

CRESCENT CITY HARBOR DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

With comparative totals at June 30, 2016

TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditors' Report on Government Wide Financial Statements.	1
Statement of Net position.. . . .	4
Statement of Revenues, Expenses and Changes in Net Position.. . . .	5
Statement of Net Assets - Proprietary Funds.. . . .	6
Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Funds.	7
Statement of Cash Flows - Proprietary Funds.	8
Notes to The Basic Financial Statements.. . . .	9
Required Supplementary Information.	27
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 <i>Government Auditing Standards</i>	28

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Commissioners
Crescent City Harbor District
Crescent City, California

Report On the Financial Statements

I have audited the accompanying consolidated financial statements of Crescent City Harbor District (District), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the consolidated 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 District's internal control. Accordingly, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crescent City Harbor District as of June 30, 2017, and the changes in their net position and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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. Management has elected to omit the Management's Discussion and Analysis. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crescent City Harbor District's basic financial statements. The Individual account assignments presented beginning on page 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information referred to above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Board of Commissioners
Crescent City Harbor District

The Crescent City Harbor District's accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 20, 2017 on my consideration of the Crescent City Harbor District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Crescent City Harbor District's internal control over financial reporting and compliance.

Donald R. Reynolds,
Certified Public Accountant
November 20, 2017

CRESCENT CITY HARBOR DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017
With comparative totals at June 30, 2016

ASSETS

	June 30,	
	2017	2016
Cash and Investments (Note 2)		
Available for operations	\$ 2,026,371	\$ 2,430,659
Restricted cash	103,988	205,996
Receivables (net of allowance for uncollectable)		
Accounts receivable	143,004	216,462
Taxes receivable	-	-
Grants receivable	132,693	132,296
Inventory of materials and supplies	20,586	15,049
Loans receivable	15,650	15,650
Prepaid interest	-	-
Other assets	35,000	35,000
Capital Assets (Note 3):		
Land and construction in progress	441,126	441,126
Depreciable assets, net	49,676,559	53,128,879
Total Assets	<u>\$ 52,594,977</u>	<u>\$ 56,621,117</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	\$ 88,211	\$ 88,211
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LIABILITIES

Accounts payable	\$ 16,055	\$ 117,621
Contract retentions	-	-
Customer deposits	176,732	164,517
Accrued Interest Payable	153,808	283,488
Accrued Compensated Absences		
Due within one year	8,427	8,427
Due in more than one year	13,437	13,437
Long-term debt (Note 3)		
Due within one year	75,444	45,397
Due in more than one year	5,198,181	5,301,121
Net pension liability	738,808	738,808
Other liabilities	12,466	(1,755)
Total Liabilities	<u>\$ 6,393,358</u>	<u>\$ 6,671,061</u>

DEFERRED INFLOWS OF RESOURCES

GASB 68 Pension adjustments	\$ 134,338	\$ 134,338
Unavailable revenue - grants	-	-
	<u>\$ 134,338</u>	<u>\$ 134,338</u>

NET POSITION

Investment in Capital Assets, net of related debt	\$ 44,879,060	\$ 48,258,487
Restricted for capital projects	600	600
Unrestricted	1,275,832	1,644,842
Total Net Position	<u>\$ 46,155,492</u>	<u>\$ 49,903,929</u>

See Independent Auditor's Report

The accompanying notes are an integral part of these financial statements.

CRESCENT CITY HARBOR DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017
With comparative totals at June 30, 2016

	June 30,					
	2017				2016	
FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE)/REVENUE</u>	<u>NET (EXPENSE)/REVENUE</u>
Business-Type Activities						
Harbor	5,377,356	1,218,885	-	66,379	(4,092,092)	(4,581,861)
Total Business-Type Activities	<u>5,377,356</u>	<u>1,218,885</u>	<u>-</u>	<u>66,379</u>	<u>(4,092,092)</u>	<u>(4,581,861)</u>
Total	<u>\$ 5,377,356</u>	<u>\$ 1,218,885</u>	<u>\$ -</u>	<u>\$ 66,379</u>	<u>\$ (4,092,092)</u>	<u>\$ (4,581,861)</u>

