

Crescent City Harbor District

Crescent City, California

Basic Financial Statement

*For the year ended June 30, 2021 (with summarized
comparative totals as of and for the year ended June 30, 2020)*

Crescent City Harbor District
For the year ended June 30, 2021
(With summarized comparative totals as of and for the year then ended June 30, 2020)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Crescent City Harbor District
Crescent City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Crescent City Harbor District (CCHD), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the CCHD'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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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. 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 our 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, we consider internal control relevant to the entity'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 CCHD'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 opinions.

Basis for Qualified Opinions on the CCHD

Bank reconciliation of the CCHD's bank accounts were not performed during fiscal year 2021. In addition, management was not able to fully explain the material adjustments recorded in the cash accounts. Missing transactions were noted in specific accounts during the audit. Accordingly, we were unable to obtain sufficient appropriate audit evidence on which to base our opinion on the cash and investments account. The amount by which this matter would affect the assets, net position, revenues and expenses of the CCHD has not been determined.

Qualified Opinions on the CCHD

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on CCHD" paragraph, the accompanying financial statements present fairly, in all material respects, the respective financial position of the CCHD, as of June 30, 2021, and the respective changes in financial position and cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

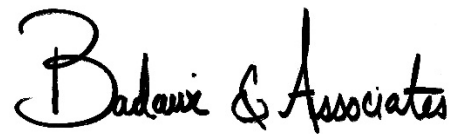
Accounting principles generally accepted in the United States of America require that the defined benefit pension plan information on pages 32-35 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

To the Board of Commissioners
of Crescent City Harbor District
Crescent City, California
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Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the District's 2020 financial statements. The prior year financial statements of the District as of June 30, 2020, were audited by other auditors whose report dated November 11, 2021, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
October 7, 2022

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BASIC FINANCIAL STATEMENTS

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Crescent City Harbor District

Statement of Net Position

June 30, 2021

(With summarized comparative totals as of June 30, 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and Investments	\$ 1,815,098	\$ 2,056,574
Accounts Receivable	57,179	93,100
Grants Receivable	-	150,784
Taxes Receivable	143,118	-
Inventory of Materials and Supplies	14,945	30,324
Loans Receivable	-	15,650
Prepaid Expenses	1,193	1,443
Total current assets	<u>2,031,533</u>	<u>2,347,875</u>
Noncurrent assets:		
Capital Assets:		
Non Depreciable Capital Assets	465,511	441,126
Depreciable Capital Assets, net	31,353,543	35,284,904
Other noncurrent assets	35,000	35,000
Total noncurrent assets	<u>31,854,054</u>	<u>35,761,030</u>
Total assets	<u>33,885,587</u>	<u>38,108,905</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	204,300	128,218
Total deferred outflows of resources	<u>204,300</u>	<u>128,218</u>
LIABILITIES		
Current liabilities:		
Accounts payable	75,887	99,120
Accrued payroll liabilities	38,237	22,402
Customer Deposit	23,226	194,008
Interest payable	145,584	148,023
Current portion of compensated Absences	54,408	8,783
Current portion of long term debt	195,526	184,219
Other Current Liabilities	(167)	69
Total current liabilities	<u>532,701</u>	<u>656,624</u>
Noncurrent liabilities:		
Long term portion of long term debt	5,175,396	5,362,541
Net pension Liability	824,666	791,023
Long term portion of compensated Absences	18,337	14,005
Total noncurrent liabilities	<u>6,018,399</u>	<u>6,167,569</u>
Total liabilities	<u>6,551,100</u>	<u>6,824,193</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	96,593	84,934
Total deferred inflows of resources	<u>96,593</u>	<u>84,934</u>
NET POSITION		
Net investment in capital assets	26,855,369	30,678,698
Unrestricted	586,825	649,298
Total net position	<u>\$ 27,442,194</u>	<u>\$ 31,327,996</u>

See accompanying Notes to Basic Financial Statements.

