



OCEANSIDE SMALL CRAFT
HARBOR DISTRICT
JUNE 30, 2021

COMPONENT UNIT
FINANCIAL STATEMENTS
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Focused
on YOU



OCEANSIDE SMALL CRAFT HARBOR DISTRICT

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FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
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CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2021

OCEANSIDE SMALL CRAFT HARBOR DISTRICT

COMPONENT UNIT
FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the President and the Board of Directors
Oceanside Small Craft Harbor District
Oceanside, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Oceanside Small Craft Harbor District, (the Harbor), a component unit of the City of Oceanside, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Harbor'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 Harbor as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. 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 Harbor 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 opinion.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the financial statements present only the financial position of the Harbor, and do not present, or purport to present fairly, the financial position of the City as of June 30, 2021, and its changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



To the President and the Board of Directors
Oceanside Small Craft Harbor District
Oceanside, California

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Harbor's ability to continue as a going concern for twelve months beyond the date of the financial statements.

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 the GAAS and *Government 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 GAAS and *Government 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 to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Harbor'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 Harbor'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.



To the President and the Board of Directors
Oceanside Small Craft Harbor District
Oceanside, California

Other Reporting Responsibilities

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021 on our consideration of the Harbor'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 solely 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 effectiveness of the Harbor's 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 Harbor's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
November 23, 2021

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA

STATEMENT OF NET POSITION
JUNE 30, 2021

Assets:

Current Assets:

Cash and investments	\$ 5,506,758
Accounts receivable	192,787
Total Current Assets	<u>5,699,545</u>

Noncurrent Assets:

Capital assets:

Construction-in-progress	2,826,022
Buildings and improvements	7,939,139
Machinery and equipment	1,370,499
Improvements other than buildings	22,894,330
Less accumulated depreciation	<u>(24,518,622)</u>

Total Noncurrent Assets	<u>10,511,368</u>
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Total Assets	<u>16,210,913</u>
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Liabilities:

Current Liabilities:

Accounts payable	774,353
Accrued interest	2,542
Unearned revenues	48,687
Deposits payable	411,560
Bonds payable, due within one year	<u>100,000</u>

Total Current Liabilities	<u>1,337,142</u>
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Noncurrent Liabilities:

Advances from City of Oceanside	384,982
Bonds payable	<u>205,000</u>

Total Noncurrent Liabilities	<u>589,982</u>
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Total Liabilities	<u>1,927,124</u>
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Net Position:

Net investment in capital assets	10,206,368
Unrestricted	<u>4,077,421</u>

Total Net Position	<u>\$ 14,283,789</u>
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The notes to financial statements are an integral part of this statement.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Operating Revenues:

Slip rentals and other related fees	\$ 7,197,044
Parking	1,159,952
Sales and service charges	30,220
Fines, forfeitures, and penalties	135,300
Miscellaneous	37,237
Total Operating Revenues	<u>8,559,753</u>

Operating Expenses:

Maintenance and operations	840,214
Depreciation expense	448,639
Total Operating Expenses	<u>1,288,853</u>
Operating Income	<u>7,270,900</u>

Nonoperating Revenues (Expenses):

Investment earnings	3,808
Interest expense	(10,760)
Total Nonoperating Revenues (Expenses)	<u>(6,952)</u>
Income Before Transfers	7,263,948
Transfers to City of Oceanside	<u>(6,721,848)</u>
Change in Net Position	542,100
Net Position at the Beginning of the Year	<u>13,741,689</u>
Net Position at the End of the Year	<u>\$ 14,283,789</u>

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

**OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities:	
Receipts from customers	\$ 8,713,877
Other receipts	37,237
Payments to suppliers and service providers	<u>(171,271)</u>
Net Cash Provided by Operating Activities	<u>8,579,843</u>
Cash Flows from Non-Capital Financing Activities:	
Cash transfers to the City of Oceanside	<u>(6,721,848)</u>
Net Cash (Used for) Non-Capital Financing Activities	<u>(6,721,848)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(2,915,874)
Repayment of advance from the City of Oceanside	(23,510)
Principal paid on capital debt	(100,000)
Interest paid on capital debt	<u>(11,593)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(3,050,977)</u>
Cash Flows from Investing Activities:	
Investment earnings	<u>3,808</u>
Net Cash Provided by Investing Activities	<u>3,808</u>
Net (Decrease) in Cash and Cash Equivalents	(1,189,174)
Cash and Cash Equivalents, July 1	<u>6,695,932</u>
Cash and Cash Equivalents, June 30	<u>\$ 5,506,758</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 7,270,900</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	448,639
Decrease in accounts receivable	172,098
Increase in accounts payable	668,943
Increase in unearned revenue	12,143
Increase in deposits payable	<u>7,120</u>
Total Adjustments	<u>1,308,943</u>
Net Cash Provided by Operating Activities	<u>\$ 8,579,843</u>
Non-Cash Investing, Capital, and Financing Activities:	
Unrealized loss on investments	\$ (51,625)

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

**OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the Oceanside Small Craft Harbor District (the Harbor) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Harbor's accounting policies are described below.

a. Financial Reporting Entity

The Harbor was established on July 6, 1959, pursuant to the State of California Harbor and Navigation Code, Part 7, Section 7000 entitled "Small Craft Harbor District". Its purpose is to finance, construct, organize and operate a small craft berthing facility and leaseholds within the harbor area.

