

**PORT OF REDWOOD CITY,  
REDWOOD CITY, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021  
AND  
SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2020**

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**Port of Redwood City  
Basic Financial Statements  
For the years ended June 30, 2021 and summarized comparative totals for 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Of the Port of Redwood City  
Redwood City, California

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the business-type activities of the Port of Redwood City, California (Port), a department and enterprise fund of the City of Redwood City, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements 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 Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2021, and the changes in financial positions and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Report on Summarized Comparative Information*

We have previously audited the Port's June 30, 2020 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated February 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents 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 Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 on our consideration of the Port'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 effectiveness of the Port'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 Port's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
January 25, 2022



## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The Port of Redwood City has issued its financial statements for the fiscal year ended June 30, 2021 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the Port's financial activities for the fiscal year and is an integral part of the accompanying Basic Financial Statements.

### **ACCOUNTING METHOD**

The Port's operations are accounted for as an Enterprise Fund. Enterprise funds are used by municipalities to account for operations which are financed and managed similar to private business enterprises, where the costs and expenses (including depreciation) of providing services to the public on a continuing basis are recovered primarily through user charges. The Port does not receive tax revenues. The Port's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. All assets and liabilities associated with the activity of the enterprise are included on the Statement of Net Position. The Port is stated as a department in the City of Redwood City's financial statements.

### **THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS**

The Port has only one fund, therefore the Basic Financial Statements do not reflect the activities of multiple funds. The Basic Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Income Statement) and Statement of Cash Flows. Together with this report, the Basic Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the Port, including its capital assets and debts.

The Statement of Activities and Changes in Net Position (Income Statement) provides information regarding the revenues generated by each segment of the Port's business, and the expenses incurred in generating those revenues. The ultimate focus of the income statement is the measurement of profitability as reflected by the amount of net income generated for the fiscal year.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the Port as a result of its operations and financing decisions.

## FINANCIAL ACTIVITIES & FISCAL YEAR 2020 HIGHLIGHTS

### The Statement of Net Position

The port business is capital intensive; significant investment in assets is required in order to acquire the land, and construct and maintain the necessary infrastructure and facilities. The acquisition of assets can be funded by cash reserves, debt, or donated capital including grants. In general, debt can be incurred in the form of notes payable and/or bonds payable. A condensed version of the Statement of Net Position is presented in Table A below, which reflects the capital intensity of the Port's business and the changes which occurred between Fiscal Years 2021, 2020, and 2019.

**Table A**

	FY21	FY20	Change	FY19	Change
<b>Assets</b>					
Current Assets	\$ 22,129,761	\$ 19,144,750	\$ 2,985,011	\$ 16,109,344	\$ 3,035,406
Noncurrent Asset	1,102,863	1,103,043	(180)	1,091,998	11,045
Capital Assets, Net	36,634,942	38,086,206	(1,451,264)	39,589,625	(1,503,419)
All Other Assets	419,387	421,557	(2,170)	423,731	(2,174)
Total Assets	60,286,953	58,755,556	1,531,397	57,214,698	1,540,858
Deferred Outflow of Resources					
Loss on Bond Refunding	160,765	178,621	(17,856)	196,477	(17,856)
Pension Related	391,333	311,514	79,819	190,404	121,110
Pension Contributions	73,354	54,981	18,373	262,674	(207,693)
OPEB Related	108,760	47,344	61,416	-	47,344
Total Deferred Outflows	734,212	592,460	141,752	649,555	(57,095)
<b>Liabilities</b>					
Current Liabilities	2,502,660	2,355,282	147,378	2,350,349	4,933
Non-current Liabilities	14,118,728	14,892,757	(774,029)	15,727,558	(834,801)
Total Liabilities	16,621,388	17,248,039	(626,651)	18,077,907	(829,868)
Deferred Inflow of Resources					
OPEB Related	113,082	145,984	(32,902)	51,281	94,703
Pension Related	9,682	69,635	(59,953)	49,681	19,954
Total Deferred Inflows	122,764	215,619	(92,855)	100,962	114,657
<b>Net Position</b>					
Net Investment in					
Capital Assets	30,279,206	31,277,390	(998,184)	32,359,890	(1,082,500)
Restricted for Bebt Service	922,155	892,563	29,592	853,775	38,788
Unrestricted	13,075,652	9,714,405	3,361,247	6,471,719	\$ 3,242,686
<b>Total Net Position</b>	\$ 44,277,013	\$ 41,884,358	\$ 2,392,655	\$ 39,685,384	\$ 2,198,974

The increase in Net Position between June 30, 2021 and June 30, 2020 is due to the profitable operation of the Port for the fiscal year July 1, 2020 to June 30, 2021.

The \$2,392,655 increase in FY21 Total Net Position is comprised of:

\$ 2,934,071 - Net income for the year  
 < 541,416 > - Less subvention to the City of Redwood City.

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 \$ 2,392,655  
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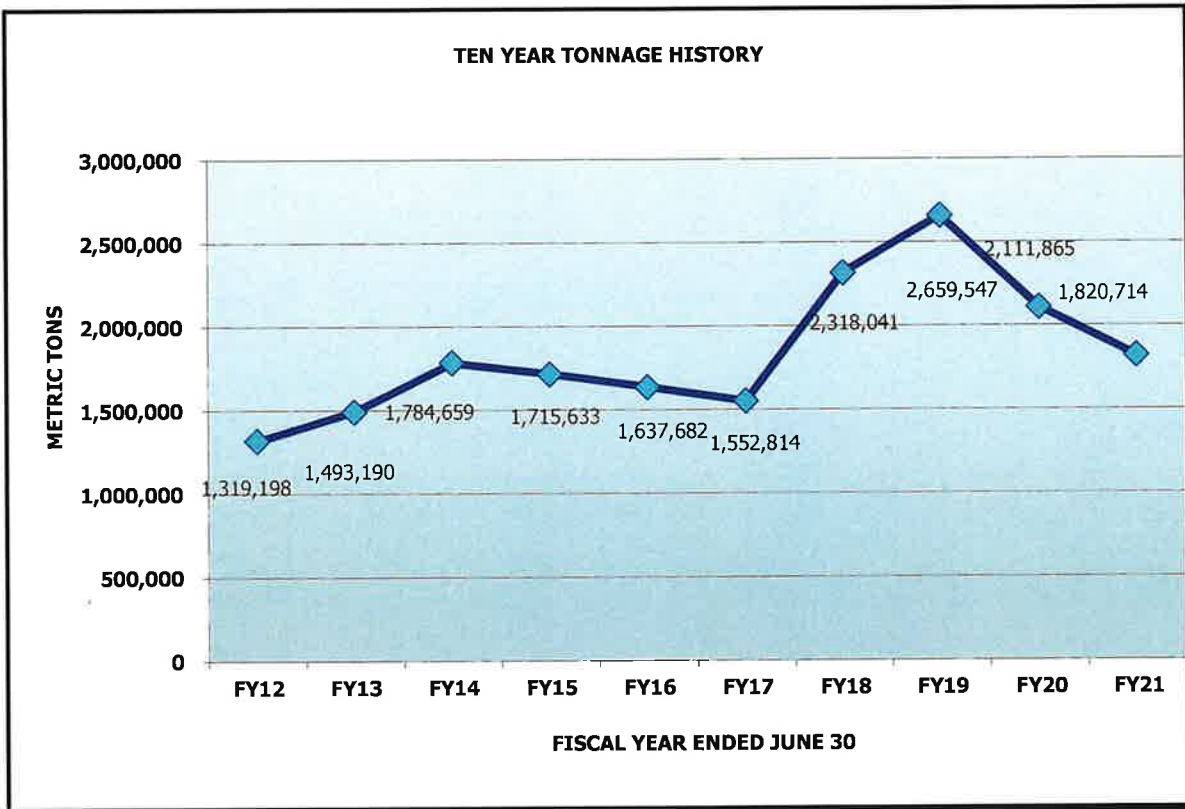


## FINANCIAL ACTIVITIES & FISCAL YEAR 2021 HIGHLIGHTS, CONTINUED

### The Statement of Revenues, Expenses & Changes in Net Position

The Port's business is comprised of three major segments:

- Maritime – activities related to the import and export of waterborne cargos.
- Recreational Boating – activities related to the operation of a public marina, boat launch facility and dry boat storage facility.
- Commercial – activities related to the leasing of land and buildings not directly associated with Maritime activities.



