

**AGENDA
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT**

DATE: January 10, 2013

TIME: 6:00 p.m. Executive Closed Session
7:00 p.m. Regular Session

PLACE: Woodley Island Marina Meeting Room

The Meeting Room is wheelchair accessible. Accommodations and access to Harbor District meetings for people with other handicaps must be requested of the Director of Administrative Services at 443-0801 24 hours in advance of the meeting.

1. Call to Order at 6:00 p.m.

A. Move to Executive Closed Session pursuant to the provisions of the California Government Code Section 54956.8 (Conference with Real Property Negotiator)

1. Conference with Real Property Negotiator

Negotiating Parties: Paul Brisso, District Counsel; Mike Wilson, Board President; Jack Crider, Chief Executive Officer

Under Negotiation:

- ❖ Freshwater Tissue Company property purchase negotiations

2. Adjourn Executive Closed Session

3. Call to Order Regular Session at 7:00 P.M. and Roll Call

4. Pledge of Allegiance

5. Report on Executive Session

6. Public Comment

Note: This portion of the Agenda allows the public to speak to the Board on the various issues not itemized on this Agenda. A member of the public may also request that a matter appearing on the Consent Calendar be pulled and discussed separately. Pursuant to the Brown Act, the Board may not take action on any item that does not appear on the Agenda. Each speaker is limited to speak for a period of three (3) minutes regarding each item on the Agenda. Each speaker is limited to speak for a period of three (3) minutes during the PUBLIC COMMENT portion of the Agenda regarding items of special interest to the public not appearing on the Agenda that are within the subject matter jurisdiction of the Board of Commissioners. The three (3) minute time limit may not be transferred to other speakers. The three (3) minute time limit for each speaker may be extended by the President of the Board of Commissioners or the Presiding Member of the Board of Commissioners at the regular meeting of the District. The three (3) minute time limit for each speaker may be enforced by the President of the Board of Commissioners or the Presiding Member of the Board of Commissioners at the regular meeting of the District.

7. Consent Calendar

Note: All matters listed under the Consent Calendar are considered to be routine by the Board of Commissioners and will be enacted by one motion. There will be no separate discussion of these items. If discussion is required, that item will be removed from the Consent Calendar and considered separately.

- a. Consideration of approval of minutes from the October 25, 2012 Board meeting.
- b. Consideration of approval of minutes from the November 8, 2012 Board meeting.
- c. Consideration of approval of minutes from the November 13, 2012 Board meeting.

Agenda for January 10, 2013 Regular Board Meeting

8. Communications and Reports

- a. Chief Executive Officers Report
- b. Staff Reports
- c. District Counsel's and District Treasurer's Reports
- d. Commissioner and Committee Reports
- e. Other
 - 1. Presentation by Adam Wagschal, HT Harvey & Associates, on *Spartina densiflora* management plan and Programmatic Environmental Impact Report (PEIR).

9. Non Agenda

10. Unfinished Business

11. New Business

- a. Consideration of receiving and filing the annual audit for the fiscal year ending June 30, 2012.
- b. Consideration of extension of Permit No. 11-01 to Taylor Mariculture LLC for the Taylor Mariculture Berth 2 facility.
- c. Consideration of receiving Headwater funds of \$70,000.00 for the Humboldt Aquaculture Innovation Center grant.
- d. Consideration of award of contract and approval of Power Installation Agreement with Robert Colburn Electric Inc. for the installation of power at Redwood Marine Terminal Berth 1.
- e. Consideration of award of contract and approval of the Woodley Island Marina Power Pedestal Purchase Agreement with Dock Boxes Unlimited.
- f. Consideration of entering into an Agreement for Services with the Coastal Ecosystems Institute of Northern California to support District engagement with the Humboldt Bay Sea Level Rise Adaptation Planning Project.
- g. Consideration of approval of a Professional Services Agreement with Trinity Associates to assist with the Humboldt Bay Sea Level Rise Adaptation Planning Project.
- h. Consideration of approval of a Memorandum of Understanding with Humboldt County to support County engagement with the Humboldt Bay Sea Level Rise Adaptation Planning Project.

12. Administrative and Emergency Permits

13. Adjournment

7a

**MINUTES (Subject to Approval)
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT**

October 25, 2012

PRESENT

Commissioner Newman
Commissioner Dale
Commissioner Wilson
Commissioner Marks
Commissioner Higgins

President Wilson called the Executive Closed Session to order at 6:10 p.m.

President Wilson adjourned the Executive Closed Session at 6:45 p.m.

President Wilson called the Regular Meeting of the Board of Commissioners to order at 7:02 P.M.

Russ Gans, present in the absence of District Counsel, reported on the Executive Closed Session as follows: Samoa Access Plan road easement negotiations with Freshwater Tissue Company: no action to report.

President Wilson asked Lawrence La Branche to lead those present in the Pledge of Allegiance.

PUBLIC COMMENT: None

CONSENT CALENDAR

COMMISSIONER MARKS MOVED FOR APPROVAL OF THE CONSENT CALENDAR.
COMMISSIONER HIGGINS SECONDED. MOTION CARRIED WITHOUT DISSENT.

CHIEF EXECUTIVE OFFICER REPORT

- ❖ Congratulated Director of Facility Maintenance on his recent wedding.
- ❖ Recently had a meeting regarding creating loop access for the Samoa Industrial Waterfront Transportation Access Plan.
- ❖ Attended a meeting at the Shelter Cove Resort Improvement District with Commissioner Marks; Shelter Cove Resort Improvement District is willing to help financially to save the fish cleaning station.
- ❖ Said the last time Woodley Island Marina was dredged was 2006 and dredge spoils were disposed of on the Samoa beach; the District has been told beach disposal cannot happen again and have been looking at different options. One of the options for dredge spoils disposal is to access the offshore HOODS.

Ken Bates stated the City of Santa Barbara uses beach disposal and local hotels with beachfront property ask for the spoils to be disposed on their beach. CEO said if Humboldt Bay had more sand than mud, it might work.

STAFF REPORT

Director of Administrative Services

- ❖ Said the District is doing well overall; keeping with its Budget projections for the year.

Director of Conservation

- ❖ Attended aquaculture expansion work group meetings.
- ❖ Has been working on a marine debris removal grant application with the Wiyot Tribe.
- ❖ Reported Redwood Marine Terminal Building 14 demolition is scheduled for November.
- ❖ Stated the Coastal Commission met in Eureka last month and awarded a Sea Level Rise Grant; the District will be working with the successful grantee.

Commissioner Wilson asked if anyone knew who owned the floats that will be addressed in the Marine Debris Removal Grant.

Ken Bates said the floats/marine debris are sections of dock built by a City of Eureka engineer in the 1950's. When the City rebuilt their docks, they gave them away to various individuals for their use as floating docks.