Crescent City Harbor District
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021
(With summarized comparative totals for the year ended June 30, 2020)

	2021	2020
OPERATING REVENUES:		
Slip rentals	\$ 366,780	\$ 408,288
Launching, day use fees, travel lift, transient and other services	55,604	107,571
Rents and concessions	1,352,716	1,421,655
Other miscellaneous income	22,381	34,443
Total Operating Revenues	1,797,481	1,971,957
OPERATING EXPENSES:		
Advertising	468	5,404
Audit	18,222	19,451
Bad Debts	222,516	1,791
Depreciation	3,931,361	3,935,883
Election Cost	360	-
Fuel, oil and grease	21,221	13,782
Insurance	176,877	229,295
Legal	78,962	169,111
Office and administrative	78,634	41,452
Operating Supplies	2,190	2,222
Other	38,651	112,568
Outside Services	65,684	50,946
Payroll Expenses	912,212	977,346
Payroll Taxes	54,976	21,598
Repairs and maintenance-materials	27,601	17,921
Repairs and maintenance-Services	117,400	82,742
Travel	6,942	16,712
Utilities and Telephones	374,235	438,688
Total operating Expenses	6,128,512	6,136,912
OPERATING INCOME (LOSS)	(4,331,031)	(4,164,955)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes and assessments income net of administration fees	514,441	379,143
Legal Settlement	305,000	-
Interest income	12,846	34,522
Interest expense	(174,217)	(192,085)
Total nonoperating revenues (expenses)	658,070	221,580
Change in net position	(3,672,961)	(3,943,375)
NET POSITION:		
Net Position, Beginning of year	31,327,996	36,330,103
Restatement	(212,841)	(1,058,732)
Restated beginning of year	31,115,155	35,271,371
Net of Position, End of year	\$ 27,442,194	\$ 31,327,996

See accompanying Notes to Basic Financial Statements.

Crescent City Harbor District

Statement of Cash Flows

For the year ended June 30, 2021

(With summarized comparative totals for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,395,971	\$ 1,379,335
Cash receipts from other income	460,995	641,120
Payments to suppliers	(1,257,292)	(1,152,412)
Payments to employees	(932,176)	(1,003,297)
Net cash provided by (used in) operating activities	(332,502)	(135,254)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes and grants received	522,107	379,143
Legal settlement received	305,000	-
Net cash provided by (used in) noncapital financing activities	827,107	379,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(24,385)	-
Payments of long term debts	(175,838)	(181,390)
Interest paid on long term debts	(176,656)	(179,486)
Net cash provided(used) by capital and related financing activities	(376,879)	(360,876)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	12,846	34,522
Net cash provided by (used in) investing activities	12,846	34,522
Net cash flows	130,572	(82,465)
CASH AND INVESTMENTS - Beginning of year	2,056,574	2,139,039
Beginning of year restatement	(372,048)	-
CASH AND INVESTMENTS - End of year	\$ 1,815,098	\$ 2,056,574
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (4,331,031)	\$ (4,164,955)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	3,931,361	3,935,883
Changes in assets, liabilities, deferred outflows, and deferred inflows		
(Increase) decrease in:		
Accounts receivable	51,216	(16,175)
Inventory of materials and supplies	330	(807)
Other current assets	-	202
Prepaid expenses	250	11,044
Loan receivable	15,650	-
Deferred outflows of resources	(76,082)	66,922
Increase (decrease) in:		
Accounts payable	(35,538)	10,682
Accrued payroll liabilities	15,835	(39,404)
Compensated absences	49,957	-
Net pension liability	33,643	35,051
Customer deposit	(7,961)	3,812
Other current liabilities	8,209	65
Deferred inflow of resources	11,659	22,426
Net cash provided by (used in) operating activities	\$ (332,502)	\$ (135,254)

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT POLICIES

A. Organization and Activities

The Crescent City Harbor District (the "CCHD") was created effective November 8, 1931, by the vote of the people of Del Norte County in accordance of chapter 704 of the statutes of 1931. The district started its operation in 1932; and in September of 1963, District received a land grant from state of California under chapter 1510 of the new statues of 1963. The Land Grant gave District, the title to the land on the seabed floor and extending upward and inward to the mean high tide line of 1929, as shown on the maps attached to the Original Land Grant of Chapter 1510 of the Statutes of 1963. Now, CCHD comprises of granted Land and few simple parcels acquired over time.

The District oversees improvement and operations of the harbor of the Crescent City, construction operation, maintenance of wharves, docks, piers, slips, quays, and facilities for the promotion and accommodation of commerce, navigation, fisheries, and public recreation. In addition, District has leased several commercial buildings and businesses located upon the land owned by the District surrounding the harbor, from which rental income is received.

B. Reporting Entity

The CCHD is a legally separate and independent entity that has no component unit organization under its control. Therefore, this annual financial report and the financial statements contained within represent solely the activities, transactions, and status of the CCHD.