In Fiscal Year 2021 (FY21) the Port's tonnage was 1,820,714 metric tons, 14% down from 2,111,865 metric tons in FY20. The decline was mainly due to the Covid-19 Pandemic that not only affected our Port but the region, as a whole.

The recession of FY09-10 resulted in weaker demand for construction materials, especially cement and gypsum in Northern California and the San Francisco Bay Area. The construction industry is cyclical, with periods of growth followed by periods of contraction, however, this normal cycle was severely disrupted by the prolonged weak economy which resulted in declining cargo volumes for a protracted period of time.

**FINANCIAL ACTIVITIES & FISCAL YEAR 2021 HIGHLIGHTS, CONTINUED**

**The Statement of Revenues, Expenses & Changes in Net Position (continued)**

The Port's Income Statement segregates the revenues and expenses of each of its three major business segments, as well as expenses related to the operation and maintenance of the Port's infrastructure and its administration. Table B, below, is a condensed version of the Income Statement; it summarizes the Port's revenue and expense, splits out other non-operating revenue/(expense) into its component parts, and compares results for Fiscal Years 2021, 2020 and 2019.

**Table B**

	<u>FY21</u>	<u>FY20</u>	<u>FY21 vs. FY20</u> <u>Change</u>	<u>FY19</u>	<u>FY20 vs. FY19</u> <u>Change</u>
<b>Revenue</b>					
Operating Revenue	\$ 9,023,602	\$ 8,761,928	\$ 261,674	\$ 9,335,548	\$ (573,620)
Interest Income	105,795	292,088	(186,293)	305,027	(12,939)
Other Non-Operating Income	33,509	143,604	(110,095)	91,227	52,377
<b>Total Revenue</b>	<u>9,162,906</u>	<u>9,197,620</u>	<u>(34,714)</u>	<u>9,731,802</u>	<u>(534,182)</u>
<b>Expense</b>					
Operations	3,843,241	3,923,233	(79,992)	5,089,805	(1,166,572)
Administration	1,701,357	2,007,418	(306,061)	1,876,541	130,877
Operating Expense	5,544,598	5,930,651	(386,053)	6,966,346	(1,035,695)
Interest Expense	478,036	510,405	(32,369)	538,926	(28,521)
Other Non-Operating Expense	206,201	31,876	174,325	13,438	18,438
<b>Total Expense</b>	<u>6,228,835</u>	<u>6,472,932</u>	<u>(244,097)</u>	<u>7,518,710</u>	<u>(1,045,778)</u>
Excess (Deficiency) before Contributions, Special & Extraordinary Items & Transfers	2,934,071	2,724,689	209,382	2,213,096	511,593
Transfers (Subvention)	(541,416)	(525,715)	(15,701)	(560,132)	34,417
<b>Net Income</b>	<u>\$ 2,392,655</u>	<u>\$ 2,198,974</u>	<u>\$ 193,681</u>	<u>\$ 1,652,964</u>	<u>\$ 546,010</u>

Port's operating revenue for Fiscal Year 2021 increased by almost 3% or \$262,000 compared to Fiscal Year 2020, and that was mainly because of new leases/tenants.

The Charter of the City of Redwood City requires that the Port annually give to the City any surplus funds which in the judgment of the Board of Port Commissioners is not needed for Port purposes. This is called subvention; for Fiscal Year 2021 the Port will pay subvention of \$541,416 to the City.

## FINANCIAL ACTIVITIES & FISCAL YEAR 2021 HIGHLIGHTS, CONTINUED

### Capital Assets

At June 30, 2021 the Port had \$63,313,557 in capital assets and \$26,678,613 accumulated depreciation, resulting in net capital assets of \$36,634,942. A summary of the activity and balances in capital assets is presented in Table C below.

**Table C**

	June 30, 2020	Additions & Transfers	Deletions & Transfers	June 30, 2021
Land and Land Improvements	\$ 2,574,066	\$ -	\$ -	\$ 2,574,066
Infrastructure	4,773,955	-	-	4,773,955
Recreational Boating Facilities	7,651,285	-	-	7,651,285
Terminal & Facilities	40,064,513	38,000	-	40,102,513
Furniture, Fixtures & Equipment	735,559	7,492	-	743,051
Channel and Maritime Harbor	4,319,084	-	-	4,319,084
Construction in Progress	3,028,685	120,918	-	3,149,603
Total Capital Assets	<u>\$ 63,147,147</u>	<u>\$ 166,410</u>	<u>\$ -</u>	<u>\$ 63,313,557</u>
Accumulated Depreciation	(25,060,941)	(1,617,672)	-	(26,678,613)
<b>Capital Assets, Net</b>	<u><u>\$ 38,086,206</u></u>	<u><u>\$ (1,451,262)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,634,944</u></u>

At June 30, 2021, of the \$3,149,603 balance in Construction in Progress \$2,322,289 pertains to the Channel Deepening Feasibility Study and the remaining \$818,824 to the other projects underway including Marina Improvements, Public Access/Fishing Pier renovation and enhancement of Inter-agency Operations Center (IOC).

### Debt Administration

At June 30, 2021, the Port had the following debt obligations:

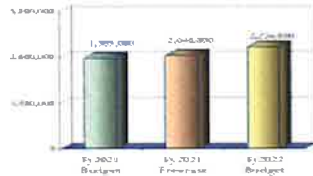
2012 Port Revenue Bonds – The bonds were issued on June 26, 2012, in the principal amount of \$10,000,000 to partially fund the replacement of Wharves 1 & 2. The remaining principal balance at June 30, 2021 is \$6,529,874. The interest rate is fixed at 4.20% throughout the 20 year term; principal and interest payments are due monthly through June 1, 2032.

2015 Port Revenue Bonds – The bonds were issued on June 1, 2015, in the principal amount of \$6,940,000 to refund the Revenue Bonds Series 1999. The remaining principal balance at June 30, 2021 is \$4,540,000. The bonds bear an interest rate between 2.00% and 4.00% and are fully amortized. Principal and interest are payable on June 1 and December 1 of each year throughout the 15 year term. The bonds are secured by and payable from the revenues generated by the Port's operations.

## ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Port's inbound cargos are concentrated in bulk construction materials; export cargo currently includes ferrous scrap metal destined for recycling in Asia. The Port's Fiscal Year 2022 (FY2021-22) budget for import and export tonnage was based on the expectations of its key customers with regard to their particular markets. At 2.2 million metric tons, the FY2021-22 tonnage budget is almost 22% higher than FY2020-21 Actual tonnage.

### Tonnage in metric tons FY2021 vs FY2022 Comparison



	<b>Fy2021 Forecast</b>	<b>Fy2022 Budget</b>
<b>Sand/Aggre</b>	<b>1,508,210</b>	<b>1,620,000</b>
<b>Scrap Metal</b>	<b>223,334</b>	<b>220,000</b>
<b>Gypsum</b>	<b>200,356</b>	<b>230,000</b>
<b>Bauxite</b>	<b>34,660</b>	<b>82,000</b>
<b>Cement</b>	<b>73,440</b>	<b>72,000</b>
	<b>2,040,000</b>	<b>2,224,000</b>
<b>SHIPS</b>	<b>64</b>	<b>67</b>
<b>BARGES</b>	<b>0</b>	<b>0</b>

### OVERVIEW FY2021 vs FY2022

	<b>Fy2021 Budget</b>	<b>Fy2021 Forecast</b>	<b>Fy2022 Budget</b>
	(\$ million)	(\$ million)	(\$ million)
<b>Operating Revenue</b>	<b>\$ 9.027</b>	<b>\$ 8.974</b>	<b>\$ 9.525</b>
<b>Operating Expenses</b>	<b>- 4.173</b>	<b>- 4.526</b>	<b>- 6.474</b>
<b>Administrative Exp.</b>	<b>- 1.734</b>	<b>- 1.564</b>	<b>- 1.669</b>
<b>Operating Income</b>	<b>3.120</b>	<b>2.884</b>	<b>1.382</b>
<b>Non-Operating Exp.</b>	<b>- 0.067</b>	<b>- 0.265</b>	<b>- 0.205</b>
<b>Subvention</b>	<b>- 0.542</b>	<b>- 0.538</b>	<b>- 0.571</b>
<b>Net Income</b>	<b>\$ 2.511</b>	<b>\$ 2.081</b>	<b>\$ 0.606</b>