DISTRICT COUNSEL REPORT: None

COMMISSIONER AND COMMITTEE REPORTS

Commissioner Newman

- ❖ No report.

Commissioner Dale

- ❖ No report.

Commissioner Wilson

- ❖ Reported he went to the opening of the Stockton Marine Highway, but it was delayed at the last minute due to labor negotiations. Stated he got a tour and saw the barges and cranes that were recently purchased.
- ❖ Said he had a request from a Commissioner to take a closer look at potential benefits of a railroad in Humboldt County ; appointed himself and Commissioner Newman to work on this subject together.

Commissioner Marks

- ❖ Accompanied CEO to Shelter Cove and said the residents were concerned about the possibility of the elimination of the fish cleaning station. CEO is working with the owner of the property on which the fish cleaning station stands. Said if the District had to pay for removal of fish waste, the Shelter Cove Resort Improvement District should help with expenses. Commissioner Marks stated there was a recommendation to send a letter to the regulatory agencies to let them know what kind of environmental impacts would occur if the pipe was not there.

Commissioner Higgins

- ❖ Saw almost two thousand salmon in the Eel River.
- ❖ Visited the Port of Oakland and does not wish to see that level of development in Humboldt County.

OTHER

- ❖ Presentation by Jennifer Savage, Ocean Conservancy, on tsunami debris.
- ❖ Presentation by George Williamson, Planwest Partners, Inc., on the Woodley Island RV Park Preliminary Feasibility Study

NON AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS

A. CONSIDERATION OF APPROVAL OF AUTHORIZATION TO PROVIDE PROFESSIONAL SERVICES WITH PLANWEST PARTNERS, INC. TO PREPARE AND FILE THE GENERAL PLAN PETITION WITH THE CITY OF EUREKA FOR THE WOODLEY ISLAND RV PARK.

Commissioner Dale asked if the RV Park had to contain 65 units as stated in the study and wanted to know how many would be the minimum number of RV's for the project to be feasible. George Williamson of Planwest Partners reported that while he was not sure of the exact number, he estimated if the District limited the number of RVs to 30 or 40, it would no longer be productive.

Pete Oringer asked if provisions for a dump station and individual sewer hookups were in the Plan. Mr. Williamson said there is currently a bilge pump station on Woodley Island, so he thought the RV Park would probably tie into that.

Ken Bates asked if the Coastal Commission needed a 50-foot or bigger setback from the Wildlife Preserve, how would it affect this project. Mr. Williamson stated he estimates about ten percent of the southerly sites could be affected by setbacks.

Lawrence LaBranche asked if the District had considered three issues he found significant: evacuation in the case of a tsunami, sea level rise, and location of the amateur radio field day, an annual gathering on Woodley Island. Mr. Williamson reported he was involved in the Samoa Town Master Plan development a few years ago and worked through tsunami and sea level rise issues for permanent habitats; he thought working around these issues could be done.

Kevin Collins asked when the RV Park Feasibility Report was prepared, did it include figures from local RV parks and were the facilities surveyed. Mr. Williamson said the Report did include local figures with a 20 to 40 percent occupancy rate, dependent on the season; he stated he did survey the local facilities.

CEO stated the figures in the Report are conservative.

Jim Clark asked if the District had considered non-RV campers. Mr. Williamson said the direction given to him by the District was to consider RV use only.

Becky Patterson asked if the storage areas on the island will be eliminated and if there would be more bathroom and laundry facilities built to accommodate the extra use. Mr. Williamson stated the RV Park Feasibility Report did eliminate the storage areas and the existing facilities on Woodley Island were the only ones considered in the Report since so many RVs are self-contained units.

Carol Krueger reported it appeared as though the sites of the proposed RV Park cut into the Wildlife Preserve and asked if the boundaries would have to be adjusted. Mr. Williamson said while the City of Eureka General Plan would have to be petitioned for planned changes, the Wildlife Preserve should not be affected.

Kim McCollough asked if the existing trees on Woodley Island would be cut down. Mr. Williamson stated that while that information is not included in the Report, he thought every effort would be made to retain all the trees.

Susan Penn reported on page 23 of the RV Park Feasibility Study it appeared that two of the proposed use areas are zoned Natural Resource. Mr. Williamson said the Report refers to discrepancies between zoning and the General Plan; he thought the zoning was more accurate.

Kevin Collins asked how many liveaboards currently reside at Woodley Island Marina. Director of Administrative Services stated about 11 or 12.

Tom Sheldrake stated he has many questions of the details of the RV Park Feasibility Study; he also is curious about how the District can afford this project and cannot afford to put in more dock space.

Commissioner Wilson reported Mr. Sheldrake should be on the RV Park Subcommittee.

Rex Olander said the Feasibility Study explains that Woodley Island could be a unique and wonderful experience for the RV tourist; but if an RV Park is built on the Island, it will not be a unique place anymore. He stated he does not believe the restroom and laundry facilities support the population on the Island currently and that an RV Park would make it considerably worse.

Gary Mooslin stated the Feasibility Study reports that the District will have paid security on Woodley Island. He reported that security is currently not on the Island during office hours and that dock gates have been discussed. He asked if 24-hour security was going to be returned.

Lawrence LaBranche asked if the District had considered wireless Internet access for the RV Park; he said their many gadgets could affect Weather Service communications.

Commissioner Higgins asked if there was a date the District had to turn in the request for the General Plan Update. Mr. Williamson reported no date has been scheduled.

CEO said that when District representatives spoke with the County, the County representatives encouraged moving forward.

COMMISSIONER HIGGINS MOVED FOR APPROVAL OF AUTHORIZATION TO PROVIDE PROFESSIONAL SERVICES WITH PLANWEST PARTNERS, INC. TO PREPARE AND FILE THE GENERAL PLAN PETITION WITH THE CITY OF EUREKA FOR THE WOODLEY ISLAND RV PARK. COMMISSIONER DALE SECONDED.

Commissioner Higgins stated the District is in a financial bind and was slated for bankruptcy in 2014; he said he is happy to hear ideas for profitable ventures.

Lawrence LaBranche reported he backs the Project, but is concerned about its affects on Amateur Radio and the Weather Service.

Tom Sheldrake said he supports spending the \$10,000 to see if the City and regulating agencies support the project; he asked why the District is not looking at other alternatives for revenue.

Carol Krueger stated she understands the District's need to increase revenue, but wondered about the impact of the RV Park on the aesthetics of Woodley Island, the impact of dogs on the Island, and how Fields Landing or Samoa would factor in as alternatives.

Susan Penn asked the Board not to proceed because the Feasibility Study only included Woodley Island; she asked that they expand the report to include Fields Landing. Ms. Penn said what makes Woodley Island unique is its openness and it will no longer be an exquisite experience.