The District was organized under the California Harbors and Navigation Code, Division 8, Part 3, and is governed by a five-person elected Board of Commissioners. Board of Commissioners govern all the activities of the district. All registered voters in the County of Del Norte are eligible to run for the Board of Commissions; and also, to vote in the election. The CCHD's managed land is located along the Pacific Ocean at the South end of the Crescent City. A portion of the District's property is within the city limits of Crescent City, but most of the District's property is located within the County of Del Norte.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

C. Basis of Accounting

The government-wide financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and cash flows) report information about the primary government (the CCHD). The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The financial statements are presented in accordance with the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and *Audits of State and Local Governmental Units* issued by the Governmental Accounting Standards Board. Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Statement No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on resources through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of resources that do not meet the definition of “restricted” or “net investment in capital assets.”

Enterprise Funds are major funds of CCHD. Enterprise fund operating and financing activities are similar to private business organization with the goal of providing continuing services to general people with financed resources or via resources generated via operations.

D. Cash and investments

The CCHD considers money market funds and all equivalent liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Deposits with the State of California’s Local Agency Investment Fund (LAIF) Operating Fund and the investments portfolio managed by financial institutions are considered cash equivalents. Fair market Value is calculated for eligible investments based on current quoted market price. Additional Cash and investment details in Note 2.

E. Grants receivable

Grants receivables relate to expense reimbursements due from governmental and other agencies and are expected to be fully collectible. Accordingly, an allowance for doubtful accounts is not provided.

Crescent City Harbor District

Notes to Basic Financial Statements

For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

F. Capital Assets - Leasehold Improvements and Equipment

The threshold for capitalization is \$5,000 and useful life of more than 1 year, in accordance with federal guidelines. Items that meet the capitalized threshold are recorded as capital assets and are depreciated based on their estimated useful lives on a straight-line basis. Useful lives of asset's categories are as follows:

Asset Class	Estimated Useful Life
Autos and trucks	3 to 5 years
Wharves, Docks, and Marinas	5 to 30 years
Sewer Lift Station	5 to 30 years
Coast Guard Facility	20 to 50 years
Launch Ramps	10 to 50 years
Street Road and Parks	10 to 50 years
Buildings and improvements	5 to 40 years
Furniture	3 to 5 years
Machinery and Equipment	5 to 20 years

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

G. Inventory

CCHD uses consumption method of accounting for inventory. Inventory is recorded at acquisition and then expensed out on consumption. Under the consumption method, inventory acquisitions are recorded in the inventory account initially and charged as expenses when used.

H. Accrued Vacation and Sick leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District and are accrued when incurred. Vacation with pay and sick leave accumulates for regular career employees. Vacations and sick leave accrual are incurred as per policy. As of June 30, 2021, the compensated absences balance was \$72,745.

Crescent City Harbor District

Notes to Basic Financial Statements

For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

I. Long term Obligation

In the statement of net position, long-term debt, and other long-term obligations are reported as liabilities in the applicable business-type activities 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 withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Nos. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities, CCHD recognize deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 9 for the list of deferred outflows and deferred inflows of resources that CCHD have recognized as of June 30, 2021.

K. Pension

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 CCHD's 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.

L. Property Taxes

The State of California (the 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. The 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 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

	SECURED	UNSECURED
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

Crescent City Harbor District

Notes to Basic Financial Statements

For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

M. Property Taxes, Continued

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 the 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 (the 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:

- i) 55% remitted on December 15
- ii) 40% remitted on April 15
- iii) 5% remitted on June 15

N. Use of Estimates

The process of presenting financial information requires the use of estimates and assumptions regarding certain assets and liabilities and their related income and expense items. Grant reimbursements and construction costs are especially vulnerable to such assumptions and accordingly actual results may differ from estimated amounts.

O. Deficit Fund Balance/Net position

The financial statements reflect no deficit fund balance/net position as of June 30, 2021, and June 30, 2020, respectively.

2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2021 are as follows:

Crescent City Harbor District	
	Carrying Value
Cash in bank:	
Checking and Savings	\$ 418,061
Cash on hand:	
Petty Cash	2,080
<u>Investment:</u>	
LAIF	<u>1,394,957</u>
Total cash and investments, 2021	<u>\$ 1,815,098</u>
Total cash and investments, 2020	<u>\$ 2,056,574</u>

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, Continued

At June 30, 2021, the District's checking and saving accounts' cash balance in the bank before reconciliation items totaled to \$418,061.