	<u>Total</u>	<u>Total</u>
CHANGES IN NET ASSETS:		
Net (Expense)/Revenue	\$ (4,092,092)	\$ (4,581,861)
General Revenues:		
Taxes		
Sales and Use Taxes	-	-
Property Taxes	341,255	301,027
Other Taxes	-	-
Intergovernmental	-	-
Investment Income	1,704	1,478
Loss on destruction of assets	-	-
Other	696	10,259
Total General Revenues and Transfers	<u>343,655</u>	<u>312,764</u>
Change in Net Position	(3,748,437)	(4,269,097)
Net Position - Beginning as previously stated	49,903,929	54,173,026
Prior Period Adjustment	-	-
Net Position - Beginning as restated	<u>49,903,929</u>	<u>54,173,026</u>
Net Position - Ending	<u>\$ 46,155,492</u>	<u>\$ 49,903,929</u>

See Independent Auditor's Report

The accompanying notes are an integral part of these financial statements.

CRESCENT CITY HARBOR DISTRICT
STATEMENT OF NET POSITION PROPRIETARY FUNDS
JUNE 30, 2017
With comparative totals at June 30, 2016

ASSETS	June 30,	
<u>Current Assets:</u>	<u>2017</u>	<u>2016</u>
Cash and investments (Note 2)		
Available for operations	\$ 2,026,371	\$ 2,430,659
Restricted	103,988	205,996
Receivables (net of allowance for uncollectable)		
Accounts receivable	143,004	216,462
Grants receivable	132,693	132,296
Inventory of materials and supplies	20,586	15,049
loans receivable	15,650	15,650
Prepaid interest	-	-
Total Current Assets	<u>2,442,292</u>	<u>3,016,112</u>
Capital Assets (Note 3)		
Land	441,126	441,126
Buildings	4,591,880	4,591,880
Harbor plant and equipment	520,034	520,034
Infrastructure	62,445,811	62,171,530
Accumulated Depreciation	<u>(17,881,166)</u>	<u>(14,154,565)</u>
	50,117,685	53,570,005
Construction in Progress	-	-
Net capital assets	<u>50,117,685</u>	<u>53,570,005</u>
Other non-current assets	<u>35,000</u>	<u>35,000</u>
Total Noncurrent Assets	<u>50,152,685</u>	<u>53,605,005</u>
Total Assets	<u>\$ 52,594,977</u>	<u>\$ 56,621,117</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension	<u>\$ 88,211</u>	<u>\$ 88,211</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 16,055	\$ 117,621
Contract retentions	-	-
Customer deposits	176,732	164,517
Interest payable	153,808	283,488
Current portion of compensated absences	8,427	8,427
Current Portion of long-term debt	75,444	45,397
Other current liabilities	<u>12,466</u>	<u>(1,755)</u>
Total Current Liabilities	<u>442,932</u>	<u>617,695</u>
<u>Deferred Inflows of Resources</u>		
GASB 68 Pension adjustments	\$ 134,338	\$ 134,338
Unavailable revenue - grants	-	-
Total Deferred Inflows of Resources	<u>\$ 134,338</u>	<u>\$ 134,338</u>
<u>Noncurrent Liabilities:</u>		
Long-term debt	5,198,181	5,301,121
Net Pension liability	738,808	738,808
Accrued compensated absences	<u>13,437</u>	<u>13,437</u>
Total Liabilities	<u>6,527,696</u>	<u>6,805,399</u>
<u>Net Position</u>		
Net invested in capital assets	44,879,060	48,258,487
Restricted for capital projects	600	600
Unrestricted	<u>1,275,832</u>	<u>1,644,842</u>
Total Net Position	<u>46,155,492</u>	<u>49,903,929</u>
Total Liabilities and Net Position	<u>\$ 52,683,188</u>	<u>\$ 56,709,328</u>

See Independent Auditor's Report

The accompanying notes are an integral part of these financial statements.