Travis Schneider said he owns Shoreline RV Park and has read the RV Park Feasibility Study; he expressed his concerns with a government agency competing with private enterprise. Mr. Schneider stated he assumed the District had experience with derelict tenants and this project would just compound the problem. Mr. Schneider commended George Williamson on doing a good job of researching the benefits of an RV Park. He reported Shoreline RV Park is about the same size, has the same exposure, and generates far less revenue and more expense. Mr. Schneider said he thought the Board should not ask a planner to do this project, but a financial institution; he said he did not break even until his fourth year in business and lost up to \$150,000 per year prior to that. Mr. Schneider stated the density minimum is 24 feet and while the City of Eureka could be a permitting entity, the State Department of Urban Development governs RV parks. Mr. Schneider reported he is also concerned the undercrossing height could be a significant issue with the State.

Ken Bates said while the District has inherited significant financial concerns, he has presented ways multiple times to show the District how to increase revenue. Mr. Bates was concerned about the zoning issues of Woodley Island having to be changed and used the example of large fishing boats that are currently in port generating a lot of revenue, but much noise as well. He is concerned that someone staying in the RV Park will complain about the noise of the fishing vessels or light, especially at night. Mr. Bates said Jack Alderson and the first Commissioners worked hard to get the zoning what it is currently so they could protect the commercial fishing fleet; he stated they wished to protect marine jobs from non-marine complaints.

Kevin Collins reported the upscale people and their RVs that the District is trying to attract to Woodley Island are the same kind of people that practically shut down the Port of Santa Cruz to commercial fishing due to the rule of running no refrigeration after 6:00 p.m. Mr. Collins asked the Board to consider Fields Landing as an option. Mr. Collins asked Commissioner Higgins how far the District is from bankruptcy now since there has been a dredging surcharge instituted; he asked Travis Schneider how many restrooms he had at Shoreline RV Park.

Mr. Schneider said he has two men's and two women's restrooms for 58 sites, but said it is not enough. He said he was unable to build more facilities due to the cost of remodeling the RV Park. Mr. Schneider stated RV guests do not want to walk a long way to use the restroom or shower facilities. He reported check-in and check-out procedures need to be controlled or RV guests will leave without paying and said the rate schedule proposed for the District is higher than those charged at Shoreline RV Park.

Kevin Collins stated he is concerned he will lose the storage area for his gear that he rents on Woodley Island; he does not know where he will store it. Mr. Collins reported the reason commercial fishermen are berthed at Woodley Island is because federal funds were put into the building of the Marina to protect the fleet.

Commissioner Newman said he understands the concerns of the commercial fishermen and after listening to Mr. Schneider's comments, is in favor of tabling.

Commissioner Wilson stated he would like to table this motion and have District Staff work with George Williamson on possibly modifying the Plan; he reported he did not believe the City of Eureka would make a General Plan Update final before the next meeting.

COMMISSIONER HIGGINS OFFERED TO TABLE THIS ITEM UNTIL FURTHER DISCUSSION.
COMMISSIONER DALE SECONDED.

Commissioner Wilson said District Staff and Board needs to communicate with commercial tenants; he assigned Commissioners Dale and Higgins to assist with this subcommittee. He asked Mr. Williamson if he had an estimated cost to work with the subcommittee. Mr. Williamson stated he estimates the cost to be \$1000.00.

Susan Penn reported she was not sure if the Board was allowed to change the motion since it was not on the Agenda as a specific item.

Commissioner Wilson said it was still related and therefore allowed.

MOTION CARRIED WITHOUT DISSENT.

B. CONSIDERATION OF APPROVAL OF EXTENSION OF PERMIT NO. 08-03 TO COAST SEAFOODS COMPANY FOR SHELLFISH CULTURE FEASIBILITY STUDY.

Commissioner Dale recused himself and left the room to avoid a possible conflict of interest.

COMMISSIONER HIGGINS MOVED FOR APPROVAL OF EXTENSION OF PERMIT NO. 08-03 TO COAST SEAFOODS COMPANY FOR SHELLFISH CULTURE FEASIBILITY STUDY. COMMISSIONER MARKS SECONDED.

MOTION CARRIED WITHOUT DISSENT.

Commissioner Dale returned.

C. CONSIDERATION OF PURCHASE OF THE FSM.NET MARINA MANAGEMENT SOFTWARE MODULES FOR THE WOODLEY ISLAND MARINA FROM PROFESSIONAL SOFTWARE, INC.

COMMISSIONER HIGGINS MOVED FOR APPROVAL OF PURCHASE OF THE FSM.NET MARINA MANAGEMENT SOFTWARE MODULES FOR THE WOODLEY ISLAND MARINA FROM PROFESSIONAL SOFTWARE, INC. COMMISSIONER DALE SECONDED.

Commissioner Wilson asked if this software could be applicable to tideland leases and RV parks. CEO said it could.

MOTION CARRIED WITHOUT DISSENT.

D. CONSIDERATION OF APPROVAL OF THE INSURANCE RIGHTS BUYOUT AGREEMENT WITH JACK ALDERSON.

CEO stated the District's insurance interferes with Mr. Alderson's additional coverage.

COMMISSIONER HIGGINS MOVED FOR APPROVAL OF THE INSURANCE RIGHTS BUYOUT AGREEMENT WITH JACK ALDERSON. COMMISSIONER DALE SECONDED. MOTION CARRIED WITHOUT DISSENT.

E. CONSIDERATION OF APPROVAL OF THE MEMORANDUM OF UNDERSTANDING FOR OPERATIONS OF THE HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT FIREBOAT WITH THE CITY OF EUREKA.

CEO reported this Memorandum of Understanding (MOU) satisfies the requirement of a written document to for cost-sharing with the City for the Fire Boat.

COMMISSIONER HIGGINS MOVED FOR APPROVAL OF THE MEMORANDUM OF UNDERSTANDING FOR OPERATIONS OF THE HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT FIREBOAT WITH THE CITY OF EUREKA. COMMISSIONER DALE SECONDED.

Commissioner Dale asked if the MOU requires the District to have District Staff on the Fire Boat if an emergency occurs.

Bar Pilot Tim Petrusha said if an emergency happens and District Staff is not available, as long as there is a qualified operator from the City, it can be used.

Commissioner Wilson stated the MOU is still not to his liking completely due to responsibility not being delineated, but it is a good start.

MOTION CARRIED WITHOUT DISSENT.

ADMINISTRATIVE AND EMERGENCY PERMITS: None

President Wilson adjourned the Regular Meeting of the Board of Commissioners at 9:47 P.M.

APPROVED BY:

RECORDED BY:

Patrick Higgins
Secretary

Kim Farrell
Clerk

7b

**MINUTES (Subject to Approval)
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT**

November 8, 2012

PRESENT

Commissioner Newman
Commissioner Dale
Commissioner Wilson
Commissioner Marks
Commissioner Higgins

President Wilson called the Executive Closed Session to order at 6:00 p.m.

