which were below budget by \$149,464, general and administrative expenses below budget by \$75,423 and dredging related costs which were \$75,094 below budget, and elections costs below budget by \$649,855.

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, 2023. 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 net position 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 position – presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. 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 net position 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 position for years ended June 30, are presented below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 11,829,413	\$ 10,521,349	\$ 8,303,208
Non-current assets	4,339,444	4,264,672	7,389
Capital assets, net of depreciation	<u>13,848,194</u>	<u>14,229,826</u>	<u>14,682,646</u>
 Total assets	 <u>\$ 30,017,051</u>	 <u>\$ 29,015,847</u>	 <u>\$ 22,993,243</u>
 Current liabilities	 \$ 764,126	 \$ 839,613	 \$ 1,006,511
Long-term debt	<u>1,614,534</u>	<u>1,857,326</u>	<u>2,163,830</u>
 Total liabilities	 <u>\$ 2,378,660</u>	 <u>\$ 2,696,939</u>	 <u>\$ 3,170,341</u>
 Deferred inflows of resources	 <u>\$ 4,982,785</u>	 <u>\$ 4,957,734</u>	 <u>\$ 223,602</u>
 Net investment in capital assets	 \$ 11,990,819	 \$ 12,065,996	 \$ 12,173,945
Net position	<u>10,664,787</u>	<u>9,295,178</u>	<u>7,425,355</u>
 Total net position	 <u>\$ 22,655,606</u>	 <u>\$ 21,361,174</u>	 <u>\$ 19,599,300</u>

A summary of changes in net position is presented below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Changes in net position			
Operating revenues	\$ 3,659,053	\$ 3,695,603	\$ 3,670,226
Operating expenses	(2,497,231)	(1,822,445)	(1,847,139)
Depreciation	<u>(777,285)</u>	<u>(761,784)</u>	<u>(757,058)</u>
 Net operating income	 384,537	 1,111,374	 1,066,029
 Non-operating revenues	 963,558	 713,040	 352,685
Non-operating expenses	(53,663)	(62,540)	(72,449)
 Increase in net position	 <u>\$ 1,294,432</u>	 <u>\$ 1,761,874</u>	 <u>\$ 1,346,265</u>

Financial Analysis of the District as a Whole (continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Berthing	\$ 2,603,537	\$ 2,536,480	\$ 2,528,581
Rents	640,633	660,133	726,806
District property taxes	402,733	373,362	348,780
Operations, concessions and other	414,883	498,990	414,839
Grant revenues	375,065	329,207	-
Interest income on leases	128,132	-	-
Interest income	57,628	10,471	3,905
Total revenues	<u>\$ 4,622,611</u>	<u>\$ 4,408,643</u>	<u>\$ 4,022,911</u>
Expenses			
Depreciation	\$ 777,285	\$ 761,784	\$ 757,058
Personnel	798,964	691,084	711,931
Utilities	549,543	504,161	469,320
Interest	53,663	62,540	72,449
General and administrative	170,827	160,630	191,076
Repairs and maintenance	363,764	207,525	185,794
District	614,133	259,045	289,018
Total expenses	<u>\$ 3,328,179</u>	<u>\$ 2,646,769</u>	<u>\$ 2,676,646</u>

Future Plans

The District is a California Clean Marina, 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, ongoing dock refurbishing and sea lion deterrents where appropriate. Currently an infrastructure improvement project including pile replacement, shoreline protection and floating dock repair and replacement is in the permitting phase with the expectation of the project taking place during the winter of 2023/2024. The District is also in process to begin completion of our 9,500 square foot building shell in the North Harbor and is in contact with interested parties who may potentially occupy space in the building once construction has completed. The District's slip occupancy remains near 100% as we continue to welcome numerous permanent and temporary slip holders who had previously been in other harbors but choose Moss Landing because of its reasonable prices and overall improvements. All of these efforts should maintain revenue and attract tenants.

Budget Highlights

The District's budget projected operating revenues of \$3,876,228. The District finished the budget year with operating revenues of \$3,659,053 which was \$217,175 or 5.60% better than budgeted.

The District's budget projected expenditures (before depreciation) of \$3,680,144. The District finished the budget year with expenditures of \$2,497,231, which was \$1,182,913, or 32.14% lower than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation, at June 30, 2023, 2022, and 2021, totaled \$13,848,194, \$14,229,826, and \$14,682,646, respectively, as shown below. This amount represents a net decrease, including additions and disposals of \$381,632 or 2.68% from the prior year. This decrease is due to a combination of the demolition of a building in the North Harbor, and increase in accumulated depreciation, and an increase in construction in progress.

