



OCEANSIDE SMALL CRAFT
HARBOR DISTRICT
FOR THE YEAR ENDED JUNE 30, 2023

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

Focused
on YOU



**OCEANSIDE SMALL CRAFT HARBOR DISTRICT
OCEANSIDE, CALIFORNIA**

**Component Unit
Financial Statements**

**with Report on Audit
by Independent
Certified Public Accountants**

For the Year Ended June 30, 2023

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
OCEANSIDE, CALIFORNIA

Component Unit
Financial Statements

With Report On Audit
By Independent
Certified Public Accountants

For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023, 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, 2023, 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, 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 Standards 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 opinions.

Emphasis of Matter

Component Unit Reporting

As discussed in Note 1, the financial statements of the Harbor are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Harbor. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows 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 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 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 Harbor'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 opinions. 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, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts 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, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, 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 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 Board of Directors
Oceanside Small Craft Harbor District
Oceanside, California

Required Supplementary Information

Management has omitted 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 opinions on the basic financial statements are 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 January 25, 2024, on our consideration of the City’s internal control over the Harbor’s 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 City’s internal control over the Harbor’s financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over the Harbor’s financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
January 25, 2024

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Statement of Net Position
June 30, 2023

ASSETS

Current assets:

Pooled cash and investments	\$ 5,620,516
Accounts receivable, net	590,398
Lease receivable, current	708,739
Accrued interest receivable	30,318

Total current assets	<u>6,949,971</u>
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Noncurrent assets:

Lease receivable, noncurrent	14,268,872
Capital assets:	
Leased land	11,152,045
Buildings and improvements	10,972,329
Machinery and equipment	1,370,499
Improvements other than buildings	22,894,330
Less accumulated depreciation/amortization	<u>(26,329,114)</u>

Total noncurrent assets	<u>34,328,961</u>
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Total assets	<u>41,278,932</u>
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LIABILITIES

Current liabilities:

Accounts payable	75,809
Accrued interest	875
Unearned revenues	221,486
Deposits payable	437,920
Bonds and leases payable, due within one year	<u>307,699</u>

Total current liabilities	<u>1,043,789</u>
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Noncurrent liabilities:

Advances from City of Oceanside	337,184
Bonds and leases payable	<u>10,147,731</u>

Total noncurrent liabilities	<u>10,484,915</u>
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Total liabilities	<u>11,528,704</u>
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DEFERRED INFLOWS OF RESOURCES

Related to leases	<u>14,782,232</u>
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Total deferred inflows of resources	<u>14,782,232</u>
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NET POSITION

Net investment in capital assets	9,267,475
Unrestricted	<u>5,700,521</u>

Total net position	<u>\$ 14,967,996</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, 2023

OPERATING REVENUES

Slip rentals and other related fees	\$ 6,208,924
Parking	1,099,945
Sales and service charges	28,012
Lease revenue	1,989,473
Fines, forfeitures, and penalties	106,387
Miscellaneous	46,571
Total operating revenues	<u>9,479,312</u>

OPERATING EXPENSES

Maintenance and operations	8,662,209
Depreciation/amortization expense	689,507
Total operating expenses	<u>9,351,716</u>

Operating income (loss)

127,596

NONOPERATING REVENUES (EXPENSES)

Investment earnings	25,320
Contributions	35,475
Loss on disposal of capital assets	(27,237)
Interest expense	(54,464)
Total nonoperating revenues (expenses)	<u>(20,906)</u>

Change in net position

106,690

Net position-beginning-as restated

14,861,306

Net position-ending

\$ 14,967,996

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 9,177,993
Payments to suppliers and service providers	(1,272,552)
Payments to the City for maintenance and operations	(7,471,442)

Net cash provided by (used for) operating activities 433,999

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions	35,475
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Net cash provided by (used for) non-capital financing activities 35,475

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(8,804)
Repayment of advance from the City of Oceanside	(24,030)
Principal paid on capital debt	(301,777)
Interest paid on capital debt	(55,297)

Net cash provided by (used for) capital and related financing activities (389,908)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	25,320
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Net cash provided by (used for) investing activities 25,320

Net increase (decrease) in cash and cash equivalents **104,886**

Cash and cash equivalents-beginning 5,515,630

Cash and cash equivalents-ending \$ 5,620,516

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating income (loss) \$ 127,596

Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:

Depreciation/amortization expense	689,507
Amortization of deferred inflows related to leases	(1,141,255)
(Increase) decrease in accounts receivable	(168,512)
(Increase) decrease in lease receivable	1,043,552
Increase (decrease) in accounts payable	(81,785)
Increase (decrease) in unearned revenues	(41,923)
Increase (decrease) in deposits payable	6,819

Total adjustments 306,403

Net cash provided by (used for) operating activities \$ 433,999

Non-cash investing, capital, and financing activities:

Unrealized loss on investments \$ (51,456)

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 the Basic Financial Statements
For the Year Ended June 30, 2023

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.