President Wilson adjourned the Executive Closed Session at 7:00 p.m.

President Wilson called the Regular Meeting of the Board of Commissioners to order at 7:05 p.m.

District Counsel reported out of the Executive Closed Session as follows: Samoa Access Plan road easement negotiations with Freshwater Tissue Company – no action to report. District Counsel stated Closed Session would likely resume after the Regular Meeting of the Board of Commissioners.

President Wilson asked Ted Kuiper to lead those present in the Pledge of Allegiance.

PUBLIC COMMENT

John Finger, owner of Hog Island Oyster Company in Tomales Bay, California, introduced himself and his partner to the Board and expressed their interest in the aquaculture expansion project.

Susan Penn said she does not personally like the idea of locked dock gates and asked if CEO considered them necessary since currently there are security cameras pointed toward the docks; she asked Mr. Crider to consider the drawbacks of locked dock gates before moving forward with the project. CEO stated the District is still looking at the design of dock gates; and while Woodley Island Marina has had some security issues, there have not been many. Commissioner Wilson reported the project would be on the Agenda before action was taken.

Russell Miller, Woodley Island Marina tenant, suggested the District consider adding a fuel dock to increase revenue instead of an RV Park.

Skip McMaster, Woodley Island Marina tenant, agreed with Mr. Miller and stated he disagrees with putting an RV Park on Woodley Island. He reported he has been to Moss Landing where an RV park was built and there were multiple problems for the commercial fishermen, such as: insufficient parking, boat deck lights bothered the RV tenants, and the RV tenants complained about the boats, especially during crab season.

Chuck Ellsworth, Eureka resident, said he was concerned about inexperienced RV drivers navigating through the tunnel and encouraged the Board to consider putting an RV park in Fields Landing. Mr. Ellsworth stated the laundry and restroom facilities on Woodley Island are not adequate for the amount of additional people expected to visit the island.

Dave Bitts, Woodley Island Marina tenant, stated he was relaying comments for Maurice DeFreeze, who could not attend this meeting. Mr. Bitts said Mr. DeFreeze went to Fields Landing and encourages the Board to consider that site since there is power, easy access and a good view; Mr. Bitts stated he agrees with Mr. DeFreeze.

Mike Cunningham, Woodley Island Marina tenant said he opposes the RV park and suggested the District increase revenue by providing more crab-related storage or building a freezer facility for bait fish, possibly partnering with private enterprise. Mr. Cunningham said most crab fishermen store their gear at home or at

some other local location; he stated storage for crab gear would be low maintenance with no power or plumbing needed and suggested increasing storage capability at Redwood Dock. Mr. Cunningham suggested a committee should be formed to review the RV Park Feasibility Study, such as was created for allowing a dog access area on Woodley Island. Commissioner Wilson said a committee had been formed that would be giving a report.

CONSENT CALENDAR

COMMISSIONER DALE MOVED FOR APPROVAL OF THE CONSENT CALENDAR. COMMISSIONER NEWMAN SECONDED. MOTION CARRIED WITHOUT DISSENT.

CHIEF EXECUTIVE OFFICER REPORT

- ❖ Bar Pilot John Powell read a letter from Randy Gans at Security National thanking the District for using its newly acquired fireboat to help with the recent fire at Fairhaven.

Ken Bates stated he would like to take back his criticisms of the fireboat.

- ❖ Attended an NCRA meeting and participated on a conference call.
- ❖ Attended a retirement dinner for Supervisor Jimmy Smith.
- ❖ Made a presentation to Old Town Rotary.
- ❖ Toured a treed area with a potential buyer at Samoa Peninsula.
- ❖ Attended Woodley Island RV Park Feasibility meetings with Ken Bates and Fishermen's Marketing Association members.
- ❖ Had lunch with Security National representatives about Fairhaven Dock improvements, labor, and railroad improvements.
- ❖ Attended meetings regarding the following: Brownfields grant, eelgrass and aquaculture expansion, HSU Wave Energy, trucking and lumber with Green Diamond, cruise ship, Prosperity 2012, and road easements with Freshwater Tissue.
- ❖ Meeting with the owner of Mario's Marina tomorrow.

STAFF REPORT

Director of Conservation

- ❖ A Marine Debris Removal Grant application was submitted by the Wiyot Tribe.
- ❖ A Spartina grant extension through 2013 is being considered.
- ❖ The MPA Monitoring Enterprise has revised their schedule in response to concerns from North Coast residents.
- ❖ NCLACCC (North Coast Local Agency Coastal Coordination Committee) meeting will take place to coordinate partnerships and support for monitoring proposals.
- ❖ Shelter Cove residents wrote a letter to the State Water Quality Control Board regarding the need for the fish cleaning station.

Bar Pilot John Powell

- ❖ Recently finished Marina soundings; will convert data shortly.
- ❖ Attended a Green Diamond meeting and a cruise ship meeting.
- ❖ Reported two ships are scheduled to arrive in Humboldt Bay around November 20.
- ❖ Has been working on the 2013 Tide Book layout.

Director of Facility Maintenance

- ❖ Is now happily married.

DISTRICT COUNSEL REPORT: None

COMMISSIONER AND COMMITTEE REPORTS

Commissioner Newman

- ❖ No report.

Commissioner Dale

- ❖ Toured the old sewer plant site in Fields Landing site with Susan Penn; while he does not think it is an appropriate RV Park site, he said it should be recorded in analysis.

Commissioner Wilson

- ❖ Has been tracking down information on gravel export from rail to barge in Humboldt Bay; NCRA stated it was not financially feasible a few years ago.
- ❖ Had a meeting with THA President Pete Johnson asking them to ascertain and list their assets,
- ❖ Stated the District's site in Fields Landing is currently zoned coastal dependent, which the State takes very seriously and it is extremely hard to get the zoning changed. Commissioner Wilson said this change would have to be part of the local coastal plan update, which would occur after the County's General Plan Update. He reported the process of the General Plan Update got delayed again this week and asked the community to request forward movement from their Supervisors.

Commissioner Marks

- ❖ Took a trip to Shelter Cove a few weeks ago and met with the Director for the State Water Quality Control Board on the status of the fish cleaning station.
- ❖ Said this is the last year of his first term and he would still like to see a pedestrian trail developed around Humboldt Bay.
- ❖ Had a meeting with Commissioner Wilson and CEO regarding interesting things on Samoa Peninsula.

Commissioner Higgins

- ❖ Stated he saw about 5,000 fish in the Eel River as Volunteer Coordinator for the Eel River Recovery Project.
- ❖ Said the RV Park comments are constructive.