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District'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 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 upon one or more indices and/or 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, the District had \$1,394,957 invested in LAIF, which had invested 2.31% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 3.37% in the previous year. The LAIF fair value factor of 1.00008297 was used to calculate the fair value of the investments in LAIF.

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

To mitigate the custodial credit risk, the District requires that all its managed investments be held in the name of the District, and 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 uncollateralized. The District's investment policy does not further limit its deposits. As of June 30, 2021, the CCHD's cash in bank balances of \$418,061 exceeded the \$250,000 deposit insurance of the Federal Deposit Insurance Corporation (FDIC) by \$168,061.

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, CCHD's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, Continued

C. Concentrations of Credit Risk

The investment policy of the CCHD contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 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. As of June 30, 2021, the CCHD have no investments in any one issuer (other than money market funds and external investment pools) that represent 10% or more of total.

D. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

E. Fair Value Measurement

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. CCHD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The District's held no investments subject to the levelling disclosure as of June 30, 2021. The entire investment of the District is in LAIF, the fair value of which, as of June 30, 2021 was \$1,394,957, and maturity of 12 months or less.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

3. CAPITAL ASSETS

The Capital Assets of CCHD at year end June 30, 2021 consist of the following:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Non Depreciable Capital Assets				
Land	\$ 441,126	\$ 24,385	\$ -	\$ 465,511
Total nondepreciable Capital Assets	441,126	24,385	-	465,511
Depreciable Capital Assets				
Equipment	357,501	-	-	357,501
Vehicles	15,217	-	-	15,217
Wharves, Docks and Marinas	61,689,501	-	-	61,689,501
Street, Roads and Parks	707,691	-	-	707,691
Sewer Lift Station	33,655	-	-	33,655
Buildings and Improvements	4,534,074	-	-	4,534,074
Total Depreciable Capital Assets	67,337,639	-	-	67,337,639
Less: Accumulated Depreciation	(32,052,735)	(3,931,361)	-	(35,984,096)
Total Depreciable Capital assets, net	35,284,904	3,931,361	-	31,353,543
Total Capital Assets, Net	\$ 35,726,030	\$ 3,955,746	\$ -	\$ 31,819,054

Depreciation expense for the years ended June 30, 2021 and June 30, 2020 amounted to \$3,931,361 and \$3,935,883 respectively.

4. LONG TERM DEBTS

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.

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, 2012. The agreement calls for 38 annual payments of principal and interest to be made on September 1st of each year. The agreement bears interest at 3.5%. The annual installment payable is \$260,303; the first installment repayment started on September 1, 2012.

In July 2019, the District entered into a buy-out arrangement for \$600,000 with the former lessees of the Bayside RV Park. The arrangement calls for 71 monthly payments of \$8,381 split evenly between the two former business partners and a final payment of \$4,949 due on August 1, 2025. The District commenced monthly payments on August 1, 2019. As of June 30, 2021 the outstanding balance was \$407,237.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

4. LONG TERM DEBTS, Continued

The following was the summary of changes in long-term debts during fiscal year ended June 30, 2021 and 2020.

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current Portion
USDA Harbor Reconstruction Loan	\$ 5,047,332	\$ -	\$ (83,647)	\$ 4,963,685	\$ 86,574
Bayside RV Park-buy out agreement	499,428	-	(92,191)	407,237	108,952
Total Long term Debt	<u>\$ 5,546,760</u>	<u>\$ -</u>	<u>(175,838)</u>	<u>\$ 5,370,922</u>	<u>\$ 195,526</u>

The following was the summary of annual debt service requirements to amortize USDA Harbor reconstruction debt outstanding as of June 30, 2021:

Year ended June 30	Principal	Interest
2022	86,574	173,729
2023	89,604	170,699
2024	92,740	167,563
2025	95,986	164,317
2026	99,346	160,957
2027-2031	551,386	750,131
2032-2036	654,872	646,644
2037-2041	777,782	523,733
2042-2046	923,760	377,754
2047-2051	1,097,138	204,377
2052-2053	494,497	26,110
Total	<u>4,963,685</u>	<u>3,366,014</u>
Less: Current Portion	86,574	
Total Noncurrent Portion	<u>\$ 4,877,111</u>	

The following was the summary of annual debt service requirements to amortize Bayside RV Park Buyout agreement debts outstanding as of June 30, 2021:

Year ended June 30	Former Partner-1	Former Partner-2	Total
2022	54,476	54,476	108,952
2023	50,286	50,286	100,572
2024	50,286	50,286	100,572
2025	48,570	48,571	97,141
Total	<u>\$ 203,618</u>	<u>\$ 203,619</u>	<u>\$ 407,237</u>

Crescent City Harbor District

Notes to Basic Financial Statements

For the year ended June 30, 2021

5. LEASES

The District leases several properties 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 to the District for non-cancelable leases and for each of the next three years is as follows:

Year ended June 30	Amount
2022	\$ 126,170
2023	123,170
2024	\$ 123,170
	<u>\$ 372,510</u>

6. 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 \$4,800,000.00 for project funding. As a result, the project was fully funded. As of June 30, 2019, the project has been completed and closed out with Cal OES. Expenditures for construction were \$22,615,418 of which the District's share was approximately \$5,657,000. Retention of the project has been released by Cal OES to the District.

7. 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 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 was required to pay 6.25% of the actual repair cost; the remaining 93.75% was 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 due to the 2006 tsunami. In the immediate aftermath of the 2011 tsunami, the District's priority was to remove damaged boats and docks from the inner

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

8. 2011 TSUNAMI DAMAGE, Continued

boat basin, dredge the sand deposited in the inner boat basin by the tsunami, and 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 debts, the District borrowed up to \$5.425 M from the USDA Rural Development program through the Crescent City Harbor Public Financing Corporation. See Note 4 for further discussion of this loan. With this loan, all tsunami repairs are fully funded. As of June 30, 2019, the project has been completed and closed out with Cal OES. Construction costs amounted to approximately \$21,837,000 of which the District's share was approximately \$1,364,800. Most of the 2011 tsunami projects were completed by the summer of 2017, with the remaining projects completed by December 31, 2017. Retention of the project has been released by Cal OES and FEMA to the District.

9. PENSION PLANS

A. Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), agent multiple-employer public employee defined benefit Pension Plan. CalPERS provides retirement, death and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefits provisions and all other requirements are established by state statute and District ordinance. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

Crescent City Harbor District

Notes to Basic Financial Statements

For the year ended June 30, 2021

9. PENSION PLAN, Continued

B. 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 CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2021, was 11.031% for the miscellaneous plan.

The contribution requirements of plan members are established by State statute, and the employer contribution is established and may be amended by CalPERS.

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

	Miscellaneous Plan	
	Prior to Jan. 1, 2013	On or after Jan. 1, 2013
Hire date		
Benefit formula	2% @ 55; max 2% COLA	2% @ 62; max 2% COLA
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefits , as a % of eligible compensation	2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	11.031%	7.732%
Required UAL payment	\$89,372	\$2,959

Note:

Employees hired on January 1, 2013 and thereafter pay full employee contribution per adopted mutual understanding if the employee is considered a "classic" employee under PEPRA.

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary. It 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.

The District's contributions to the Plan for the measurement period ended June 30, 2020 were \$35,558.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

9. PENSION PLAN, Continued

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

As of June 30, 2021, the Agency reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$824,666.

The District's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2019, rolled forward to June 30, 2020 using standard update procedures. The District's proportionate of the net pension liability was based on the District's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The Agency's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2019 and 2020 were as follows:

Proportion - June 30, 2019	0.00773%
Proportion - June 30, 2020	0.00758%
Change - Increase (Decrease)	<u>-0.00015%</u>

For the year ended June 30, 2021, the District recognized pension expense of \$106,231.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 137,305	\$ -
Differences between actual and expected experience	42,497	-
Changes in assumption	-	5,582
Changes in employer's proportion	-	11,279
Differences between the employer's actual and the employer's proportionate share of contributions	-	79,732
Net differences between projected and actual earnings on pension plan investments	<u>24,498</u>	<u>-</u>
Total-2021	<u>\$ 204,300</u>	<u>\$ 96,593</u>
Total-2020	<u>128,218</u>	<u>84,934</u>

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

9. PENSION PLAN, Continued

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

\$137,305 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 ending June 30, 2022. 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 Ending June 30	
2022	(32,867)
2023	\$ (9,231)
2024	449
2025	11,749

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Investment rate of return	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table ¹	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increases	Contract COLA up to 2.5% until Purchasing Protection Allowance Floor on Purchasing Power applies

Note: 1. The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using 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.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A detailed report testing these projections can be obtained from the CalPERS website.