D. Net Position

In the statement of net position, net position 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.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and amortization are 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
Lease asset (land)	50 years

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.

I. Leases

Lessee: The Harbor is a lessee for a noncancellable lease of land from the City. The Harbor recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The Harbor recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Harbor initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the Harbor determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Harbor uses the estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Harbor is reasonably certain to exercise.

The Harbor monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Harbor is a lessor for noncancellable leases of land, buildings, and infrastructure. The Harbor recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the Harbor initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Harbor determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Harbor uses the stated interest rate in the lease agreement or its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Harbor monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 2: CASH AND INVESTMENTS

The Harbor reported cash and investments in the amount of \$5,620,516 for the year ended June 30, 2023. This 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 annual comprehensive financial report, which are available on the City's website.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 3: LEASE RECEIVABLE

The Harbor leases land, buildings, and infrastructure to various organizations. The terms by lease type are listed in the table below. Some leases have extension options ranging from two to twenty years. As of June 30, 2023, the value of the lease receivable is \$14,977,611. The value of the deferred inflow of resources as of June 30, 2023 was \$14,782,232, and the amortization of the deferred inflow during the year totaled \$1,141,253. The City recognized lease and slip rental revenue of \$8,198,397 during the fiscal year which included \$1,141,253 related to the amortization of the deferred inflow and \$7,016,311 for variable and other payments, including short term leases not included in the measurement of the lease receivable.

Lease Type	Term Range	Lease Receivable	Lease Revenue	Lease Interest
Land	2 - 21 years	\$ 4,538,315	\$ 597,345	\$ 4,876
Buildings	3 - 46 years	10,286,287	434,616	9,972
Infrastructure	14 years	153,009	11,685	169
		<u>\$ 14,977,611</u>	<u>\$ 1,043,646</u>	<u>\$ 15,017</u>

Future receivable principal and interest payments expected to be received through maturity are as follows:

June 30	Principal	Interest
2024	\$ 708,739	\$ 221,744
2025	730,428	212,269
2026	688,925	202,787
2027	663,797	193,380
2028	670,207	183,921
2029-2033	3,469,930	772,974
2034-2038	2,999,115	528,074
2039-2043	1,065,346	377,732
2044-2048	855,487	299,120
2049-2053	931,559	223,048
2054-2058	900,972	141,574
2059-2063	704,881	76,189
2034-2067	588,225	16,360
Totals	<u>\$ 14,977,611</u>	<u>\$ 3,449,172</u>

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2023, is as follows:

	Balance July 1, 2022	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated/amortized						
Construction-in-progress	\$ 3,051,623	\$ -	\$ 8,804	\$ (27,237)	\$ (3,033,190)	\$ -
Total capital assets, not being depreciated/amortized	3,051,623	-	8,804	(27,237)	(3,033,190)	-
Capital assets, being depreciated/amortized						
Buildings and improvements	7,939,139	-	-	-	3,033,190	10,972,329
Machinery and equipment	1,370,499	-	-	-	-	1,370,499
Improvements other than buildings	22,894,330	-	-	-	-	22,894,330
Leased land	-	11,152,045	-	-	-	11,152,045
Total capital assets, being depreciated/amortized	32,203,968	11,152,045	-	-	3,033,190	46,389,203
Less accumulated depreciation/amortization						
Buildings and improvements	(2,751,522)	-	(191,568)	-	-	(2,943,090)
Machinery and equipment	(883,108)	-	(41,087)	-	-	(924,195)
Improvements other than buildings	(21,335,854)	-	(233,811)	-	-	(21,569,665)
Leased land	-	(669,123)	(223,041)	-	-	(892,164)
Total accumulated depreciation/amortization	(24,970,484)	(669,123)	(689,507)	-	-	(26,329,114)
Total capital assets, being depreciated/amortized, net	7,233,484	10,482,922	(689,507)	-	3,033,190	20,060,089
Total capital assets	\$ 10,285,107	\$ 10,482,922	\$ (680,703)	\$ (27,237)	\$ -	\$ 20,060,089

A net adjustment of \$10,482,922 was made to correct an error in the June 30, 2022 beginning balance for the lease of land from the City. Refer to Note 10 for more information.