**CRESCENT CITY HARBOR DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUND TYPES**

**For the Fiscal Year Ended June 30, 2017
 With comparative totals at June 30, 2016**

	June 30,	
	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Slip Rentals	\$ 375,764	\$ 332,735
Launching, day use fees, travel lift, transient and other services	150,714	130,330
Rents and concessions	653,240	637,732
Other miscellaneous income	39,167	50,750
Wharfage	-	-
Total revenues	<u>1,218,885</u>	<u>1,151,547</u>
EXPENSES:		
Advertising	4,372	1,583
Audit	16,970	11,078
Bad Debts	9,915	563
Depreciation	3,726,601	4,146,976
Election Costs	9,920	-
Fringe Benefits	239,476	244,177
Fuel, Oil and Grease	9,994	9,409
Insurance	162,945	227,873
Legal	134,351	23,463
Office and Administrative	28,386	17,949
Operating Supplies	44,134	30,091
Other	23,703	25,397
Outside Services	61,399	71,245
Payroll Expenses	466,463	604,149
Payroll Taxes	43,177	42,062
Repairs and Maintenance - Materials	51,060	57,143
Repairs and Maintenance - Services	64,491	68,954
Travel	10,078	9,488
Utilities and Telephone	213,446	177,265
Total program expenses	<u>5,320,881</u>	<u>5,768,865</u>
Operating revenue (deficit)	<u>(4,101,996)</u>	<u>(4,617,318)</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Grants and other revenue	66,379	350,120
Property taxes and assessments income net of administration fees	341,255	301,027
Interest income	1,704	1,478
Interest expense	(56,475)	(314,663)
Other revenue (expense)	696	10,259
Total other revenue (expense)	<u>353,559</u>	<u>348,221</u>
NET REVENUE (DEFICIT)	<u>(3,748,437)</u>	<u>(4,269,097)</u>
NET POSITION, BEGINNING OF YEAR as previously stated	49,903,929	54,173,026
Prior Period Adjustment	-	-
NET POSITION, BEGINNING OF YEAR as restated	<u>49,903,929</u>	<u>54,173,026</u>
NET POSITION, END OF YEAR	<u>46,155,492</u>	<u>49,903,929</u>

See Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

**CRESCENT CITY HARBOR DISTRICT
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2017
With comparative totals at June 30, 2016**

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Revenue (Deficit)	\$ (4,101,996)	\$ (4,617,318)
Adjustments to net income not requiring cash		
Depreciation	3,726,601	4,146,976
Prior Period Adjustment net of pension adjustment	46,288	141,862
Adjustments to Reconcile Operating Revenue (Deficit) to		
Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	73,458	(14,135)
(Increase) Decrease in Grants Receivable	(397)	1,873,549
(Increase) Decrease in Prepaid Interest	-	30,714
(Increase) Decrease in Deferred Outflows of Resources	-	(10,828)
Increase (Decrease) in Deferred Inflows of Resources	-	(1,922,122)
Increase (Decrease) in Accounts Payable	(101,566)	80,432
Increase (Decrease) in Retentions Payable	-	-
Increase (Decrease) in Other Current Liabilities	12,215	16,976
Net Cash Provided by Operating Activities	<u>(345,397)</u>	<u>(273,894)</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES:		
Grants received	65,982	350,120
Taxes Received	414,713	301,027
Net Cash Provided by Noncapital Financing Activities	<u>480,695</u>	<u>651,147</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Fixed Assets	(32,048)	(727,480)
Change in other liabilities	14,221	(2,753)
Proceeds of Long-term Debt	-	575,326
Payment of Long-term Debt	(132,987)	(103,355)
Change in compensated absences due in more than one year	-	-
Interest Paid on Long-term Debt	(186,155)	(173,403)
Net Cash Provided by Capital and Related Financing Activities	<u>(336,969)</u>	<u>(431,665)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Interest Received	1,704	1,478
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(199,967)	(52,934)
CASH AND CASH EQUIVALENTS - Beginning	<u>2,636,655</u>	<u>2,689,589</u>
CASH AND CASH EQUIVALENTS - Ending (Note 2)	<u>\$ 2,436,688</u>	<u>\$ 2,636,655</u>

See Independent Auditor's Report

The accompanying notes are an integral part of these financial statements.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of Crescent City Harbor District have been prepared in conformity with Accounting Principles generally accepted in the United States of America, (GAAP) as applied to government units. 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 District's accounting policies are described below.