Capital Assets (Net of Depreciation)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 1,642,860	\$ 1,642,860	\$ 1,642,860
Buildings and improvements	16,174,158	15,967,605	15,698,228
Floating docks	10,108,421	10,108,421	10,108,421
Construction in progress	5,035,450	4,900,573	4,880,493
Equipment	<u>555,680</u>	<u>501,457</u>	<u>481,950</u>
	33,516,569	33,120,916	32,811,952
Less depreciation	<u>19,668,375</u>	<u>18,891,090</u>	<u>18,129,306</u>
	<u>\$ 13,848,194</u>	<u>\$ 14,229,826</u>	<u>\$ 14,682,646</u>

Debt Administration

All of the District's debt is related to the North Harbor facilities expansion, Cannery building improvements and the development of the K-Pier. The District's debt at June 30, 2023, 2022, and 2021, totaled \$1,857,375, \$2,163,830, and \$2,508,701 respectively. This represents a decrease of \$306,455 or 14.16%, from the prior year.

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 Tommy Razzeca, General Manager, Moss Landing Harbor District, 7881 Sandholdt Road, Moss Landing, CA 95039, by calling (831) 633-5417, emailing to razzeca@mosslandingharbor.dst.ca.us or by visiting the District's web page at www.mosslandingharbor.dst.ca.us.

MOSS LANDING HARBOR DISTRICT

STATEMENTS OF NET POSITION JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,962,188	\$ 4,308,070
Restricted cash and cash equivalents	5,907,066	5,374,349
Accounts receivable, net	236,631	219,009
Lease receivable	429,661	356,946
Prepaid expenses and other current assets	293,867	262,975
Total current assets	<u>11,829,413</u>	<u>10,521,349</u>
Non-current assets		
Lease receivable, net of current	4,332,055	4,257,283
Investments	7,389	7,389
Capital assets, net of allowance for depreciation	13,848,194	14,229,826
Total non-current assets	<u>18,187,638</u>	<u>18,494,498</u>
Total assets	<u>30,017,051</u>	<u>29,015,847</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	39,510	59,735
Accrued wages and vacation	55,416	53,723
Accrued interest	22,056	25,696
Deposits	404,303	393,955
Current portion of long-term debt	242,841	306,504
Total current liabilities	<u>764,126</u>	<u>839,613</u>
Non-current liabilities		
Long-term debt	1,614,534	1,857,326
Total non-current liabilities	<u>1,614,534</u>	<u>1,857,326</u>
Total liabilities	<u>2,378,660</u>	<u>2,696,939</u>
DEFERRED INFLOWS OF RESOURCES		
Right of use - lease revenue	4,763,725	4,718,484
Unearned berth fees and lease receipts	219,060	239,250
Total deferred inflows of resources	<u>4,982,785</u>	<u>4,957,734</u>
NET POSITION		
Net investment in capital assets	11,990,819	12,065,996
Restricted for public land use	4,889,828	4,357,213
Restricted for debt service	1,017,238	1,017,136
Unrestricted	4,757,721	3,920,829
Total net position	<u>\$ 22,655,606</u>	<u>\$ 21,361,174</u>

See accompanying notes

MOSS LANDING HARBOR DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Berthing	\$ 2,603,537	\$ 2,536,480
Rent	640,633	660,133
Operations	144,033	162,915
Concessions and other revenues	270,850	336,075
Total operating revenues	<u>3,659,053</u>	<u>3,695,603</u>
Operating Expenses		
Personnel	798,964	691,084
Utilities	549,543	504,161
General and administrative	170,827	160,630
Insurance	179,500	172,180
Repairs and maintenance	363,764	207,525
Operating supplies	33,082	25,858
Bad debt	20,542	25,500
Commissioner	366,920	17,896
Miscellaneous	14,089	17,611
Depreciation	777,285	761,784
Total operating expenses	<u>3,274,516</u>	<u>2,584,229</u>
Operating income/(loss)	<u>384,537</u>	<u>1,111,374</u>
Nonoperating Revenues/(Expenses)		
Grant revenues	375,065	329,207
Property taxes	402,733	373,362
Interet income on leases	128,132	-
Interest income	57,628	10,471
Interest expense	(53,663)	(62,540)
Total non-operating revenues/(expenses)	<u>909,895</u>	<u>650,500</u>
Change in Net Position	1,294,432	1,761,874
Net Position		
Beginning of year	21,361,174	19,599,300
End of year	<u>\$ 22,655,606</u>	<u>\$ 21,361,174</u>