#### **GOALS FOR Fy2021-22:**

- Continue to foster further growth of the Port's maritime commerce and cargo shipments
- Engage in public-private partnerships to develop Port site for future lease opportunities
- Enhance the Interagency Emergency Operations (IOC) Center
- Collaborate with City for the development of public Ferry Service
- Promote the Port as a multi-modal hub

### **CONTACTING THE PORT'S FINANCIAL MANAGEMENT**

The Basic Component Unit Financial Statements combined with this report, Management's Discussion and Analysis, are intended to provide citizens, investors and creditors insight into the Port's operation and finances. Questions regarding this report should be directed to:

Port of Redwood City

Director of Finance & Administration

675 Seaport Boulevard, Redwood City, California 94063

Telephone: (650)306-4150 Facsimile: (650)369-7636 Email: [portofrc@redwoodcityport.com](mailto:portofrc@redwoodcityport.com)

**Port of Redwood City**  
**Comparative Statements of Net Position**  
**For the years ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 2)	\$ 21,216,338	\$ 18,360,194
Accounts receivables	478,352	462,150
Prepaid items	435,071	322,404
Total current assets	<u>22,129,761</u>	<u>19,144,748</u>
<b>Noncurrent assets:</b>		
Restricted cash and investments (Note 2)	1,102,863	1,103,043
Silicon Valley Clean Water capacity rights (Note 4)	400,000	400,000
Prepaid bond insurance	19,387	21,559
Capital assets (Note 3):		
Non-depreciable assets	5,669,667	5,548,749
Depreciable assets, net	30,965,275	32,537,457
Total capital assets, net	<u>36,634,942</u>	<u>38,086,206</u>
Total noncurrent assets	<u>38,157,192</u>	<u>39,610,808</u>
<b>Total assets</b>	<b><u>60,286,953</u></b>	<b><u>58,755,556</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow of resources - loss on bond refunding	160,765	178,621
Deferred outflows of resources - Pension contributions (Note 8)	391,333	311,514
Deferred outflow of resources - Pension related (Note 8)	73,354	54,981
Deferred outflow of resources - OPEB related (Note 9)	108,760	47,344
<b>Total deferred outflow of resources</b>	<b><u>734,212</u></b>	<b><u>592,460</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (Note 6)	354,521	340,932
Accrued payroll and benefits payable (Note 1F)	154,518	96,922
Unearned revenue	175,431	175,431
Refundable deposits	317,686	283,977
Interest payable	36,933	39,742
Subvention payable (Note 7)	541,416	525,715
Long-term debt - due within one year (Note 5)	922,155	892,563
Total current liabilities	<u>2,502,660</u>	<u>2,355,282</u>
<b>Long-term liabilities:</b>		
Net OPEB liabilities (Note 9)	691,244	614,366
Net pension liabilities (Note 8)	3,293,138	3,223,390
Long-term debt - due in more than one year (Note 5)	10,134,346	11,055,001
Total noncurrent liabilities	<u>14,118,728</u>	<u>14,892,757</u>
<b>Total liabilities</b>	<b><u>16,621,388</u></b>	<b><u>17,248,039</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow of resources - OPEB related (Note 9)	113,082	145,984
Deferred inflow of resources - pension related (Note 8)	9,682	69,635
<b>Total Deferred inflow of resources</b>	<b><u>122,764</u></b>	<b><u>215,619</u></b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	30,279,206	31,277,390
Restricted for Debt service	922,155	892,563
Unrestricted	13,075,652	9,714,405
<b>Total net position</b>	<b><u>\$ 44,277,013</u></b>	<b><u>\$ 41,884,358</u></b>

See accompanying Notes to Basic Financial Statements.

**Port of Redwood City**  
**Comparative Statements of Activities and Changes in Net Position**  
**For the years ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES:</b>		
Marine terminal:		
Rentals-maritime	\$ 2,532,662	\$ 2,468,149
Wharfage	2,332,115	2,387,019
Dockage	714,059	693,291
Facilities usage	355,550	361,108
Line handling	680,419	588,072
Services and miscellaneous	34,408	28,154
Total marine terminal	<u>6,649,213</u>	<u>6,525,793</u>
Rentals - commercial	1,700,625	1,563,482
Recreational boating	567,544	568,559
Other operating revenue	106,220	104,094
<b>Total operating revenues</b>	<b><u>9,023,602</u></b>	<b><u>8,761,928</u></b>
<b>OPERATING EXPENSES:</b>		
Marine terminal	2,137,629	2,169,473
Recreational boating	580,543	597,828
Commercial	343,390	328,474
Infrastructure	781,676	827,458
Administration and general maintenance	1,701,359	2,007,418
<b>Total operating expenses</b>	<b><u>5,544,597</u></b>	<b><u>5,930,651</u></b>
<b>OPERATING INCOME</b>	<b><u>3,479,005</u></b>	<b><u>2,831,277</u></b>
<b>NONOPERATING REVENUE (EXPENSES):</b>		
Interest income	105,792	292,088
Interest expense	(478,036)	(510,405)
Grant income	-	37,342
Other income (expense), net	(172,690)	74,387
<b>Total nonoperating expenses</b>	<b><u>(544,934)</u></b>	<b><u>(106,588)</u></b>
<b>Net income before subvention to the City of Redwood City</b>	<b>2,934,071</b>	<b>2,724,689</b>
Subvention to City of Redwood City (Note 7)	(541,416)	(525,715)
<b>NET POSITION:</b>		
Beginning of year	<u>41,884,358</u>	<u>39,685,384</u>
<b>End of year</b>	<b><u>\$ 44,277,013</u></b>	<b><u>\$ 41,884,358</u></b>

See accompanying Notes to Basic Financial Statements.

**Port of Redwood City**  
**Comparative Statements of Cash Flows**  
**For the years ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and other funds	\$ 9,007,400	\$ 10,326,719
Cash payments to suppliers for goods and services	(2,290,935)	(2,193,670)
Cash payments to employees for services	(1,749,600)	(1,798,387)
<b>Net cash provided by operating activities</b>	<b><u>4,966,865</u></b>	<b><u>6,334,662</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash payments of subvention to the City of Redwood City	(525,715)	(560,132)
Other nonoperating revenues (disbursements)	(172,690)	111,729
<b>Net cash used by noncapital financing activities</b>	<b><u>(698,405)</u></b>	<b><u>(448,403)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on debt	(891,063)	(852,275)
Interest paid on debt	(460,817)	(492,087)
Acquisition and construction of capital assets	(166,408)	(227,471)
<b>Net cash used by capital and related financing activities</b>	<b><u>(1,518,288)</u></b>	<b><u>(1,571,833)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	105,792	292,088
<b>Net cash provided by investing activities</b>	<b><u>105,792</u></b>	<b><u>292,088</u></b>
<b>Net change in cash and cash equivalents</b>	<b><u>2,855,964</u></b>	<b><u>4,606,514</u></b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	19,463,237	14,856,723
<b>End of year</b>	<b><u>\$ 22,319,201</u></b>	<b><u>\$ 19,463,237</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 3,479,005	\$ 2,831,277
Adjustments to reconcile operating income		
(loss) to net cash provided by operating activities:		
Depreciation and amortization	1,617,672	1,730,890
(Increase) decrease in assets :		
Accounts receivable	(16,202)	1,564,791
Prepaid expenses	(112,667)	(4,726)
(Increase) decrease in deferred outflow of resources:		
Deferred outflow of resources - OPEB employer contributions	(61,416)	(47,344)
Deferred outflows of resources - pension	(79,819)	(48,840)
Deferred outflow of resources - pension employer contributions	(18,373)	135,423
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	13,589	(73)
Accrued payroll and benefits	57,596	(1,127)
Refundable deposits	33,709	3,472
Net OPEB Liability	76,878	(62,417)
Net pension liability	69,748	118,679
Increase (decrease) in deferred inflow of resources:		
Deferred inflow of resources - OPEB related amounts	(32,902)	94,703
Deferred inflow of resources - pension related amounts	(59,953)	19,954
<b>Net cash provided by operating activities</b>	<b><u>\$ 4,966,865</u></b>	<b><u>\$ 6,334,662</u></b>

See accompanying Notes to Basic Financial Statements.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Port of Redwood City (Port) have been prepared in conformity with generally accepted accounting principles (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 Port's accounting policies are described below.