A. Description of Reporting Entity

The Crescent City Harbor District (District) received a land grant from the State of California in 1935. The District began operations in 1935 as well. The District provides improvement and operations of the harbor of Crescent City, construction operation and maintenance of wharves, docks, piers, slips, quays, and facilities for the promotion and accommodation of commerce, navigation, fisheries and public recreation. In addition the District leases several commercial buildings and businesses located upon the land owned by the District surrounding the harbor.

The District is organized under California Harbors and Navigation Code, Division 8, Part 3, and is governed by a five person elected Board of Commissioners. The District is County wide, so all registered voters in the County of Del Norte are eligible to run for the Commission, and to vote in the election. The property managed by the District, and where District operations occur, is located along the Pacific Ocean at the South end of Crescent City. A portion of the District's property is with the city limits of Crescent City, but the majority of the District's property is located within the County of Del Norte.

Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the District's Board of Commissioners. The District is a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect the assets, liabilities, Net Position, revenues, and expenses of the District only.

As defined by GASB Statements No. 14 and 39, The Financial Reporting Entity, the District is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, the District is not aware of any entity which would be financially accountable for the District which would result in the District being considered a component of the entity.

Continued on the following page

CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

B. Fund Accounting Classification and Basis of Accounting

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as Net Position.

District funds are classified as enterprise funds, which account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of debt, bonds, capital grants and cash flow from operations.

C. Cash and Investments

For the purposes of the Statement of Net Position and Statement of Cash Flows, "cash equivalents and investments" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. Fair value is based on quoted market price.

Additional cash and investment disclosures are presented in Note 2.

D. Property and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., docks, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

D. Property and Equipment (Continued)

Autos and trucks	3 to 10 years
Signs	10 years
Breakwater	40 years
Utilities	20 years
Launch Ramps	20 years
Piers	50 years
Buildings and improvements	10 to 40 years
Docks	30 years
Parking Lots	10 to 25 years
Walkways/Paths	25 to 30 years
Machinery and Equipment	3 to 10 years

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

E. Inventory

The District uses the "consumption" method of accounting for inventory. Under the "consumption" method, inventory acquisitions are recorded in the inventory account initially, and charged as expenditures when used.

F. Accrued Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the district and are accrued when incurred. Accumulated Employee sick leave benefits are not recognized as liabilities of the District since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

G. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Net Position

Net position is comprised of three categories: (1) net investment in capital assets (2) restricted net position, and (3) unrestricted net position. Each component of net position is reported separately on the statements of net position.

Net investment in capital assets represents the balance of capital assets less accumulated depreciation, net of outstanding related debt.

Restricted net position is subject to constraints externally imposed by funding agencies or legislation. The amount of restricted net position is calculated by reducing the carrying value of restricted assets by their related liabilities. These items are restricted by agreements that detail specific purpose and use.

The unrestricted component of net position represents the portion remaining after the “invested in capital assets” and “restricted” amounts have been determined. The District’s positive value of unrestricted net position may be used to meet ongoing obligations.

I. 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.

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

J. Property Taxes

The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than two percent (2%) per year unless the property is sold, transferred, or improved. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the counties, cities, school districts, and other districts.