MOSS LANDING HARBOR DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Receipts from customers and users	\$ 3,529,343	\$ 3,637,858
Payments to suppliers for goods and services	(1,749,384)	(1,135,238)
Payments to employees for services	(797,271)	(693,128)
Net cash provided by (used in) operating activities	<u>982,688</u>	<u>1,809,492</u>
Noncapital Financing Activities		
Property taxes received	402,733	373,362
Net cash provided by noncapital financing activities	<u>402,733</u>	<u>373,362</u>
Capital and Related Financing Activities		
Acquisition of capital assets	(395,653)	(308,964)
Receipts from capital grants	375,065	329,207
Principal paid on long-term debt	(306,455)	(344,871)
Interest paid on long-term debt	(57,304)	(66,636)
Net cash provided by (used in) capital and related financing activities	<u>(384,347)</u>	<u>(391,264)</u>
Investing Activities		
Interest received	185,760	10,471
Net cash provided by investing activities	<u>185,760</u>	<u>10,471</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,186,834	1,802,061
Cash and Cash Equivalents		
Beginning of year	9,682,419	7,880,358
End of year	<u>\$ 10,869,254</u>	<u>\$ 9,682,419</u>
Cash Flows from Operating Activities		
Operating income (loss)	\$ 384,537	\$ 1,111,374
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	777,285	761,784
(Increase) Decrease in accounts receivable, net	(17,622)	(29,671)
(Increase) Decrease in notes receivable	(147,487)	(4,614,229)
(Increase) Decrease in prepaid expenses and other current assets	(30,892)	(29,462)
Increase (Decrease) in accounts payable	(20,225)	25,585
Increase (Decrease) in accrued wages and vacation	1,693	(2,044)
Increase (Decrease) in deposits	10,348	(147,977)
Increase (Decrease) in deferred inflows of resources	25,051	4,734,132
Net Cash Provided by (Used in) Operating Activities	<u>\$ 982,688</u>	<u>\$ 1,809,492</u>

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Moss Landing Harbor District (the “District”) was formed in 1947 as a non-taxable government entity under the 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 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.

Basis of Accounting and Measurement Focus

The District accounts for its operations in enterprise funds using the economic resources measurement focus and the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s principal ongoing operations. The principal operating revenues of the District are generated by the berthing, rental, concessions and other operations of the harbor facilities. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Statement Amounts

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.

Investments – Investments consist of Principal Financial common stock. Investments are stated at fair value. This investment is a Level 1 Input as the valuation methodology is based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Accounts Receivable – 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 \$25,000 at June 30, 2023.

Capital Assets – Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Capital assets in service are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10 - 40
Buildings and improvements	10 - 40
Furniture, equipment and vehicles	3 - 20

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences – The District allows employees to accumulate unused vacation leave and sick leave. Upon termination, accumulated vacation that was not taken will be paid to the employee. One-half of the employee's sick leave is paid upon termination. Currently, there are only two employees who qualify for payout of sick leave upon termination.

Accumulated vacation leave that is expected to be paid with expendable available financial resources is recorded as an expense and liability as the benefits accrue.

Long-Term Obligations – Long-term debt and other obligations are reported as District liabilities. Loan fees are deferred and amortized over the life of the loan using the effective interest method.

Net Position – The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

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

Note 2 – Cash and Investments

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposits or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all public agency deposits. Under California law this collateral remains with the institution but is held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 2 – Cash and Investments (continued)

Cash and Investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 4,962,188
Restricted cash and cash equivalents	5,907,066
Investments	7,389
	<u>\$ 10,876,643</u>

Cash and Investments as of June 30, 2023 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	10,868,754
Principal Financial Common Stock	7,389
Total Cash and Investments	<u>\$ 10,876,643</u>

Investments Authorized by the District’s Investment Policy

The District’s Investment Policy and the California Government Code allows the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District. The following also identifies certain provisions of the District and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The District’s Investment Policy authorizes the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Minimum Credit Quality</u>
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State of California Obligations	5 Years	None	None
California Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Bankers Acceptances	180 Days	40%	None
Commercial Paper	270 Days	25%	A-1
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Medium Term Notes	5 Years	30%	A or >
Money Market Mutual Funds	N/A	20%	A
Collateralized Bank Deposits	5 Years	None	None
Time Deposits	2 Years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 2 – Cash and Investments (continued)

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 to the District's investments by maturity:

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>25 to 84 Months</u>	<u>Total</u>
Common Stock	\$ 7,389	\$ -	\$ -	\$ 7,389
Total Investments	\$ 7,389	\$ -	\$ -	7,389
Cash in bank and on hand				10,869,254
Total Cash and Investments				\$ 10,876,643

Credit Risk

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 a rating by a nationally recognized statistical rating organization. Negotiable certificates of deposit do not have a minimum credit rating.