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 returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

9. PENSION PLAN, Continued

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

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 and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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 ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

1 In the System's ACFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

2 An expected inflation of 2.0% used for this period.

3 An expected inflation of 2.92% used for this period.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

9. PENSION PLAN, Continued

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	Miscellaneous Plan		
	1% Decrease	Current Rate	1% Increase
Discount Rate	6.15%	7.15%	8.15%
Total Net Pension Liability	\$ 2,360,757	\$ 824,666	\$ 464,337

E. Payable to the Pension Plan

As of June 30, 2021, the District has no outstanding contributions to the pension plan required for the year ended June 30, 2021.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2022, the date at which the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure. As the COVID-19 pandemic is complex and rapidly evolving, at this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, and financial position.

Crescent City Harbor District
Notes to Basic Financial Statements
For the year ended June 30, 2021

11. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2021, the District restated its beginning net position by \$(153,913) as a result of the following prior period adjustment made to financial statements.

	Prior Period Adjustments							
	Net Position as Previously Reported	Cash	Inventory	Accounts Receivable	Accounts Payable	Deposit Payable	Miscellaneous Expense	Net Position as Restated
Proprietary Fund	\$ 31,327,996	\$ (372,048)	\$ (15,049)	\$ 15,295	\$ (12,305)	\$ 169,412	\$ 1,854	\$ 31,115,155

- Stale balances write off in these accounts: cash (\$19,950), inventory (\$15,049), Deposit payable (\$169,412)
- To correct the understatement of payroll tax in fiscal year 2020, with the amount of \$39,986.
- To bring cash balance from book balance to bank balance, in the amount of \$330,319, as bank reconciliation was not performed in fiscal year 2020 and 2021.
- To record adjustment in accounts receivable, and accounts payable and miscellaneous expense to correct the fiscal year 2021 net position.

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REQUIRED SUPPLEMENTARY INFORMATION

Crescent City Harbor District
Required Supplementary Information
For the year ended June 30, 2021

*Schedule of District's Proportionate Share of the Net Pension Liability - Last 10 Years**

Fiscal Year:	2021	2020	2019
Measurement date:	6/30/2020	6/30/2019	6/30/2018
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Proportion of the net pension liability (asset)	0.00758%	0.00773%	0.00785%
Proportionate share of the net pension liability (asset)	\$ 824,666	\$ 791,023	\$ 755,972
Covered payroll	\$ 861,214	\$ 719,185	\$ 864,627
Proportionate share of the net pension liability (asset) as a percentage of covered payroll**	95.76%	109.99%	87.43%
Plan's proportionate share of the fiduciary net position as as a percentage of the total pension liability**	75.10%	75.06%	75.26%

Notes to Schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

2018	2017	2016	2015
6/30/2017	6/30/2016	6/30/2015	6/30/2014
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
0.00807%	0.00827%	0.00872%	0.00338%
\$ 800,223	\$ 715,615	\$ 598,618	\$ 607,204
\$ 557,255	\$ 466,299	\$ 469,699	\$ 487,084
143.60%	153.47%	127.45%	124.66%
73.31%	74.06%	78.40%	79.82%

Crescent City Harbor District
Required Supplementary Information
For the year ended June 30, 2021

*Schedule of District's Pension Contributions - Last 10 Years**

	Fiscal year		
	2021	2020	2019
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Actuarially determined contributions	\$ 137,305	\$ 35,558	\$ 76,215
Contributions in relation to the actuarially determined contributions	(137,305)	\$ (35,558)	(76,215)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 861,214	\$ 719,185	\$ 864,627
Contributions as a percentage of covered payroll	4.13%	4.94%	8.81%

Notes to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):

Actuarial cost method:	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value
Inflation:	2.50%	2.63%	2.75%
Salary increases:	(2)	(2)	(2)
Investment rate of return:	7.00%	7.25%	7.375%
Retirement age:	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) 50 for all plans, with the exception of 52 for
Miscellaneous PEPRA 2%@62

(4) Mortality



Fiscal year

2018	2017	2016	2015
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
\$ 50,484	\$ 85,778	\$ 60,880	\$ 70,766
(50,484)	(85,778)	(60,880)	(70,766)
\$ -	\$ -	\$ -	\$ -
\$ 557,255	\$ 466,299	\$ 469,699	\$ 487,084
9.06%	18.40%	12.96%	14.53%

Entry Age (1)	Entry Age (1)	Entry Age (1)	Entry Age (1)
Market Value 2.75%	Market Value 2.75%	Market Value 2.75%	Market Value 15 Year 2.75%
(2)	(2)	(2)	(2)
7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)

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