Del Norte County assesses, bills for, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates:	March 1	March 1
Levy dates	July 1	July 1
Due dates	50% on November 1 and 50% on March 1	July 1
Delinquent as of	December 10 (for November) and April 10 (for March)	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue when received in the fiscal year of levy because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the District and the County of Del Norte (County). The Teeter Plan authorizes the Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the District in three installments, as follows:

- 55% remitted on December 15
- 40% remitted on April 15
- 5% remitted on June 15

K. Pension Plan

All full-time and certain part-time employees are members of the State of California Public Employees' Retirement System (PERS), an agent multiple-employer defined benefit pension plan. The Districts Commissioners, who are compensated, are excluded by statute. The District's policy is to fund all pension costs accrued; such costs to be funded are determined

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

K. Pension Plan (Continued)

annually as of June 30 by the PERS's actuary. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. New Pronouncements

New Pronouncements - Implemented

Governmental Accounting Standards Board Statement No. 72

GASB Statement No. 72, Fair Value Measurement and Application. Issued February 2016. This statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 was implemented for the City for fiscal year ending June 30, 2017. Since the City invests in the State's Local Agency Investment Fund, implementation did not result in a change in valuation; but Note 3, Cash and Investments has been modified to provide the new disclosures required by this Statement.

Governmental Accounting Standards Board Statement No. 73

GASB Statement 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. Issued June 2016 this statement was issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The City has no employees covered by plans outside the scope of GASB 68 for fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 76

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Issued June 2016, this statement reduces the GAAP hierarchy

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

L. New Pronouncements (Continued)

to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 76 was implemented by the City in fiscal year ending June 30, 2017, but has no impact on the financial statements.

Governmental Accounting Standards Board Statement No. 78

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. Issued in December 2016, the objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68. The City does not participate in any pension plans that fall within the scope of this Statement, therefore the provisions of this statement do not apply.

Governmental Accounting Standards Board Statement No. 79

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. Issued December 2016, this statement addresses accounting and financial reporting for certain external investment pools and pool participants. GASB Statement No. 79 was implemented by the City in fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 82

GASB Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Issued March 2017, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City has no employees covered by this pronouncement.

The Government Accounting Standards Board has also adopted Statements 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 77, *Tax Abatement Disclosures*, 80, *Blending Requirements for Certain Component Units*, and 81, *Irrevocable Split-Interest Agreements*, which are not effective until fiscal year June 30, 2017. Most of the provisions of those statements will not affect this City, however the applicability will be assessed as the pronouncements become effective.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

M. Deficit Fund Balance/Net position

The financial statements reflect no deficit fund balances at June 30, 2017.

N. Prior Period Adjustment

The District made a prior period adjustment in the amount of \$29,574 to adjust for old accounts receivable that were written off in prior years and not closed out.

NOTE 2 CASH AND INVESTMENTS

Cash at June 30, 2017 consisted of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>
Cash on hand and in banks:				
Checking and Savings	\$ 2,026,371	\$ 2,086,451	\$ 2,026,371	\$ -
Restricted Cash	<u>103,988</u>	<u>103,988</u>	<u>103,988</u>	<u>-</u>
Total Cash	<u>\$ 2,130,359</u>	<u>\$ 2,190,439</u>	<u>\$ 2,130,359</u>	<u>\$ -</u>

Category 1 balances are insured or registered for which securities are held by the District or its agent in the District's name. Category 2 balances include uninsured and unregistered deposits for which the security is held in a counterparty's trust department or agent but not in the district's name.

Custodial Credit Risk For Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized. The District's investment policy does not further limit its deposits.

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 CASH AND INVESTMENTS (Continued)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and District investment policy limits investments in commercial paper to the rating of A or better by Standards & Poor's or P or better by Moody's Investors Service; corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. No limits are placed on U.S. government Agency securities and U.S. Treasuries. The District's investment policy does not further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the District requires that all of its managed investments be held in the name of the District. The District's investment policy does not further limit the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the District's investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. At June 30, 2017, the District's investments were in compliance with concentration of credit risk State law.