Concentration of Credit Risk

At June 30, 2023, in accordance with State law and the District's Investment Policy, the District did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

Custodial Credit Risk

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, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the District, including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 3 – Lease Receivables

The following is a summary of lease receivables at June 30, 2023:

Deyerle Ste. 2	\$ 299,154
Local Bounty	366,485
Lusamerica	245,505
Martin & Mason	30,375
MBARI	379,595
Miller Marine Solutions	87,221
Monterey Fish	642,983
Moss Landing Seafood Co, LLC	665,629
Reynolds Resort	289,023
Sea Harvest	262,058
Vista	<u>1,493,688</u>
	<u>\$ 4,761,716</u>

Deyerle Ste. 2 – The District entered into an agreement to lease out a certain property from August 14, 2006 through July 1, 2031 for a monthly payment of \$3,049.92. Payment is due the first of the month at .9% interest.

Local Bounty – The District entered into an agreement to lease out certain property from October 1, 2022 through September 30, 2037 for a monthly payment of \$2,284.36. Payment is due the first of the month at .9% interest.

Lusamerica – The District entered into an agreement to lease out a certain property from July 1, 2020 through August 1, 2030 for a monthly payment of \$3,012.54. Payment is due the first of the month at 2.85% interest.

Martin & Mason – The District entered into an agreement to lease out a certain property from October 1, 2005 through January 1, 2024 for an annual payment of \$28,481.00. Payment is due the first of January at 2.4% interest.

MBARI – The District entered into an agreement to lease out a certain property from February 1, 2006 through March 1, 2038 for an annual payment of \$30,792.08. Payment is due the first of March at 3.22% interest.

Miller Marine Solutions – The District entered into an agreement to lease out a certain property from October 1, 2019 through April 1, 2027 for a monthly payment of \$1,894.14. Payment is due the first of the month at 2.4% interest.

Monterey Fish – The District entered into an agreement to lease out a certain property from November 1, 2002 through May 1, 2030 for a monthly payment of \$8,156.51. Payment is due the first of the month at 2.85% interest.

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 3 – Lease Receivables (continued)

Moss Landing Seafood Co, LLC – The District entered into an agreement to lease out a certain property from November 1, 2001 through May 1, 2030 for a monthly payment of \$8,433.95. Payment is due the first of the month at 2.85% interest.

Reynolds Resort – The District entered into an agreement to lease out a certain property from September 1, 2001 through September 1, 2031 for a monthly payment of \$3,126.93. Payment is due the first of the month at 2.85% interest.

Sea Harvest – The District entered into an agreement to lease out a certain property from December 5, 2003 through August 1, 2030 for a monthly payment of \$3,215.65. Payment is due the first of the month at 2.85% interest.

Vistra – The District entered into an agreement to lease out a certain property from January 1, 2007 through March 1, 2055 for an annual payment of \$75,093.08. Payment is due the first of March at 3.22% interest.

The annual payment receipt schedule for principal and interest on all lease receivables at June 30, 2023 were as follows:

<u>For the year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 429,661	\$ 125,049	\$ 554,710
2025	409,703	114,203	523,906
2026	420,413	103,493	523,906
2027	427,448	92,485	519,933
2028	418,547	81,519	500,066
2029 - 2033	1,216,234	274,808	1,491,042
2034 - 2038	462,606	194,044	656,650
2039 - 2043	233,699	142,436	376,135
2044 - 2048	276,384	101,385	377,769
2049 - 2053	324,595	53,177	377,772
2054 - 2055	142,426	5,934	148,360
Total	<u>\$ 4,761,716</u>	<u>\$ 1,288,533</u>	<u>\$ 6,050,249</u>

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 3 – Lease Receivables (continued)

The related deferred inflows of resources on the right of use on lease revenue will be amortized on a straight-line basis over the term of the agreement as follows:

<u>For the year ended June 30,</u>	<u>Principal</u>
2024	474,519
2025	450,245
2026	450,245
2027	446,509
2028	427,827
2029 - 2033	1,235,520
2034 - 2038	475,361
2039 - 2043	239,851
2044 - 2048	239,851
2049 - 2053	239,851
2054 - 2055	83,948
Total	<u>\$ 4,763,725</u>

During the year ended June 30, 2023, the District recognized \$410,448 in lease revenue and \$128,132 in related interest income.