### *A. Reporting Entity*

The Port was established under the City of Redwood City's (City) Charter as a department of the City and is managed by the Board of Port Commissioners, whose five members are appointed by the City Council. The Port's financial statements are included in the basic financial statements of the City.

The Port is one of California's most diversified small ports. In addition to handling bulk and recycled materials, other uses include warehouse and office leasing, recreational boating facilities and a 190-slip marina.

### *B. Basis of Accounting and Measurement Focus*

The Port is an enterprise fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The basic financial statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position and a Statement of Cash Flows.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The accompanying Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. All of the Port's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The net position total reflected on both the Statement of Activities and Changes in Net Position and the Statement of Net Position represents equity.

### *C. Cash, Cash Equivalents and Investments*

For purposes of the statement of cash flows, the Port considered all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase may be stated at amortized cost; all other investments should be stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The Port has elected to state all investments at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

The Port participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk. In addition, these Structured Notes and Asset-Backed Securities are subject to change in interest rate risk.

D. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Port policy has set the capitalization threshold for reporting capital assets at \$500. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Land improvements	30-50 years
Infrastructure	30-50 years
Recreational boating facilities	30-50 years
Terminal and facilities	30-50 years
Furniture, fixtures and equipment	10-25 years
Channel and maritime harbor	30-50 years

E. Net Position

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation, reduced by outstanding debt 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 includes all net positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

F. Compensated Absences

Compensated absences including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned.

Vacation leave is earned by employees at the rate of ten days per year up to five years of service, fifteen days up to fourteen years of service, and twenty days thereafter. The maximum accrual permitted for any employee is two years earned vacation leave.

Sick leave is earned at a rate of eight hours per month. Unused sick leave may be accumulated up to a maximum of 120 working days (960) hours. Annually, employees may convert up to 96 hours of sick leave into compensation at 25% of their rate of pay. Employees leaving the service of the Port receive compensation in the amount of 25% of all unused accumulated sick leave.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

### *G. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### *H. New Pronouncements*

The following Governmental Accounting Standards Board (GASB) pronouncements were effective in fiscal year 2020-2021:

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The provisions of this Statement were implemented during fiscal year 2021. The provisions of this Statement did not have an impact on the Ports financial statements during fiscal year 2021.

### *I. Budget and Budgetary Accounting*

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Prior to June 30 the proposed budget is submitted to the Port Commission for approval and the budget ordinance is introduced. Public hearings are conducted to obtain public comments. At a subsequent regularly scheduled commission meeting, the budget is legally enacted through passage of an ordinance, normally before July 1<sup>st</sup>. After adoption, the budget is submitted to the City Council, City Clerk, City Manager and Assistant City Manager – Administrative Services of the City of Redwood City. The Commission is authorized to transfer budgeted amounts between line items within any department and can revise amounts which will alter total expenditures by the Port.

### *J. Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***K. Other Postemployment Benefits (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Port's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

***L. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***M. Summarized Comparative Information***

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**Port of Redwood City**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2021 and 2020**

**2. CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

Deposits and investments held by the Port at June 30, 2021 and 2020 are summarized below:

Cash and Investments:	Fair Value	
	2021	2020
Demand Deposits:		
Deposits	\$ 1,074,882	\$ 1,279,351
Petty cash	1,000	1,000
Investments:		
Local Agency Investment Fund	20,140,456	17,079,843
Total unrestricted cash and investments	21,216,338	18,360,194
Restricted Cash and Investments:		
Held in escrow (Mitigation account)	175,431	175,431
Held by fiscal agent *	927,432	927,612
Total restricted cash and investments	1,102,863	1,103,043
<b>Total unrestricted and restricted cash and investments</b>	<b>\$ 22,319,201</b>	<b>\$ 19,463,237</b>

\*Trustee accounts with U.S. Bank invested in Government obligation funds and US treasury money market

**B. Cash Deposits**

As of June 30, 2021 and 2020, the carrying amount of the Port's cash deposits were \$1,074,882 and \$1,279,351 respectively; bank balances before reconciling items were \$1,789,395 and \$2,150,697 respectively, of which \$250,000 was fully insured and \$1,539,395 and \$1,900,697 respectively were collateralized with securities held by the pledging financial institutions in the Port's name as discussed below. The Port has waived collateral requirements for the portion of cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The California Government Code requires California banks and savings and loan associations to secure the Port's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for deposits is considered to be held in the Port's name. The market value of pledged securities must equal at least 110% of the Port's deposits. California law also allows financial institutions to secure Port deposits by pledging first trust deed mortgage notes having a value of 150% of the Port's deposits.

**C. Noncurrent restricted cash and investments**

As of June 30, 2021 and 2020, the Port had \$1,102,863 and \$1,103,043 respectively in total noncurrent restricted cash and investments. The amount held by fiscal agent US Bank pledged for the payment of certain bonds as of June 30, 2021 and 2020 was \$927,432 and \$927,612, respectively; the amount held in escrow by fiscal agent Wells Fargo Bank pledged for future asset acquisitions was \$175,431 and \$175,431 respectively.

**Port of Redwood City**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2021 and 2020**

**2. CASH AND INVESTMENTS, Continued**

*C. Noncurrent restricted cash and investments, Continued*

The funds in escrow account was pledged for any mitigation between the Port of Redwood City and Pacific Shores Center Limited Partnership under the agreement entitled “Exchange Agreement Between the Port of Redwood City and Pacific Shores Center Partnership” (the Agreement). The Agreement, ordained as P-175 by the Port, further states that the funds are specifically to be used for the mitigation of emanation of noise, dirt, and odors from Port property. Furthermore, the Port will acquire certain rail easements rights and may acquire other access rights for the purpose of minimizing the emanation of dirt, noise and odor.

The California Government Code requires these funds to be invested in accordance with any applicable Port ordinance, resolution or bond indenture, unless there are specific State statutes governing their investment. These funds have been invested only as permitted by the Investment Policy.

*D. Investments*

The Port follows the City’s investment policy. Under the provisions of the City’s investment policy, and in accordance with California Government Code, the following investments are authorized:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years	No limit	No limit
Federal Agency/Government Sponsored Enterprises	N/A	No limit	No limit
Local Agency Investment Fund	N/A	No limit	\$75 Million
San Mateo County Pool	N/A	No limit	\$50 Million
State and Local Agency Bonds	N/A	20%	5%
Money Market and Mutual Funds	N/A	20%	5%
Local Government Investment Pools	N/A	20%	No limit
U.S. Medium-Term Notes	5 years	30%	5%
Non-negotiable Certificates of Deposit	3 years	10%	2%
Negotiable Certificates of Deposit	N/A	30%	5%
Prime Commercial Paper	270 days	25%	10%
Bankers’ Acceptances	180 days	10%	2%
Repurchase Agreements	90 days	10%	No limit
Asset-backed Securities	5 years	20%	5%
Supranational Securities	5 years	30%	5%

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

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2. CASH AND INVESTMENTS, Continued

E. Risk Disclosures

GASB Statement No. 40 requires that risks related to deposits and investments be disclosed.

Credit Risk – the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor’s or P-1 by Moody’s Investors Service.

Investment Type	Credit Rating	% of Investments
California Local Agency Investment Fund	Not Rated	100%

Custodial Credit Risk – the risk of loss of an investment due to failure, impairment or malfeasance of the third party in whose name the investment is held and/or who has physical possession of the investment instrument. In order to limit loss exposure due to Custodial Credit Risk, the investment policy requires all securities be received and delivered using the standard delivery versus payment (DVP) procedure, and all securities (excluding certificates of deposit) be held by a third party bank or trust department under the terms of a custody or trustee agreement.

F. External Investment Pool

The Port invests in LAIF, a State of California external investment pool. LAIF determines the fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and based on amortized cost or best estimate for those securities where market value is not readily available.