NON AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS

A. CONSIDERATION OF APPLICATION FOR BROWNFIELDS GRANT WITH THE POTENTIAL EXPENSE NOT TO EXCEED \$3,500.00.

COMMISSIONER HIGGINS MOVED FOR APPROVAL OF APPLICATION FOR BROWNFIELDS GRANT WITH THE POTENTIAL EXPENSE NOT TO EXCEED \$3,500.00. COMMISSIONER DALE SECONDED.

CEO reported this project falls outside the scope of work for the Samoa Industrial Waterfront Transportation Access Plan; the District is attempting to get more contamination testing done in Samoa. CEO said the County of Humboldt has offered to do the grant writing and this amount is for LACO Associates to help them get this grant application completed.

MOTION CARRIED WITHOUT DISSENT.

B. CONSIDERATION OF EXTENSION OF PERMIT NO. 11-03 TO UNION PACIFIC RAILROAD FOR SOIL AND SEDIMENT REMEDIATION ACTIVITIES AT THE FORMER G&R METALS SITE.

COMMISSIONER HIGGINS MOVED FOR EXTENSION OF PERMIT NO. 11-03 TO UNION PACIFIC RAILROAD FOR SOIL AND SEDIMENT REMEDIATION ACTIVITIES AT THE FORMER G&R METALS SITE. COMMISSIONER MARKS SECONDED.

Director of Conservation reported this project needs an extension due to permitting delays; he said the project uplands areas has been completed, but work can only be done in the summer months.

Susan Penn asked what the plans are for the site once it is clear. Director of Conservation stated he did not know, but it is his understanding that the City of Eureka wants to extend its waterfront trail.

MOTION CARRIED WITHOUT DISSENT.

C. CONSIDERATION OF APPROVAL OF SIGNING A JOINT LETTER WITH THE NORTH COAST LOCAL AGENCY COASTAL COORDINATION COMMITTEE REGARDING THE MARINE PROTECTED AREA MONITORING ENTERPRISE NORTH COAST COORDINATED PROPOSAL.

COMMISSIONER HIGGINS MOVED FOR APPROVAL OF SIGNING A JOINT LETTER WITH THE NORTH COAST LOCAL AGENCY COASTAL COORDINATION COMMITTEE REGARDING THE MARINE PROTECTED AREA MONITORING ENTERPRISE NORTH COAST COORDINATED PROPOSAL. COMMISSIONER MARKS SECONDED.

Commissioner Higgins reported he wanted to see HSU take a co-lead for MLPA.

Commissioner Wilson said this letter is a draft and the letter is not slated to be approved as-is; he asked Commissioner Newman if the letter looked like it took a reasonable path.

Commissioner Newman stated he supports this as a draft.

Commissioner Wilson reported he would like to make a friendly amendment to approve this Item and give Commissioners Newman and Higgins and Director of Conservation authority to change the draft and send out the final letter.

COMMISSIONERS HIGGINS AND MARKS ACCEPTED THE FRIENDLY AMENDMENT.

MOTION CARRIED WITHOUT DISSENT.

Minutes (Subject to Approval)
Regular Meeting of the Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District
November 8, 2012
Page 5 of 5

ADMINISTRATIVE AND EMERGENCY PERMITS: None

President Wilson adjourned the Regular Meeting of the Board of Commissioners at 8:15 P.M.

President Wilson called the Executive Closed Session to order at 8:20 P.M.

District Counsel reported out of the Executive Closed Session as follows: Samoa Access Plan road easement negotiations with Freshwater Tissue Company – no action to report.

APPROVED BY:

RECORDED BY:

Patrick Higgins
Secretary

Kim Farrell
Clerk

7c

**MINUTES (Subject to Approval)
SPECIAL MEETING OF THE BOARD OF COMMISSIONERS
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT**

November 13, 2012

PRESENT

Commissioner Newman
Commissioner Dale
Commissioner Wilson
Commissioner Marks
Commissioner Higgins

President Wilson called the Special Meeting of the Board of Commissioners to order at 12:05 p.m.

President Wilson led those present in the Pledge of Allegiance.

PUBLIC COMMENT: None

The Board of Commissioners adjourned to Executive Closed Session at 12:10 p.m.

President Wilson adjourned the Executive Closed Session at 1:09 p.m.

President Wilson called to order the Regular Meeting of the Board of Commissioners at 1:09 p.m.

Upon return to open session, District Counsel Paul Brisso reported the Commission discussed Conference with Real Property Negotiator pursuant to the provisions of California Government Code Section 54956.8. Under negotiation is Samoa Access Plan road easement with Freshwater Tissue Company. No action was taken.

President Wilson adjourned the Special Meeting of the Board of Commissioners at 1:50 P.M.

APPROVED BY:

RECORDED BY:

Patrick Higgins
Secretary

Patricia Tyson
Director of Administrative Services

Humboldt Bay Harbor, Recreation & Conservation District
Profit & Loss
July through November 2012

	<u>Jul - Nov 12</u>
Ordinary Income/Expense	
Income	
Redwood Dock Revenue	10,290.96
Fields Landing Revenue	52,800.35
Sales & Permits	6,569.65
Dredging Surcharge	28,425.74
Harbor Surcharge	26,645.96
Pilotage Services	29,663.25
Slip Rents	190,791.53
Transient Rents	31,514.79
Liveaboard Surcharge	5,480.60
Rents	70,475.45
Tideland Leases	60,153.33
Total Income	<u>512,811.61</u>
Gross Profit	512,811.61
Expense	
Overhead allocated to grants	-12,939.14
Salaries/Wages	287,092.00
Commissioners Fees	10,500.00
Contract Temporary Services	11,568.52
Auto Value	288.00
Payroll Burden	141,783.66
Advertising & Promotion	1,106.63
Automotive	14,927.86
Communications	4,769.59
Conference & Meetings	6,091.33
Dues,Subscript.,License,Permits	15,678.09
Elections & Government Fees	2,493.60
Insurance	19,978.03
Office Expense	24,391.71
Operating Supplies Expense	2,825.72
Security Guards	37,483.87
Legal Services	9,890.50
Accounting/Auditing Services	24,116.20
Professional/Outside Services	21,506.25
Small Tools	658.93
Utilities	87,073.41
Maintenance Expense	32,278.59
Fields Landing Expense	18,775.79
Shelter Cove Expense	13,313.50
King Salmon Expense	645.56
Redwood Dock Expenses	10,415.61
Total Expense	<u>786,713.81</u>
Net Ordinary Income	-273,902.20
Other Income/Expense	
Other Income	
Interest Income	8,432.07
Other Revenue	17,207.36
Late Fees/Interest	4,265.75
Conservation Grants	32,070.63
Recreation Grants	12,900.12
Harbor Grants	444,578.35
Tax Revenue	350,000.00
Total Other Income	<u>869,454.28</u>
Other Expense	
Capital Expenditures - Grants	310,019.56
Capital Expenditures - General	8,626.64
Interest Payments	85,901.94
Other Expenses	3,037.00
Conservation Grant Expenses	32,154.40
Recreation Grant Expenses	13,382.46