NOTE 5: 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.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 6: LEASE PAYABLE

The Harbor has entered into a related-party lease agreement with the City as lessee for the use of land. The term of this lease arrangement is from 2019 to 2069. As of June 30, 2023, the total value of the lease liability was \$10,350,430. The annual lease payment is the greater of the annual minimum payment of \$250,000 or 10 percent of the Harbor's gross annual revenue. Gross annual operating revenues include slip and locker rentals, building and ground leases and permit fees. The incremental borrowing rate used in the calculation of the lease liability was 0.46 percent. In accordance with the requirements of GASB Statement No. 87, *Leases*, this lease is only reported in the Harbor's financial statements, and is eliminated from the City's annual comprehensive financial report, as an intra-entity lease. The carrying value of the lease asset at June 30, 2023 was \$10,259,881, which includes \$892,164 of accumulated amortization.

The Harbor recognized \$628,102 in variable payments on this lease due to the 10 percent of the Harbor's gross annual revenues in excess of the minimum lease payment of \$250,000. Total lease payments recognized during the year was \$878,102. The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest
2024	\$ 202,699	\$ 47,301
2025	203,625	46,375
2026	204,555	45,445
2027	205,490	44,510
2028	206,429	43,571
2029-2033	1,046,384	203,616
2034-2038	1,070,513	179,487
2039-2043	1,095,199	154,801
2044-2048	1,120,454	129,546
2049-2053	1,146,292	103,708
2054-2058	1,172,725	77,275
2059-2063	1,199,768	50,232
2064-2068	1,227,434	22,566
2069	248,863	1,137
Totals	\$ 10,350,430	\$ 1,149,570

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 7: LONG-TERM LIABILITIES

A. 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, 2023, the outstanding balance of these bonds was \$105,000.

B. Changes in Long-Term Liabilities

	Balance July 1, 2022 as Restated	Additions	Deletions	Balance June 30, 2023	Amount Due Within One Year
2013 Gross Revenue Refunding Bonds	\$ 205,000	\$ -	\$ 100,000	\$ 105,000	\$ 105,000
Leases	10,552,207	-	201,777	10,350,430	202,699
Total	<u>\$ 10,757,207</u>	<u>\$ -</u>	<u>\$ 301,777</u>	<u>\$ 10,455,430</u>	<u>\$ 307,699</u>

The beginning balance of long-term liabilities has been restated to correct an error in the prior year balance due to the omission of the related-party lease with the City. See Note 9 for more information.

2013 Gross Revenue Refunding Bonds		
June 30	Principal	Interest
2024	\$ 105,000	\$ 1,050
Totals	<u>\$ 105,000</u>	<u>\$ 1,050</u>

NOTE 8: RELATED-PARTY TRANSACTIONS

A. Advance from the City of Oceanside

The City advanced funds to the Harbor for the purpose of purchasing a new police vessel for harbor patrol. During the year, the Harbor repaid the City in the amount of \$24,030. As of June 30, 2023, the outstanding balance of the advance was \$337,184.

B. 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, 2023, were \$7,471,442.

C. Lease Agreement with the City of Oceanside

The Harbor leases land from the City which will expire on June 30, 2069. Refer to Note 6 for more information. Total lease payments to the City for the year ended June 30, 2023, were \$878,102.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
(A Component Unit of the City of Oceanside, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PRIOR PERIOD ADJUSTMENTS

A. Correction of an Error in Previously Issued Financial Statements

During fiscal year 2023, the Harbor determined that lease assets and the corresponding lease liability related to the related party land lease with the City were not reported in the prior year. Therefore, capital assets, net of depreciation, were understated by \$10,482,922 and long-term liabilities were understated by \$10,552,207 for the fiscal year ended June 30, 2023. The net effect of correcting that error is shown on the table below.

B. Adjustments to and Restatements of Beginning Balances

During fiscal year 2023, an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

June 30, 2022 As Previously Reported	Error Correction	June 30, 2022 As Restated
\$ 14,930,591	\$ (69,285)	\$ 14,861,306

NOTE 10: RECONCILIATION TO THE CITY'S ANNUAL COMPREHENSIVE FINANCIAL REPORT

The following schedule reconciles the ending net position reported in this stand-alone component unit financial statement to the ending net position reported in Oceanside Small Craft Harbor District enterprise fund in the City's annual comprehensive financial report for the year ended June 30, 2023.

Net position-ending	\$ 14,967,996
Add back:	
Intra-entity land lease	10,350,430
Reduce by:	
Intra-entity lease asset (land)	<u>(10,259,881)</u>
City Annual Comprehensive Financial Report Statement of Net Position	<u>\$ 15,058,545</u>

NOTE 11: SUBSEQUENT EVENTS

The Harbor evaluated subsequent events for recognition and disclosure through January 25, 2024, the date on 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 these financial statements.



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 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 (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Harbor's basic financial statements, and have issued our report thereon dated January 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over Harbor's 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 City'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 district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lingham, LLP

Brea, California
January 25, 2024