The Port valued its investments in LAIF as of June 30, 2021, by multiplying its account balance with LAIF times a fair value factor computed by LAIF. As of June 30, 2021, the Port had \$20,138,785 in LAIF with fair value factor of 1.00008297. As of June 30, 2020, the Port had \$16,996,343 in LAIF with fair value factor of 1.004912795. The fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2021 and 2020, the Port’s investments in LAIF stated at fair value equaled \$20,140,456 and \$17,079,842 respectively.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method. The unrealized losses due to fair value adjustments were (\$1,671) and (\$83,500), for the years ended June 30, 2021 and 2020, respectively.

## 2. CASH AND INVESTMENTS, Continued

### F. External Investment Pool, Continued

The Port's investments with LAIF at June 30, 2021, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or that have embedded forwards or options.
- Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021 and 2020, the Port had \$20,140,456 and \$17,079,842 respectively (stated at fair value) invested in LAIF, which had invested 1.10% and 1.36% of the pool investment fund in Structured Notes and Asset-Backed Securities.

### G. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in LAIF and restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement.



**Port of Redwood City**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2021 and 2020**

**3. CAPITAL ASSETS**

The following is a summary of the Port's capital assets as of June 30, 2020 and 2021:

	2020			2021			
	Balance June 30, 2019	Additions & Transfers	Adjustments & Deletions	Balance June 30, 2020	Additions	Adjustments & Transfers	Balance June 30, 2021
<b>Non-depreciable assets:</b>							
Land	\$ 2,520,064	\$ -	\$ -	2,520,064	\$ -	\$ -	\$ 2,520,064
Construction in progress	2,942,719	179,706	(93,740)	3,028,685	120,918	-	3,149,603
Total non-depreciable assets	5,462,783	179,706	(93,740)	5,548,749	120,918	-	5,669,667
<b>Depreciable assets:</b>							
Land improvements	54,002	-	-	54,002	-	-	54,002
Infrastructure	4,773,955	-	-	4,773,955	-	-	4,773,955
Recreational boating facilities	7,651,285	-	-	7,651,285	-	-	7,651,285
Terminal and facilities	40,064,513	-	-	40,064,513	38,000	-	40,102,513
Furniture, fixtures and equipment	594,057	47,762	93,740	735,559	7,492	-	743,051
Channel and maritime harbor	4,319,084	-	-	4,319,084	-	-	4,319,084
Total depreciable assets	57,456,896	47,762	93,740	57,598,398	45,492	-	57,643,890
<b>Accumulated Depreciation:</b>							
Land improvements	(48,736)	(799)	-	(49,535)	(799)	-	(50,334)
Infrastructure	(3,524,445)	(108,910)	-	(3,633,355)	(88,109)	-	(3,721,464)
Recreational boating facilities	(4,400,675)	(229,335)	-	(4,630,010)	(229,335)	-	(4,859,345)
Terminal and facilities	(12,063,841)	(968,490)	-	(13,032,331)	(962,136)	-	(13,994,467)
Furniture, fixtures and equipment	(354,794)	(23,787)	-	(378,581)	(28,474)	-	(407,055)
Channel and maritime harbor	(2,937,563)	(399,566)	-	(3,337,129)	(308,821)	-	(3,645,950)
Total accumulated depreciation	(23,330,054)	(1,730,887)	-	(25,060,941)	(1,617,674)	-	(26,678,615)
Total depreciable assets, net	34,126,842	(1,683,125)	93,740	32,537,457	(1,572,182)	-	30,965,275
Capital assets, net	\$ 39,589,625	\$ (1,503,419)	\$ -	\$ 38,086,206	\$ (1,451,264)	\$ -	\$ 36,634,942

Depreciation expense for the fiscal years ended June 30, 2021 and 2020 was as follows:

	June 30	
	2021	2020
Marine terminal	\$ 962,136	\$ 968,490
Infrastructure and general maintenance	357,856	469,402
Recreational boating	229,335	229,335
Commercial	39,873	39,873
Administration	28,474	23,787
Total	\$ 1,617,674	\$ 1,730,887

**Port of Redwood City**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2021 and 2020**

**4. SILICON VALLEY CLEAN WATER (SVCW) CAPACITY RIGHTS**

The Silicon Valley Clean Water (SVCW) was established to build and operate a sewage treatment facility. SVCW is controlled by a four member board, which appoints management and employees of SVCW and is responsible for SVCW's budget, operations and finances. The Port's acquisition of capacity rights allows the Port and its tenants to discharge 400,000 gallons per day of wastewater to SVCW's treatment facility. The Port is carrying the capacity rights at the original acquisition cost of \$1.00 per gallon for a total amount of \$400,000. Based on the agreement this one-time investment does not have any time limit and is to be retained at its original value without any depreciation or amortization. Additional capacity rights can be acquired at the current rate and categorized as operational expenses. Financial statements may be obtained from SVCW at 1400 Radio Road, Redwood City, California 94065.

**5. LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2020 and 2021 are as follows:

	Balance			Balance			Balance			Due Within One Year	Due in More Than One Year
	June 30, 2019	Additions	Retirements	June 30, 2020	Additions	Retirements	June 30, 2021				
2012 Revenue Bonds	\$ 7,426,212	\$ -	\$ (438,775)	\$ 6,987,437	\$ -	\$ (457,563)	\$ 6,529,874	\$ 477,155	\$ 6,052,719		
2015 Revenue Bonds	5,390,000	-	(415,000)	4,975,000	-	(435,000)	4,540,000	445,000	4,095,000		
Unamortized Bond Discount	(16,373)	-	1,500	(14,873)	-	1,500	(13,373)	-	(13,373)		
Total long-term debt	\$ 12,799,839	\$ -	\$ (852,275)	\$ 11,947,564	\$ -	\$ (891,063)	\$ 11,056,501	\$ 922,155	\$ 10,134,346		

***Port of Redwood City Revenue Bonds Series 2012***

On June 1, 2012, the Port issued Port of Redwood City Revenue Bonds Series 2012 to finance the redevelopment of Wharves 1 & 2. The original principal amount of the bonds was \$10,000,000; there was no original issue discount. The bonds bear an interest rate of 4.20% and are fully amortized. Principal and interest are payable on the first of each month throughout the 20 year term. The bonds are secured by and payable from the revenues generated by the Port's operations.

The Revenue Bonds are general obligations of the Port, payable solely from operating revenues. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2021.

**Port of Redwood City**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2021 and 2020**

**5. LONG-TERM DEBT, Continued**

At June 30, 2021, future debt service requirements for the 2012 revenue bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2022	\$ 477,155	\$ 265,139	\$ 742,294
2023	497,586	244,708	742,294
2024	518,891	223,403	742,294
2025	541,109	201,185	742,294
2026	564,278	178,015	742,293
2027-2031	3,205,178	506,291	3,711,469
2032	725,677	16,615	742,292
<b>Total</b>	<b>\$ 6,529,874</b>	<b>\$ 1,635,356</b>	<b>\$ 8,165,230</b>

***Port of Redwood City Refunding Revenue Bonds Series 2015***

On June 1, 2015, the Port issued Port of Redwood City Refunding Revenue Bonds Series 2015 to refund the Revenue Bonds Series 1999. The original principal amount of the bonds was \$6,940,000; there was an original issue discount of \$22,375. The bonds bear an interest rate between 2.00% to 4.00% and are fully amortized. Principal and interest are payable on June 1 and December 1 of each year throughout the 15 year term. The bonds are secured by and payable from the revenues generated by the Port's operations.

The Revenue Bonds are general obligations of the Port, payable solely from operating revenues. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2021.

At June 30, 2021, future debt service requirements for the 2015 revenue bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2022	\$ 445,000	\$ 161,538	\$ 606,538
2023	460,000	148,188	608,188
2024	475,000	134,388	609,388
2025	485,000	119,544	604,544
2026	505,000	103,175	608,175
2027-2031	2,170,000	217,300	2,387,300
<b>Total</b>	<b>\$ 4,540,000</b>	<b>\$ 884,133</b>	<b>\$ 5,424,133</b>

## 5. LONG-TERM DEBT, Continued

### *Debt Covenants and Restrictions*

For the fiscal year ended June 30, 2021, the Port complied with all general and specific covenants of the master bond indenture and the first and supplemental bond indentures, including debt proceeds usage, debt repayment, and maintenance of adequate reserves.