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Accrual Basis

Humboldt Bay Harbor, Recreation & Conservation District
Profit & Loss
July through November 2012

	<u>Jul - Nov 12</u>
Harbor Grant Expenses	<u>134,446.59</u>
Total Other Expense	<u>587,568.59</u>
Net Other Income	<u>281,885.69</u>
Net Income	<u><u>7,983.49</u></u>

Humboldt Bay Harbor, Recreation and Conservation District

PROFIT LOSS BY CLASS

July 1, 2012 - November 1, 2012

	Admin	Cons/Rec	FLBY	Harbor	Marina	Prop/Tdlds	TOTAL
Ordinary Income/Expense							
Income							
Redwood Dock Revenue	0.00	0.00	0.00	0.00	0.00	10,290.96	10,290.96
Fields Landing Revenue	0.00	0.00	51,062.59	0.00	1,709.68	28.08	52,800.35
Sales & Permits	0.00	0.00	0.00	0.00	6,569.65	0.00	6,569.65
Dredging Surcharge	0.00	0.00	0.00	0.00	28,425.74	0.00	28,425.74
Harbor Surcharge	0.00	0.00	0.00	26,645.96	0.00	0.00	26,645.96
Pilotage Services	0.00	0.00	0.00	29,663.25	0.00	0.00	29,663.25
Slip Rents	0.00	0.00	0.00	0.00	190,791.53	0.00	190,791.53
Transient Rents	0.00	0.00	0.00	0.00	31,514.79	0.00	31,514.79
Liveaboard Surcharge	0.00	0.00	0.00	0.00	5,480.60	0.00	5,480.60
Rents	0.00	0.00	0.00	0.00	21,956.26	48,519.19	70,475.45
Tideland Leases	0.00	0.00	0.00	0.00	0.00	60,153.33	60,153.33
Total Income	0.00	0.00	51,062.59	56,309.21	286,448.25	118,991.56	512,811.61
Expense							
Overhead allocated to grants	0.00	-4,183.14	0.00	-3,333.45	0.00	-5,422.55	-12,939.14
Salaries/Wages	122,565.96	12,616.24	0.00	43,536.96	108,372.84	0.00	287,092.00
Commissioners Fees	7,980.00	0.00	0.00	0.00	2,520.00	0.00	10,500.00
Contract Temporary Services	1,964.59	0.00	0.00	0.00	9,603.93	0.00	11,568.52
Auto Value	144.00	0.00	0.00	0.00	144.00	0.00	288.00
Payroll Burden	97,582.42	1,182.66	0.00	5,531.86	37,486.72	0.00	141,783.66
Advertising & Promotion	718.54	0.00	0.00	0.00	388.09	0.00	1,106.63
Automotive	3,215.30	0.00	0.00	5,366.48	6,346.08	0.00	14,927.86
Communications	3,443.36	0.00	0.00	0.00	1,326.23	0.00	4,769.59
Conference & Meetings	3,426.57	0.00	0.00	1,516.48	1,130.58	17.70	6,091.33
Dues,Subscript.,License,Permits	15,409.50	0.00	0.00	56.00	212.59	0.00	15,678.09
Elections & Government Fees	0.00	0.00	0.00	0.00	0.00	2,493.60	2,493.60
Insurance	0.00	0.00	1,505.20	4,313.00	10,031.15	4,128.68	19,978.03
Office Expense	11,798.60	0.00	0.00	1,111.81	11,481.30	0.00	24,391.71
Operating Supplies Expense	0.00	0.00	0.00	0.00	2,825.72	0.00	2,825.72
Security Guards	10,253.04	0.00	5,490.13	0.00	21,740.70	0.00	37,483.87
Legal Services	7,722.63	279.00	449.50	217.00	400.87	821.50	9,890.50
Accounting/Auditing Services	18,087.15	0.00	0.00	0.00	6,029.05	0.00	24,116.20
Professional/Outside Services	12,421.25	0.00	0.00	5,000.00	4,085.00	0.00	21,506.25
Small Tools	0.00	0.00	0.00	0.00	658.93	0.00	658.93
Utilities	4,345.37	0.00	540.27	0.00	84,056.55	-1,868.78	87,073.41
Maintenance Expense	1,798.50	0.00	0.00	2,268.44	28,211.65	0.00	32,278.59
Fields Landing Expense	0.00	0.00	18,775.79	0.00	0.00	0.00	18,775.79
Shelter Cove Expense	0.00	0.00	0.00	0.00	1,620.00	11,693.50	13,313.50
King Salmon Expense	0.00	0.00	0.00	0.00	0.00	645.56	645.56
Redwood Dock Expenses	0.00	0.00	0.00	0.00	0.00	10,415.61	10,415.61
Total Expense	322,876.78	9,894.76	26,760.89	65,584.58	338,671.98	22,924.82	786,713.81
Net Ordinary Income	-322,876.78	-9,894.76	24,301.70	-9,275.37	-52,223.73	96,066.74	-273,902.20

Humboldt Bay Harbor, Recreation and Conservation District

PROFIT LOSS BY CLASS

July 1, 2012 - November 1, 2012

Admin Cons/Rec FLBY Harbor Marina Prop/Tdlds TOTAL

Other Income/Expense

Other Income

Interest Income	8,429.96	0.00	0.00	2.11	0.00	0.00	8,432.07
Other Revenue	144.55	0.00	2,449.48	7,500.00	661.75	6,451.58	17,207.36
Late Fees/Interest	0.00	0.00	158.34	455.40	3,597.01	55.00	4,265.75
Conservation Grants	0.00	32,070.63	0.00	0.00	0.00	0.00	32,070.63
Recreation Grants	0.00	12,900.12	0.00	0.00	0.00	0.00	12,900.12
Harbor Grants	0.00	0.00	0.00	387,755.55	0.00	56,822.80	444,578.35
Tax Revenue	343,000.00	0.00	0.00	0.00	7,000.00	0.00	350,000.00
Total Other Income	351,574.51	44,970.75	2,607.82	395,713.06	11,258.76	63,329.38	869,454.28