The Harbor has been determined to be a blended component unit of the City of Oceanside (the City), since the Oceanside City Council acts as the Board of Directors and is able to impose its will on the Harbor. Accordingly, the Harbor's financial operations have also been included in the City's basic financial statements.

b. Basis of Presentation

The Harbor reports its activities as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

d. Net Position

In the statement of net position, net assets can be classified in the following categories:

- Net Investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position".

When both restricted and unrestricted resources are available for use, the Harbor may use restricted resources or unrestricted resources based on the Board's discretion.

e. Operating Revenues and Expenses

Operating revenues, such as charges for services (slip rental and related fees), result from exchange transactions associated with the principal activity of the Harbor. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities in which the Harbor gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of services, administrative expenses and depreciation on capital assets.

f. Cash and Cash Equivalents

The Harbor pools its available cash with the City for investment purposes. The Harbor considers these pooled cash and investments to be cash equivalents.

Investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

g. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their acquisition value as of the date of acquisition. Harbor policy has set the capitalization threshold for reporting infrastructure at \$100,000, all other capital assets are set at \$10,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and structures	50-60 years
Improvements other than buildings	30-60 years
Machinery and equipment	5-20 years

**OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

h. 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 during the reporting period. Actual results could differ from those estimates and assumptions.

Note 2: Cash and Investments

Cash and investments at June 30, 2021, consisted of the following:

Cash and investments pooled with City of Oceanside \$ 5,506,758

The Harbor's cash and investments are pooled with the City's cash and investments in order to generate optimum interest income. Each fund's share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the City's pooled cash and investments is included in the City's comprehensive annual financial report, which are available at City Hall.

Note 3: Capital Assets

A summary of changes in capital assets at June 30, 2021, is as follows:

	Balance at July 1, 2020	Additions	Deletions / Transfers	Balance at June 30, 2021
Capital assets not being depreciated:				
Construction in progress	\$ 102,908	\$ 2,915,874	\$ (192,759)	\$ 2,826,023
Total Capital Assets Not Being Depreciated	102,908	2,915,874	(192,759)	2,826,023
Capital assets being depreciated:				
Buildings and improvements	7,942,514	-	(3,375)	7,939,139
Machinery and equipment	1,469,333	-	(98,834)	1,370,499
Improvements other than buildings	22,704,590	192,759	(3,019)	22,894,330
Total Capital Assets Being Depreciated	32,116,437	192,759	(105,228)	32,203,968
Less accumulated depreciation for:				
Buildings and improvements	2,405,001	174,948	(3,375)	2,576,574
Machinery and equipment	899,768	41,087	(98,834)	842,021
Improvements other than buildings	20,870,443	232,604	(3,019)	21,100,028
Total Accumulated Depreciation	24,175,212	448,639	(105,228)	24,518,623
Total Capital assets Being Depreciated, Net	7,941,225	(255,880)	-	7,685,345
Capital Assets, Net	<u>\$ 8,044,133</u>	<u>\$ 2,659,994</u>	<u>\$ (192,759)</u>	<u>\$ 10,511,368</u>

**OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 4: Direct Placement Bonds

A summary of changes in the long-term liabilities at June 30, 2021, is as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year
2013 Gross Revenue					
Refunding Bonds	\$ 405,000	\$ -	\$ (100,000)	\$ 305,000	\$ 100,000

2013 Gross Revenue Refunding Bonds

The bonds were issued by the City through a private placement to prepay all of the Harbor's loans payable to the Department of Boating and Waterways. The bonds are due in annual installments ranging from \$95,000 to \$370,000 through August 2023. The interest rate is 2% and is payable annually on August 1. Bonds are not subject to optional redemption prior to maturity. As of June 30, 2021, the outstanding balance of these bonds was \$305,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 100,000	\$ 5,100	\$ 105,100
2023	100,000	3,100	103,100
2024	105,000	1,050	106,050
Totals	\$ 305,000	\$ 9,250	\$ 314,250

Note 5: Advance from the City

The City advanced funds to the Harbor for the purpose of purchasing a new police vessel for harbor patrol. As of June 30, 2021, the outstanding balance of the loan was \$384,982.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Note 6: Related Party Transactions

General City Services

The Harbor pays the City for general City services consisting primarily of administrative and management information services, general insurance, certain personnel services and other related costs. Total payments to the City for the year ended June 30, 2021, were \$6,721,848.

Lease Agreement with the City of Oceanside

The Harbor leases land from the City which will expire on June 30, 2069. The annual rent amount is the greater of the annual minimum payment of \$250,000 or a percentage of the Harbor's gross annual revenue. Gross annual operating revenues include slip and locker rentals, building and ground leases and permit fees. The percentage amounts are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Percentage</u>
2019 - 2069	10.00%

Total lease payments to the City for the year ended June 30, 2021, were \$797,439.

Note 7: Risk Management

The Harbor, through the City, is a member of the Public Risk Innovation, Solutions, and Management (PRISM) which provides general liability insurance. Further information on risk management is available in the annual comprehensive financial report of the City.



INDEPENDENT AUDITORS' 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 President and the Board of Directors
Oceanside Small Craft Harbor District
Oceanside, California

We have audited, in accordance with the 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 Oceanside Small Craft Harbor District (the Harbor), a component unit of the City of Oceanside, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Harbor's basic financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harbor'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 Harbor's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harbor'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harbor'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*.





To the Board of Directors
Oceanside Small Craft Harbor District
Oceanside, California

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 Harbor'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 Harbor's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lingham, LLP

Brea, California
November 23, 2021