## 6. OTHER LIABILITIES

At June 30, 2021, the accounts payable and accrued liabilities balance of \$354,521 includes an accrual of \$1,000 for the remaining estimated cost of post-closure analytical testing of groundwater, bio-augmentation remediation, and related regulatory oversight at the former Liquid Bulk Terminal site. The results of each of six consecutive semi-annual testing cycles must meet the established standards; if any fails to meet the established standards the six consecutive testing cycles must begin again. In November 2017 sampling event was the 6th conservative semi-annual sampling event where all detected concentrations were below the Closure Performance Standards (CPS). In February 2018, DTSC approved termination of the current groundwater monitoring program and removal of all eight remaining groundwater monitoring wells. This site is now available for future lease opportunities and/or commercial development.

## 7. SUBVENTION PAYMENTS TO THE CITY OF REDWOOD CITY

In accordance with Section 48d of the Charter of the City, the Board of the Port Commissioners is required to annually pay to the City profits from the operation of the Port and any surplus funds which in its judgment may not be needed for Port purposes. Subventions payable to the City for fiscal years 2021 and 2020 were \$541,416 and \$525,715, respectively.

## 8. PENSION PLANS

### *A. California Public Employees Retirement Plan*

*Plan Description* - All qualified permanent and probationary employees are eligible to participate in the Port's Miscellaneous Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City of Redwood City and Port of Redwood City ordinances. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided* - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan is applied as specified by the Public Employees' Retirement Law.

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

8. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

*From 6.30.19 Valuation	Miscellaneous		
	Tier 1	Tier 2	Tier 3
	Prior to	On or after	On or after
Hire date	October 13, 2011	October 13, 2011	January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates*	8.00%	7.00%	6.25%
Required employer contribution rates*		10.362%	
Required payment for Unfunded Accrued Liability*		\$0	

**Employees Covered** – At June 30, 2021 and 2020, the following employees were covered by the benefit terms for the Plan:

	June 30, 2021	June 30, 2020
Inactive employees or beneficiaries currently receiving	6	6
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	9	9
Total	15	15

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Port is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**Net Pension Liability** - The Port's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020 and 2021, using an annual actuarial valuation as of June 30, 2019 and 2018 respectively, rolled forward to June 30, 2020 and 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

8. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

**Actuarial Assumptions** – The total pension liability in the June 30, 2020 and 2019 actuarial reports was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.25%, Net of pension plan investment expenses, including inflation	7.375%, Net of pension plan investment expenses, including inflation
Mortality (1)	Derived using CalPERS' Membership data for all funds	Derived using CalPERS' Membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50%, thereafter	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75%, thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Change of Assumptions** – For the measurement date of June 30, 2021, the inflation rate increased from 2.50% to 2.75%.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for the Plan for the measurement period ended June 30, 2020 and 7.15% for the measurement period ending June 30, 2019. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the 7.15 percent discount rate was adequate and the use of the municipal bond rate calculation was not necessary. The long term expected discount rates of 7.15 percent was applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

8. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2020-2021			2019-2020		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
	Global Equity	50.00%	4.80%	5.98%	50.00%	4.80%
Global Fixed Income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Infrastructure and Forestland	0.00%			0.00%		
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%
Total	100%			100%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

8. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

*Changes in the Net Pension Liability*

The changes in the Net Pension Liability for the Plan for the measurement period ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
<b>Balance at June 30, 2020</b>	<b>\$ 9,253,425</b>	<b>\$ 6,030,035</b>	<b>\$ 3,223,390</b>
<b>Changes in the year:</b>			
Service cost	181,633	-	181,633
Interest on the total pension liability	730,303	-	730,303
Differences between actual and expected experience	(15,377)	-	(15,377)
Changes in assumptions	-	-	-
Change in proportion	-	-	-
Changes in benefit terms	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contribution - employer	-	393,349	(393,349)
Contribution - employee	-	84,727	(84,727)
Net investment income	-	358,833	(358,833)
Administrative expenses	-	(10,098)	10,098
Benefit payments, including refunds of employee	(495,303)	(495,303)	-
Other Miscellaneous Income / (Expense)	-	-	-
<b>Net changes during 2020-21</b>	<b>401,256</b>	<b>331,508</b>	<b>69,748</b>
<b>Balance at June 30, 2021</b>	<b>\$ 9,654,681</b>	<b>\$ 6,361,543</b>	<b>\$ 3,293,138</b>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Port for the Plan, calculated using the discount rate for the Plan, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Measurement Date June 30,	2021	2020
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 4,702,665	\$ 4,600,548
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 3,293,138	\$ 3,223,390
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 2,125,554	\$ 2,083,846



Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

8. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

*Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For the years ended June 30, 2021 and 2020, the Port recognized pension expense of \$302,936 and \$563,730 respectively. At June 30, 2021 and 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 391,333	\$ -	\$ 311,514	\$ -
Differences between actual and expected experience	18,452	(9,682)	54,981	-
Changes in assumptions	-	-	-	(24,841)
Net differences between projected and actual earnings on plan investments	54,902	-	-	(44,794)
Total	\$ 464,687	\$ (9,682)	\$ 366,495	\$ (69,635)

\$391,333 reported as deferred outflows of resources as of June 30, 2021 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022, and \$311,514 reported as deferred outflows of resources as of June 30, 2020 related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year ended June 30:	Annual Amortization
2022	\$ (17,922)
2023	14,494
2024	36,887
2025	30,213
Total	\$ 63,672

**8. PENSION PLANS, Continued**

*A. California Public Employees Retirement Plan, Continued*

*Payable to the Pension Plan*

At June 30, 2021 and 2020, the Port reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021 and \$0 for the year ended June 30, 2020.

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

The Cost-sharing Multiple Employer Other Post-employment Benefits Plan offered by the Port are limited to reimbursement of medical premiums only. Eligibility extends to those employees hired before January 1, 2011, who, prior to retirement, have (a) worked ten or more consecutive years at the Port on a full time basis, and (b) are enrolled in the Port’s medical plan, and (c) are age 55 or older, and (d) have not been voluntarily or involuntarily terminated from employment at the Port. Spouses and/or dependents are ineligible.

The reimbursement of medical premiums is limited to the lesser of (a) the medical insurance premium paid by the eligible retiree, or (b) the Port’s cost to provide medical coverage for an active employee of the same age as the retiree or (c) the insurance premium for a Medicare supplement plan at the retiree’s earliest Medicare eligibility age, whether or not the retiree enrolls in Medicare.

The accounting rules governing other post-employment benefits (OPEB) do not require mandatory funding of the actuarial accrued liability or actuarial required contribution. During the fiscal year ended June 30, 2011, the Port adopted a comprehensive funding policy for post-employment benefits other than pension. The policy addresses the selection of a Section 115 Trust, prefunding strategy, disbursements and administrative matters. The Section 115 Trust selected was the CalPERS California Employer’s Retiree Benefit Trust Program (“CERBT”).

*Employees Covered*

As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	3
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving benefits	2
	<u>8</u>
	<u><u>8</u></u>

## 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

### *Contributions*

The OPEB Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Authority and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the Port contributed \$31,427 for the current retirees.

### *Actuarial Assumption*

The Port's net OPEB liability was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020 and 2019, respectively, based on the following actuarial methods and assumptions:

#### **Actuarial Assumption**

Discount Rate	Based on the Fidelity General Obligation AA Index
Inflation	2.75% as of June 30, 2020
Salary Increases	3.0% including inflation
Investment Rate of Return	2.45%
Healthcare Trend Rate	Medical premiums assumed to increase 8.0% in 2019 and 2020, 7.0% in 2021 through 2030, and 6.0% each year thereafter.
Mortality Rate	Based on the 2017 CalPERS Valuation

Because the benefits are not funded, the discount rate is equal to the 20-Year Bond Rate. The Port has chosen to use the "Fidelity General Obligation AA Index" as its 20-year bond rate. That Index was 3.13% at June 30 2019, and 2.45% at June 30, 2020.