Other Expense

Capital Expenditures - Grants	0.00	0.00	0.00	310,019.56	0.00	0.00	310,019.56
Capital Expenditures - General	0.00	0.00	0.00	0.00	8,626.64	0.00	8,626.64
Interest Payments	76,042.54	0.00	0.00	4,973.04	4,886.36	0.00	85,901.94
Other Expenses	3,037.00	0.00	0.00	0.00	0.00	0.00	3,037.00
Conservation Grant Expenses	0.00	32,154.40	0.00	0.00	0.00	0.00	32,154.40
Recreation Grant Expenses	0.00	13,382.46	0.00	0.00	0.00	0.00	13,382.46
Harbor Grant Expenses	0.00	0.00	0.00	77,623.79	0.00	56,822.80	134,446.59
Total Other Expense	79,079.54	45,536.86	0.00	392,616.39	13,513.00	56,822.80	587,568.59
Net Other Income	272,494.97	-566.11	2,607.82	3,096.67	-2,254.24	6,506.58	281,885.69
NET INCOME	-50,381.81	-10,460.87	26,909.52	-6,178.70	-54,477.97	102,573.32	7,983.49

Humboldt Bay Harbor, Recreation & Conservation District
Balance Sheet
 As of November 30, 2012

	<u>Nov 30, 12</u>
ASSETS	
Current Assets	
Checking/Savings	
10000 · PETTY CASH ON HAND	200.00
10100 · CHANGE FUND ON HAND	150.00
10111 · COIN MACHINE FUND	54.55
10200 · CASH IN BANK, CHECKING	9,794.91
10300 · CASH IN BANK, MONEY MARKET	4,159.09
10400 · CASH IN COUNTY TREASURY	1,008,464.91
10500 · CASH IN COUNTY, RESTRICTED	53,012.94
10600 · CASH IN BANK - TARIFF FUND	29,753.15
10700 · CASH, TIDELANDS TRUST SAVINGS	113,310.72
11100 · CASH IN BNY	217,702.50
Total Checking/Savings	<u>1,436,602.77</u>
Accounts Receivable	
12000 · ACCTS RECEIVABLE	779,174.70
Total Accounts Receivable	<u>779,174.70</u>
Other Current Assets	
12002 · DOUBTFUL ACCOUNTS RECEIVABLE	30,679.22
12100 · ALLOW FOR BAD DEBTS	-112,504.48
12200 · TAXES RECEIVBLE	348,540.32
12300 · INTEREST RECEIVBLE	10,829.00
12700 · PREPAID EXPENSES	30,854.74
12800 · LEASE RECEIVABLE	186.05
Total Other Current Assets	<u>308,584.85</u>
Total Current Assets	2,524,362.32
Fixed Assets	
CAPITAL ASSETS, NET	12,731,158.54
Total Fixed Assets	<u>12,731,158.54</u>
Other Assets	
18500 · OTHER DEFERRED ASSETS	252,081.58
15300 · CONSTRUCTION IN PROGRESS	798,384.64
Total Other Assets	<u>1,050,466.22</u>
TOTAL ASSETS	<u><u>16,305,987.08</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · ACCOUNTS PAYABLE	66,769.88
Total Accounts Payable	<u>66,769.88</u>
Other Current Liabilities	
Payroll tax & Withholding Liab	-570.74
20200 · NOTES PAYABLE	85,000.00
20400 · ACCRUED WAGES PAYABLE	22,147.14
20500 · ACCRUED INTEREST	194,668.95
20600 · ACCRUED VACATION PAYABLE	43,327.05
20700 · ACCRUED SICK LEAVE PAYABLE	37,232.39
20800 · DEPOSITS ON HAND	55,085.48
22000 · DEFERRED LEASE INCOME	35,881.12
28000 · DEFERRED INCOME	165,867.76
28500 · OTHER DEFERRED CREDITS	815.03
Total Other Current Liabilities	<u>639,454.18</u>
Total Current Liabilities	706,224.06
Long Term Liabilities	
25000 · DUE STATE OF CALIFORNIA	1,295,951.12
25500 · OPEB Liability	309,072.00

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Accrual Basis

Humboldt Bay Harbor, Recreation & Conservation District
Balance Sheet
As of November 30, 2012

	<u>Nov 30, 12</u>
25300 · BOND PAYABLE - DEEP DREDGING	2,365,000.00
25900 · LESS CURRENT PORTION	-90,000.00
Total Long Term Liabilities	<u>3,880,023.12</u>
Total Liabilities	4,586,247.18
Equity	
30500 · INVESTMENT IN FIXED ASSETS	13,067,112.97
30900 · RESTRICTED FUND BALANCE	267,017.38
31200 · GENERAL FUND BALANCE	-1,601,300.68
3900 · RETAINED EARNINGS	-21,073.26
Net Income	7,983.49
Total Equity	<u>11,719,739.90</u>
TOTAL LIABILITIES & EQUITY	<u><u>16,305,987.08</u></u>

Humboldt Bay Harbor, Recreation & Conservation District

Balance Sheet

As of November 30, 2012

July 31, 12 Aug 31, 12 Sept 30, 12 Oct 31, 12 Nov 30, 12

ASSETS

Current Assets

Checking/Savings

10000 · PETTY CASH ON HAND	200	200	200	200	200
10100 · CHANGE FUND ON HAND	150	150	150	150	150
10111 · COIN MACHINE FUND	55	55	55	55	55
10200 · CASH IN BANK, CHECKING	-25,053	54,414	72,334	34,646	9,795
10300 · CASH IN BANK, MONEY MARKET	4,158	4,159	4,159	4,159	4,159
10400 · CASH IN COUNTY TREASURY	1,008,465	1,008,465	1,008,465	1,008,465	1,008,465
10500 · CASH IN COUNTY, RESTRICTED	53,013	53,013	53,013	53,013	53,013
10600 · CASH IN BANK - TARIFF FUND	3,946	9,548	13,414	19,464	29,753
10700 · CASH, TIDELANDS TRUST SAVINGS	58,303	234,827	152,808	150,515	113,311
11100 · CASH IN BNY	217,703	217,703	217,703	217,703	217,703

Total Checking/Savings 1,320,939 1,582,533 1,522,299 1,488,368 1,436,603

Accounts Receivable

12000 · ACCTS RECEIVABLE	1,126,072	737,485	791,324	741,803	779,175
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Total Accounts Receivable 1,126,072 737,485 791,324 741,803 779,175

Other Current Assets

12002 · DOUBTFUL ACCOUNTS RECEIVABLE	30,679	30,679	30,679	30,679	30,679
12100 · ALLOW FOR BAD DEBTS	-112,504	-112,504	-112,504	-112,504	-112,504
12200 · TAXES RECEIVABLE	68,540	138,540	208,540	278,540	348,540
12300 · INTEREST RECEIVABLE	4,165	5,831	7,497	9,163	10,829
12700 · PREPAID EXPENSES	34,748	43,094	38,889	35,060	30,855
12800 · LEASE RECEIVABLE	186	186	186	186	186
1499. Undeposited funds		226			