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 PROPERTY AND EQUIPMENT

Changes in Property & Equipment are as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2017</u>
Non Depreciable Assets:				
Land	\$ 441,126	\$ -	\$ -	\$ 441,126
Construction in progress	-	-	-	-
Total Non-Depreciable Assets	<u>441,126</u>	<u>-</u>	<u>-</u>	<u>441,126</u>
Depreciable Assets:				
Equipment	461,688	-	-	461,688
Vehicles	24,691	-	-	24,691
Wharfs, Docks and Marinas	61,394,927	306,329	-	61,701,256
Streets, Roads and Parks	744,555	-	-	744,555
Sewer Lift Station	33,655	-	-	33,655
Buildings and Improvements	<u>4,591,880</u>	<u>-</u>	<u>-</u>	<u>4,591,880</u>
Total Depreciable Assets	67,251,396	306,329	-	67,557,725
Less: Accumulated				
Depreciation	<u>14,154,565</u>	<u>3,726,601</u>	<u>-</u>	<u>17,881,166</u>
Net Depreciable Assets	<u>53,096,831</u>	<u>(3,420,272)</u>	<u>-</u>	<u>49,676,559</u>
Total Fixed Assets	<u>\$ 56,537,957</u>	<u>\$ (3,420,272)</u>	<u>\$ -</u>	<u>\$ 50,117,685</u>

NOTE 4 LONG-TERM DEBT

Long-term debt previously consisted of several loan agreements between the District and the California Department of Boating and Waterways. Revenues originating from within the boundaries of the related project areas constituted security for repayment of the loans.

During the current fiscal year, those numerous loan agreements were refinanced along with the gap funding necessary to rebuild the harbor following the 2006 and 2011 tsunamis.

In addition the District purchased a building that was located on the District's land and encumbered a loan in the amount of \$36,000 to a private individual. The note bears interest at 3% and is all due and payable on February 9, 2019. If the District leases the building securing the note, the holder is entitled to 50% of each lease payment, applied first to the outstanding interest and then to the outstanding principal until paid in full.

The District entered into an agreement with the Crescent City Harbor Public Financing Corporation to borrow \$5,425,000, under a Certificate of Participation dated September 27,

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 LONG-TERM DEBT (Continued)

2012. The agreement calls for 40 annual payments of principal and interest to be made on September 1st of each year. The agreement bears interest at 3.5%. To date the District has drawn down \$4,384,639 on the loan.

Activity on long term debt during fiscal year ended June 30, 2017 was as follows:

	<u>June 30</u> <u>2016</u>	<u>Additions</u>	<u>Repayments</u>	<u>June 30</u> <u>2017</u>
USDA Harbor Reconstruction	\$ <u>5,346,518</u>	\$ <u>-</u>	\$ <u>72,893</u>	\$ <u>5,273,625</u>
Totals	\$ <u>5,346,518</u>	\$ <u>-</u>	\$ <u>72,893</u>	\$ <u>5,273,625</u>

The annual principal requirements to amortize all debt outstanding at June 30, 2017 is as follows:

<u>June 30,</u>	<u>Certificates of</u> <u>Participation</u>
2018	\$ 75,444
2019	78,085
2020	80,818
2021	83,647
2022	86,575
Thereafter	<u>4,869,056</u>
	5,273,625
Less: Current Portion	<u>75,444</u>
Total	\$ <u>5,198,181</u>

NOTE 5 POST RETIREMENT BENEFITS

The District offers its employees post retirement health coverage if they retire within 120 days of leaving the District's employ and who were covered by the District's health plan at the time they left. The District has no current OPEB liability.

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 LEASES

The District leases several properties (as mentioned in the property, plant and equipment note above) to various types of private businesses with lease terms that range from month-to-month to 25 years at varying monthly rental amounts. All of the arrangements are classified as operating leases and the future minimum rentals due the District for non-cancelable leases and for each of the next five years is as follows:

June 30,	
2018	\$ 537,018
2019	\$ 304,002
2020	\$ 251,304
2021	\$ 177,288
2022	\$ 147,191

NOTE 7 2006 TSUNAMI DAMAGE

During the afternoon of November 15, 2006 the harbor was affected by a tsunami generated by an earthquake in the Kuril Islands. Dock H was completely destroyed as was a portion of Dock G and Dock F. The majority of the remaining floats in the inner boat basin were damaged. Due to the extent of the damage and the cost of replacing individual floats, it was determined that the least cost alternative is to replace the entire inner basin float system, including pilings and gangways. Changes to electrical codes and standards require upgrading the electrical system. The Americans with Disabilities Act requires improving handicap access. At the start of construction, the engineer's estimate of replacement cost was \$32,867,009. Due to the magnitude of the damage a State Disaster was declared resulting in the District receiving a grant from the California Office of Emergency Services (Cal OES) for 75% of the actual cost of repairing the tsunami damage. In partnership with the County of Del Norte, the District was awarded a \$5,000,000 Community Development Block Grant (CDBG) through the Over the Counter (OTC) program to help match the Cal OES funding. Of the CDBT OTC grant, \$200,000 is earmarked for administration and labor compliance, leaving \$4.8 M for project funding.