### *Discount Rate*

The discount rate used to measure the total OPEB liability was 2.45 percent. The projection of cash flows used to determine the discount rate assumed that Port contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

*Changes in the Total OPEB Liability*

The changes in the total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability
<b>Balance at June 30, 2020</b> (Measurement date 06/30/2019)	<u>\$ 614,366</u>
<b>Changes in the year:</b>	
Service cost	5,356
Interest on the total pension liability	18,925
Differences between actual and expected experience	-
Changes in assumptions	72,042
Benefit payments	(19,445)
Administrative expenses	-
<b>Net changes</b>	<u>76,878</u>
<b>Balance at June 30, 2021</b> (Measurement date 06/30/2020)	<u><u>\$ 691,244</u></u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability of the Port if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Net OPEB Liability	\$ 820,812	\$ 691,244	\$ 589,022

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued**

*Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates*

The following presents the net OPEB liability of the Port if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease (6% to 5%)	Current Trend Rate (7% to 6%)	1% Increase (8% to 7%)
Net OPEB Liability	\$ 587,195	\$ 691,244	\$ 821,332

*Recognition of Deferred Outflows and Deferred Inflows of Resources*

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (6.1 Years at June 30, 2020)

*OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB*

For the fiscal year ended June 30, 2021, the Port recognized OPEB expense of \$13,987. For the fiscal year ended June 30, 2020, the Port reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 31,427	\$ -
Changes of assumptions	77,333	(27,315)
Differences between expected and actual experience	-	(85,767)
Net differences between projected and actual earnings on plan investments	-	-
Total	<u>\$ 108,760</u>	<u>\$ (113,082)</u>

Port of Redwood City  
Notes to Basic Financial Statements  
For the years ended June 30, 2021 and 2020

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued**

The amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/Inflows of Resources
2022	\$ (6,718)
2023	(6,718)
2024	(5,901)
2025	(14,936)
2026	(1,476)
Thereafter	-
	<u>\$ (35,749)</u>

**10. RISK MANAGEMENT**

Workers' Compensation coverage is provided through the City's self-insurance program. The Port has no self-insured retention associated with this coverage.

All property and liability insurance coverage is provided through a broker. Deductible amounts range from \$250 to \$1,000,000.

In the last five years no claims were filed against the Port which exceeded its insurance coverage limits.

**11. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2021 and 2020, the Port had committed approximately \$3,298,000 and \$362,500 respectively for professional services contracts and capital improvement projects.

**12. OPERATING LEASES**

The Port leases a multi-function copier and a postage machine with scale. The minimum future lease payments under the non-cancelable operating leases for the remaining term of the leases are as follows:

Fiscal Year ending June 30,	Multi-function Copier	Postage Machine/Scale
2021	\$ 7,000	\$ 2,000
2022	5,000	2,000
Total minimum future lease payments	<u>\$ 12,000</u>	<u>\$ 4,000</u>

### 13. PLEDGES OF FUTURE REVENUES

The Master Indenture for the Series 2015 Bonds and Series 2012 Bonds requires the Port to pledge its annual Net Revenues (defined as operating income plus depreciation, interest income and non-operating income) in an amount equal to at least 120% of the annual debt service requirement each fiscal year, through final maturities of the Bonds or early retirement of the Bonds, whichever first occurs. The Series 2015 Bonds mature June 1, 2030; the Series 2012 Bonds mature June 1, 2032. At June 30, 2021, the ratio of Net Revenues to the debt service payments due during Fiscal Year 2021 was 4.53 (453%).

### 14. DEBT SERVICE COVERAGE RATIOS

The Second Supplemental Indenture, applicable to the Series 2012 Bonds, specifies additional reporting requirements and action to be taken in the event the Debt Service Coverage Ratio (DSCR) falls below specific levels. At a DSCR of less than 1.40, the Port is required to provide quarterly reports to the Trustee and the bondholders. At a DSCR of less than 1.20, the Port is required to hire an approved consultant to examine the Port's rates and operations, and to implement reasonable recommendations made by the consultant. A DSCR of less than 1.00 for two consecutive years is an immediate Event of Default. At June 30, 2021, the DSCR was 4.53.

### 15. MINIMUM OPERATING RESERVE

The Series 2012 Bond Purchase Agreement requires that the Port maintain a Minimum Operating Reserve. The Minimum Operating Reserve is defined as unrestricted cash reserves in an amount at least 1.5 times the annual maintenance and operation costs as defined in the Master Indenture. The definition of annual maintenance and operation costs, as applied to the Port's financial statements, is equal to Operating Expenses net of depreciation. At June 30, 2021, unrestricted cash reserves were 5.40 times Operating Expenses net of depreciation.

The Continuing Disclosure requirements for the Series 2015 Bond prescribe the information to be included in the Annual Report to the Port's Series 2015 bondholders and repositories. Among those requirements is calculation of the Debt Service Coverage Ratio (Net Revenues divided by Maximum Annual Debt Service). At June 30, 2021, the Debt Service Coverage Ratio was 4.53 (453%).

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Port of Redwood City  
Required Supplementary Information  
For the year ended June 30, 2021 and 2020**

1. DEFINED BENEFIT PENSION PLAN

A. Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Years\*

Miscellaneous Plan

Measurement Period	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
<b>TOTAL PENSION LIABILITY</b>							
Service Cost	\$ 181,633	\$ 182,241	\$ 185,591	\$ 182,006	\$ 133,198	\$ 114,428	\$ 115,620
Interest	730,303	702,295	668,448	666,678	558,107	473,041	440,975
Changes of Benefit Terms	-	-	-	-	72,632	-	-
Difference Between Expected and Actual Experience	(15,377)	59,456	48,082	8,423	-	(13,055)	-
Changes of Assumptions	-	-	(74,522)	551,649	-	(114,655)	-
Changes in proportion	-	-	-	540,585	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(495,303)	(458,764)	(418,112)	(405,623)	(351,126)	(301,643)	(268,758)
Net Change in Total Pension Liability	401,256	485,228	409,488	1,543,718	412,811	158,116	287,837
Total Pension Liability - Beginning	9,253,425	8,768,197	8,358,709	6,814,991	6,402,180	6,244,064	5,956,227
Total Pension Liability - Ending (a)	9,654,681	9,253,425	8,768,197	8,358,709	6,814,991	6,402,180	6,244,064
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions - Employer	393,349	303,350	277,848	198,395	165,636	158,716	150,269
Contributions - Employee	84,727	78,699	82,020	85,018	69,561	56,707	60,404
Net Investment Income (2)	358,833	448,098	669,196	671,110	27,988	102,554	697,965
Benefit Payments, Including Refunds of Employee Contributions	(495,303)	(458,764)	(418,112)	(405,623)	(351,126)	(301,643)	(268,758)
Net Plan to Plan Resource Movement	-	-	-	-	-	-	-
Administrative Expense	(10,098)	(4,850)	(9,884)	-	-	-	-
Other Miscellaneous Income/(Expense) (1)	-	16	(18,769)	-	-	-	-
Net Change in Fiduciary Net Position	331,508	366,549	582,299	548,900	(87,941)	16,334	639,880
Plan Fiduciary Net Position - Beginning (2)	6,030,035	5,663,486	5,081,187	4,532,287	4,620,228	4,603,894	3,964,014
Plan Fiduciary Net Position - Ending (b)	6,361,543	6,030,035	5,663,486	5,081,187	4,532,287	4,620,228	4,603,894
Plan Net Position Liability/(Asset) - Ending (a) - (b)	3,293,138	3,223,390	3,104,711	3,277,522	2,282,704	1,781,952	1,640,170
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.89%	65.17%	64.59%	60.79%	66.50%	72.17%	73.73%
Covered Payroll	967,648	967,648	856,970	754,684	716,024	655,667	636,746
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	340.32%	333.12%	362.29%	434.29%	318.80%	271.78%	257.59%

(1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No.75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California, agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No.68, Accounting and Financial Reporting for Pensions (GASB 68).

(2) Includes any beginning of year adjustment.