Note 4 – Capital Assets

Capital asset activities for the year ended June 30, 2023, was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets, not being depreciated				
Land	\$ 1,642,860	\$ -	\$ -	\$ 1,642,860
Construction in progress	4,900,573	134,877	-	5,035,450
Total capital assets, not being depreciated	<u>6,543,433</u>	<u>134,877</u>	<u>-</u>	<u>6,678,310</u>
Capital assets, being depreciated				
Buildings and improvements	26,076,026	206,553	-	26,282,579
Equipment and machinery	501,457	54,223	-	555,680
Total capital assets, being depreciated	<u>26,577,483</u>	<u>260,776</u>	<u>-</u>	<u>26,838,259</u>
Less accumulated depreciation for				
Buildings and improvements	(18,435,184)	(749,545)	-	(19,184,729)
Equipment and machinery	(455,906)	(27,740)	-	(483,646)
Total accumulated depreciation	<u>(18,891,090)</u>	<u>(777,285)</u>	<u>-</u>	<u>(19,668,375)</u>
Total capital assets, being depreciated, net	<u>7,686,393</u>	<u>(516,509)</u>	<u>-</u>	<u>7,169,884</u>
Total capital assets, net	<u>\$ 14,229,826</u>	<u>\$ (381,632)</u>	<u>\$ -</u>	<u>\$ 13,848,194</u>

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 5 – Long-Term Debt

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District’s debt issues and transactions are summarized below and discussed in detail thereafter.

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
Direct Financing:					
2014 Harbor Enterprise Revenue Refunding Loan	\$ 2,163,830	\$ -	\$ (306,455)	\$ 1,857,375	\$ 242,841
Total Long-term Debt	<u>\$ 2,163,830</u>	<u>\$ -</u>	<u>\$ (306,455)</u>	<u>\$ 1,857,375</u>	<u>\$ 242,841</u>

2014 Harbor Enterprise Revenue Refunding Loan

In July 2014, the District refinanced all of its outstanding debt and obtained a loan agreement from Umpqua Bank for the amount of \$4,755,901. The principal payments are made each August 1 beginning in 2017 through 2030. Interest is to be paid semi-annually on February 1 and August 1 through 2030 and has a stated interest rate of 2.85 percent. The District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the harbor which shall produce revenues sufficient in each fiscal year to provide net revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. In addition, the District covenants and agrees to maintain during the term of the Loan Agreement a ratio of Funded Debt to Net Position of the District not greater than 2.0:1.0 for each fiscal year. The loan also requires that the District shall maintain a deposit relationship with Umpqua Bank in an amount not less than \$1,000,000.

Deposit and Loan Covenant Requirements

As noted above the District has pledged future revenues, net of specified operating expenses, to repay debt in the original amount of \$4,755,901. Net Revenues, defined as all revenues less all maintenance and operating costs, were equal to at least 1.25 times the Debt Service for the fiscal year ending June 30, 2023. The District is also in compliance with the deposit requirement and the funded debt limitation requirement noted above.

Debt Service Requirements

The annual requirement to amortize the principal and interest on the above long-term debt at June 30, 2023 were as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	242,841	49,475	292,316
2025	249,176	42,463	291,639
2026	255,629	19,456	275,085
2027	210,969	15,814	226,783
2028	216,328	15,814	232,142
2029 - 2031	682,432	64,838	747,270
	<u>\$ 1,857,375</u>	<u>\$ 207,860</u>	<u>\$ 2,065,235</u>

MOSS LANDING HARBOR DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 6 – Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports two items related to deferred inflows, totaling \$4,982,785:

- \$219,060 in deferred inflows of resources related to unearned berth fees and lease receipts.
- \$4,763,725 in deferred inflows of resources related to right of use capital lease revenue in the Balance Sheet, see Note 3 for more details.

Note 7 – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for its general insurance coverage. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance. There have been no significant reductions in insurance coverage in the current year.

Note 8 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through October 19, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in such financial statements.

BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley, C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Moss Landing Harbor District

We have audited, 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, the financial statements of the Moss Landing Harbor District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Moss Landing Harbor District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Moss Landing Harbor District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink, appearing to be "Mud" followed by a stylized flourish.

October 19, 2023