As a result, the project was fully funded. Expenditures on construction through June 30, 2017 were \$22,615,418, of this amount the District's share is approximately \$5,657,000. All construction has been completed. The project is in the process of being closed out with Cal OES. When the close out is complete, retention will be released to the District.

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 2011 TSUNAMI DAMAGE

The morning of March 11, 2011 the District was again struck by a tsunami. This tsunami resulted from a 9.0 magnitude earthquake that originated near Tohoku, Japan. Where the 2006 tsunami damaged the majority of the docks in the inner boat basin, the 2011 tsunami completely destroyed the docks. By the end of the day on March 11, 2011, there were very few usable mooring spaces in the inner boat basin.

Fortunately, nearly all of the active commercial fishing fleet based in the Harbor received sufficient warning and was able to evacuate before the tsunami struck. There was minor damage to Citizens' Dock (the main fish unloading facility) and no damage to the ice house or fueling facility. Although the main marina was destroyed, the commercial support facilities, the recreational marina, and all the land based facilities remained intact.

Due to the widespread damage from the 2011 tsunami, a federal disaster was declared. The District is required to pay 6.25% of the actual repair cost, the remaining 93.75% will be funded by the Federal Emergency Management Agency and Cal OES.

On a more positive note, when the 2011 tsunami struck the District had just completed design, engineering, and permitting to replace the entire inner boat basin as a result of the 2006 tsunami. In the immediate aftermath of the 2011 tsunami the District's first priority was to remove damaged boats and docks from the inner boat basin, to dredge the sand deposited in the inner boat basin by the tsunami, and to install temporary docks for berthing the local fleet. By the beginning of the 2011/12 Dungeness crab season these goals were accomplished and there was no disruption of the local fleet's fishing activity. To finance the required tsunami repairs and consolidate all long term debt, the District, through the Crescent City Harbor Public Financing Corporation, borrowed up to \$5.425 M from the USDA Rural Development program. See Note 4 for further discussion of this loan. With this loan, all tsunami repairs are fully funded. As of June 30, 2017 construction costs amounted to approximately \$21,837,000. Of this amount, the District's share is approximately \$1,364,800. Most of the 2011 tsunami projects were completed by the summer of 2017, with the remaining projects scheduled for completion by December 31, 2017. Most of the projects were in the process of being closed out with Cal OES, after which retentions withheld by Cal OES and FEMA will be released to the District.

NOTE 9 DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate facial element, deferred outflows or

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 9 DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES
(Continued)**

resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports the following deferred outflows related to net pension liability in the Statement of Net Position:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports the following deferred inflows related to net pension in the Statement of Net Position:

Net differences between projected and actual earnings on pension plan investments	\$ 101,287
Adjustment due to changes in assumption	<u>33,051</u>
Total deferred inflows of resources	<u>\$ 134,338</u>

NOTE 10 PENSION PLAN

Plan Description - The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street Sacramento, CA 95814.

Funding Policy — Active plan members in the Plan are required to contribute 7% of their covered salary. The District contributes 6% of the employee portion. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the Ca1PERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2017 was 23.266% for the miscellaneous plan. The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.0% at 55; maximum 2%	2.0% at 62; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	52
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	6.25%
Required Employer Contribution Rates	23.266%	6.25%

Employees hired January 1, 2013 and thereafter pay the full 6.25% employee contribution per adopted Mutual of Understanding if the employee is considered a "Classic" employee under PEPRA.