**Port of Redwood City  
Required Supplementary Information  
For the year ended June 30, 2021 and 2020**

1. DEFINED BENEFIT PENSION PLAN, Continued

B. SCHEDULE OF CONTRIBUTIONS – Last 10 Years (1)

Miscellaneous Plan (1)

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially determined contribution (2)	\$ 345,455	\$ 298,295	\$ 262,674	\$ 230,354	\$ 198,395	\$ 165,636	\$ 158,716
Contribution in relation to the actuarially determined contributions	(391,333)	(311,514)	(262,674)	(230,354)	(198,395)	(165,636)	(158,716)
Contribution deficiency (excess)	\$ (45,878)	\$ (13,219)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,078,578	\$ 1,059,790	\$ 967,648	\$ 856,970	\$ 754,684	\$ 716,024	\$ 655,667
Contributions as a percentage of covered-employee payroll (3)	36.28%	29.39%	27.15%	26.88%	26.29%	23.13%	24.21%

(1) As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contribution should also be presented as of employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(3) Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018; 3.00 percent payroll assumption for fiscal years ended June 30, 2014-17.

**Port of Redwood City  
Required Supplementary Information  
For the year ended June 30, 2021 and 2020**

**2. OTHER POST EMPLOYMENT BENEFITS (OPEB)**  
(A Cost-Sharing Multiple Employer Plan)

*A. Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years\**

Measurement Period (1)	2019-20	2018-19	2017-18	2016-17
<b>TOTAL OPEB LIABILITY</b>				
Service Cost	\$ 5,356	\$ 12,928	\$ 12,746	\$ 14,623
Interest	18,925	24,324	23,193	20,261
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	-	(127,605)	-	-
Changes of Assumptions	72,042	37,647	(5,925)	(68,366)
Benefit Payments	(19,445)	(9,711)	(9,426)	(8,400)
<b>Net Change in Total OPEB Liability</b>	<b>76,878</b>	<b>(62,417)</b>	<b>20,588</b>	<b>(41,882)</b>
<b>Total OPEB Liability - Beginning</b>	<b>614,366</b>	<b>676,783</b>	<b>656,195</b>	<b>698,077</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 691,244</b>	<b>\$ 614,366</b>	<b>\$ 676,783</b>	<b>\$ 656,195</b>
<b>Covered Payroll</b>	<b>\$ 410,854</b>	<b>\$ 501,790</b>	<b>\$ 632,232</b>	<b>\$ 609,562</b>
<b>Total Pension Liability as a Percentage of Covered Payroll</b>	<b>168.25%</b>	<b>122.43%</b>	<b>107.05%</b>	<b>107.65%</b>

(1) Historical information is required only for measurement periods for which GASB 75 is applicable.

**Port of Redwood City  
Required Supplementary Information  
For the year ended June 30, 2021 and 2020**

**2. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued**

(A Cost-Sharing Multiple Employer Plan)

**B. Schedule of Contributions - Last 10 Years\***

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the ADC	31,427	15,869	9,949	9,426
Contribution deficiency (excess)	<u>\$ 31,427</u>	<u>\$ 15,869</u>	<u>\$ 9,949</u>	<u>\$ 9,426</u>
Covered-employee payroll	\$ 343,288	\$ 410,854	\$ 501,790	\$ 632,232
Contributions as a percentage of covered-employee payroll	9.2%	3.9%	2.0%	1.5%

**Notes to Schedule:**

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Straightline Amortization
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	3% annual increases
Investment Rate of Return	2.45%
Healthcare cost-trend rates	6.0% to 8.0%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

\* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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**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  
Of the Port of Redwood City  
Redwood City, 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 basic financial statements of the Port of Redwood City, California (Port), as of and for the year ended June 30, 2021, and have issued our report thereon dated January 25, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the 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 Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port'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 Port'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 Port'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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated January 25, 2022, which is an integral part of our audit and should be read in conjunction with this report.

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

*Maze & Associates*

Pleasant Hill, California  
January 25, 2022



**PORT OF REDWOOD CITY  
MEMORANDUM ON INTERNAL CONTROL  
FOR THE YEAR ENDED JUNE 30, 2021**

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**PORT OF REDWOOD CITY  
MEMORANDUM ON INTERNAL CONTROL**

**For The Year Ended JUNE 30, 2021**

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## MEMORANDUM ON INTERNAL CONTROL

To the Board Commissioners  
of the Port of Redwood City  
Redwood City, California

In planning and performing our audit of the basic financial statements of the Port of Redwood City (Port) for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Port'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 Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port'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 Port's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Commission and others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

*Maze & Associates*

Pleasant Hill, California  
January 25, 2022

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## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

#### **EFFECTIVE FISCAL YEAR 2021/22:**

##### **GASB 87 – Leases**

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

##### **GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period**

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 92 – Omnibus 2020**

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

#### **GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32**

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.



## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32, Continued**

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

#### ***How the Changes in this Statement will Improve Financial Reporting***

The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

#### **EFFECTIVE FISCAL YEAR 2022/23:**

#### **GASB 91 – Conduit Debt Obligations**

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### GASB 91 – Conduit Debt Obligations, Continued

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
  - (1) an issuer
  - (2) a third-party obligor, and
  - (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### GASB 91 – Conduit Debt Obligations, Continued

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

#### *How the Changes in this Statement will Improve Financial Reporting*

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

**PPPs** - This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancelable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements, Continued**

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

**APAs** - An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 96 – Subscription-Based Information Technology Arrangements**

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 96 – Subscription-Based Information Technology Arrangements, Continued**

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

#### ***How the Changes in this Statement will Improve Financial Reporting***

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

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## MEMORANDUM ON INTERNAL CONTROL

### STATUS OF PRIOR YEAR SCHEDULE OF OTHER MATTERS

#### 2019-01: Financial System Access and Segregation of Duties

**Criteria:** Effective internal controls require segregation of duties and proper review to be maintained at any organization, no matter what the size and intricacy.

**Condition:** In obtaining an understanding of the Port's internal control structure, we noted that certain duties performed by the Finance and Administration Director were not reviewed by another employee. In addition, signatures and dates are missing on certain documents, such as bank reconciliation and quarterly investment reports. These duties included the following:

- Journal entries preparing and posting.
- Bank reconciliation preparation and documentation of when it was prepared.
- Investment reconciliation preparation.
- Wire transfer initiation.

In addition, the current financial system Great Plains (GP) does not allow users and functions access updates.

**Cause:** The above condition was caused by the limited number of staff, turnover in recent years and unexpected sick leave of staff in the Finance Department and the limited financial system support.

**Potential Effect:** This condition does not permit for good checks and balances to maintain reliable internal control.

**Recommendation:** Good internal control dictates the following:

- Segregation of duties: One employee should not have access to both the assets and the records used to maintain related assets. Another employee should be involved in the recording of assets to ensure good checks and balances.
- A finance staff should have his or her own unique login, and should not have super user access to the financial system.

We recommend that the Port begin implementing review procedures to strengthen internal controls.

#### **Current Year Status:**

The Port's implementation of the new ERP, "YARDI System" has taken more time than anticipated and further delayed until July of 2021 after the Finance Director's return to work from a health recovery. YADRI system went "Live" on July 1, 2021, with segregation of access set up.

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**THE PORT OF REDWOOD CITY**  
**REQUIRED COMMUNICATIONS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2021**

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**THE PORT OF REDWOOD CITY**  
**REQUIRED COMMUNICATIONS**  
**For the Year Ended June 30, 2021**

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## REQUIRED COMMUNICATIONS

To the Board of Commissioners  
of the Port of Redwood City  
Redwood City, California

We have audited the basic financial statements of the Port of Redwood City, California (Port), a department and enterprise fund of the City of Redwood City, California (City), as of and for the year ended June 30, 2021. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*.

### **Significant Audit Matters**

#### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Port are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year.

#### *Unusual Transactions, Controversial or Emerging Areas*

We noted no transactions entered into by the Port during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Port's financial statements were:

- *Estimated Net Pension Liabilities and Pension Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Port. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- *Estimated Net OPEB Liabilities and OPEB Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net OPEB obligation is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the Port. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

- *Estimated Fair Value of Investments:* As of June 30, 2021, the Port held approximately \$22.3 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2021. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2021.
- *Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1D to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- *Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1F to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### ***Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Commissioners.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated January 25, 2022.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Port’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Matters or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Port’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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This information is intended solely for the use of the Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Maze & Associates*

Pleasant Hill, California  
January 25, 2022

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