Contributions — Section 20814© 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 July 1 following notice of a change in the rate. Funding contributions for both Plans 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of the pension expense is as follows:

Contributions — employer	\$ 69,804
Contributions — employee	\$ 27,582

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 PENSION PLAN (Continued)

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability

Miscellaneous	\$ 738,808
PEPRA	<u>-</u>
Total Pension Liability	\$ <u>738,808</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017 and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 was as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Proportion — June 30, 2016	0.02457%	.00000%
Proportion — June 30, 2017	<u>0.01853%</u>	<u>.00000%</u>
Change — Increase/(Decrease)	<u>(0.00604)%</u>	<u>.00000%</u>

For the year ended June 30, 2017, the District recognized pension expense of \$336,679. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ -	\$ -
Adjustment due to differences in assumptions	3,493	(33,051)
Net differences between projected and actual earnings on pension plan investments	<u>84,718</u>	<u>(101,287)</u>
Total	\$ <u>88,211</u>	\$ <u>(134,338)</u>

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 PENSION PLAN (Continued)

Any amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous
2017	\$ (33,584)
2018	(33,584)
2019	(33,585)
2020	(33,585)
2021	-
Thereafter	-

Actuarial Assumptions — The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.5%, (net of administrative expenses)
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service ¹
Investment Rate of Return	7.50% ²
Mortality	Derived using CalPERS' Membership ³ Data for all Funds

¹ 3.30% to 14.20% depending on age, service, and type of employment

² Net of pension plan investment expenses, including inflation

³ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2016 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for fiscal years 1997-2014, including updates to salary increase,

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return ¹ Years 1-10	Real Return ² Years 11+
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

1 An expected inflation of 2.5% used for this period

2 An expected inflation of 3.0% used for this period

mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

Discount rate - The discount rate used to measure the total pension liability was 7.50 percent. 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 discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund.

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

The table below reflects 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. The geometric rates of return are net of administrative expenses.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -The following presents the District's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the District's proportionate

Continued on the following page.

**CRESCENT CITY HARBOR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 PENSION PLAN (Continued)

share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

Current Discount	1% Decrease (6.50%)	Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability - Miscellaneous Plan	\$ 1,151,043	\$ 738,808	\$ 398,116

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

Payable to the Pension Plan

At June 30, 2017, the District has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 11 PRIOR PERIOD ADJUSTMENTS

The prior period adjustments in 2014-15 were due to the implementation of GASB No. 68 to record opening balance of the net pension liability:

The net effect of the prior period adjustments decreased the net position of the District.

The Statement of Activities had a prior period adjustment in the amount of \$719,281 and the net effect of that adjustment decreased the net position correspondingly.

CRESCENT CITY HARBOR DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSION AND OPEB
As of June 30, 2017
Last 10 Years*

CalPERS Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	<u>0.00338%</u>	<u>0.00338%</u>
District's proportionate share of the net pension liability	<u>\$ 107,879</u>	<u>\$ 79,926</u>
District's covered-employee payroll	<u>\$ 240,920</u>	<u>\$ 244,519</u>
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	<u>44.78%</u>	<u>32.69%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.70%</u>	<u>82.70%</u>

Notes to Schedule:

Change of benefit terms — In 2015, there were no changes to the benefit terms.

Changes in assumptions — In 2015, there were no changes in assumptions.

Schedule of the District's Funding Progress

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 26,068	\$ 28,015
Contributions in relation to the contractually required contributions	<u>(26,068)</u>	<u>(28,015)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 240,920</u>	<u>\$ 244,519</u>
Contributions as a percentage of covered-employee payroll	<u>10.82%</u>	<u>11.46%</u>

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

OTHER REPORTS

**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**

Board of Commissioners
Crescent City Harbor District
Crescent City, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Crescent City Harbor District, as of and for the year ended June 30, 2017, which collectively comprise the Harbor District's basic financial statements and have issued my report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Crescent City Harbor District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crescent City Harbor District's internal control. Accordingly, I do not express an opinion on the effectiveness of Crescent City Harbor District's internal control.

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 Crescent City Harbor District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Purpose of this Report

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

Donald R. Reynolds
Certified Public Accountant
November 20, 2017