Total Other Current Assets 25,814 106,052 173,287 241,124 308,585

Total Current Assets 2,472,824 2,426,070 2,486,911 2,471,295 2,524,362

Fixed Assets

CAPITAL ASSETS, NET 12,731,159 12,731,159 12,731,158 12,731,159 12,731,159

Total Fixed Assets 12,731,159 12,731,159 12,731,158 12,731,159 12,731,159

Other Assets

18500 · OTHER DEFERRED ASSETS	257,055	255,811	254,568	253,325	252,082
15300 · CONSTRUCTION IN PROGRESS	798,385	798,385	798,385	798,385	798,385

Total Other Assets 1,055,439 1,054,196 1,052,953 1,051,709 1,050,466

TOTAL ASSETS 16,259,422 16,211,424 16,271,022 16,254,163 16,305,987

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

20000 · ACCOUNTS PAYABLE	68,194	56,291	87,712	53,802	66,770
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Total Accounts Payable 68,194 56,291 87,712 53,802 66,770

Other Current Liabilities

Payroll tax & Withholding Liab	10,062	741	-4,923	-3,360	-571
20200 · NOTES PAYABLE	85,000	85,000	85,000	85,000	85,000
20400 · ACCRUED WAGES PAYABLE	23,246	7,518	8,710	8,818	22,147
20500 · ACCRUED INTEREST	131,002	146,919	162,836	178,752	194,669
20600 · ACCRUED VACATION PAYABLE	43,327	43,327	43,327	43,327	43,327
20700 · ACCRUED SICK LEAVE PAYABLE	37,232	37,232	37,232	37,232	37,232
20800 · DEPOSITS ON HAND	49,937	50,790	52,065	52,141	55,085
22000 · DEFERRED LEASE INCOME	47,647	40,326	44,722	37,844	35,881
28000 · DEFERRED INCOME	151,556	151,556	144,577	157,441	165,868
28500 · OTHER DEFERRED CREDITS	815	815	815	815	815

Total Other Current Liabilities 579,824 564,225 574,361 598,010 639,454

Total Current Liabilities 648,018 620,516 662,073 651,812 706,224

Humboldt Bay Harbor, Recreation & Conservation District Balance Sheet

As of November 30, 2012

	July 31, 12	Aug 31, 12	Sept 30, 12	Oct 31, 12	Nov 30, 12
Long Term Liabilities					
25000 · DUE STATE OF CALIFORNIA	1,295,951	1,295,951	1,295,951	1,295,951	1,295,951
25500 · OPEB Liability	309,072	309,072	309,072	309,072	309,072
25300 · BOND PAYABLE - DEEP DREDGING	2,365,000	2,365,000	2,365,000	2,365,000	2,365,000
25900 · LESS CURRENT PORTION	-90,000	-90,000	-90,000	-90,000	-90,000
Total Long Term Liabilities	3,880,023	3,880,023	3,880,023	3,880,023	3,880,023
Total Liabilities	4,528,042	4,500,539	4,542,096	4,531,835	4,586,247
Equity					
30500 · INVESTMENT IN FIXED ASSETS	13,067,113	13,067,113	13,067,113	13,067,113	13,067,113
30900 · RESTRICTED FUND BALANCE	267,017	267,017	267,017	267,017	267,017
31200 · GENERAL FUND BALANCE	-1,601,301	-1,601,301	-1,601,301	-1,601,301	-1,601,301
3900 · RETAINED EARNINGS	-21,073	-21,073	-21,073	-21,073	-21,073
Net Income	19,624	-871	17,170	10,571	7,983
Total Equity	11,731,381	11,710,885	11,728,926	11,722,327	11,719,740
TOTAL LIABILITIES & EQUITY	16,259,422	16,211,424	16,271,022	16,254,163	16,305,987

Check Listing

Accrual Basis

Date	Num	Name	As of November 30, 2012	Memo	Amount
11/09/2012		CalPERS 457 Program		Employer 457 match	-275.00
11/08/2012		QuickBooks Payroll Service		Created by Payroll Service on 11/06/20	-12,994.97
11/21/2012		CalPERS 457 Program		Employer 457 Match	-275.00
11/20/2012		QuickBooks Payroll Service		Created by Payroll Service on 11/19/20	-14,533.82
11/09/2012	29269	PERS		1050	-4,310.95
11/09/2012	29270	CalPERS 457 Program		450348	-1,300.00
11/09/2012	29271	Employment Development Department		499-0307-3	-1,219.75
11/09/2012	29272	North Valley Bank		94-2262845	-3,665.96
11/21/2012	29273	PERS		1050	-4,310.95
11/21/2012	29274	CalPERS 457 Program		450348	-1,300.00
11/21/2012	29275	Employment Development Department		499-0307-3	-1,283.27
11/21/2012	29276	North Valley Bank		94-2262845	-4,064.18
11/09/2012	48459	Miller, Jessup		Tenant Refund	-1.61
11/09/2012	48460	Aflac		Employee paid insurance	-481.90
11/09/2012	48461	Bridges-Pearson, Brenda & Melanie		Tenant Refund	-158.00
11/09/2012	48474	Regalo, Paul		Tenant refund	-7.64
11/09/2012	48475	Coastal Business Systems, Inc.		Copier service	-150.00
11/09/2012	48476	Don's Rent All		maintenance	-470.88
11/09/2012	48477	East Bay Machine & Hydraulics Inc		maintenance	-1,571.75
11/09/2012	48478	Moffatt & Nichols Engineers		Hbt Water Trails grant	-3,590.70
11/09/2012	48479	Security Lock & Alarm		File cabinet lock repair	-75.00
11/09/2012	48480	Standard Insurance Company		Employee life insurance	-243.40
11/09/2012	48481	United Rentals Inc.		maintenance	-1,175.29
11/09/2012	48482	B & B Portable Toilets		Rwd Dock	-83.77
11/09/2012	48483	Sequoia Personnel Service		Spartina grant	-967.70
11/09/2012	48484	Wilson, Mike .		Travel to port of Stockton	-69.72
11/09/2012	48485	Ambrosini & Sons Electric, Inc.		Travelift repair	-210.00
11/09/2012	48486	Gaspar, David		Tenant Refund	-84.80
11/09/2012	48487	Mendes Supply Company		VOID: Janitorial	0.00
11/09/2012	48488	Sequoia Personnel Service		T Cosby Spartina grant	-290.81
11/09/2012	48489	Mendes Supply Company		Janitorial	-124.73
11/09/2012	48490	CalPERS Long-Term Care		Employee paid insurance	-67.69
11/09/2012	48491	Amado, Bruce J. & Sharon		Tenant Refund	-89.24
11/13/2012	48492	Dobbs, Donald G.		Tenant Refund	-158.00
11/13/2012	48493	Okey, Patrick & Vicki		Tenant Refund	-208.45
11/13/2012	48494	101Netlink		FL security camera	-90.00
11/13/2012	48495	A T & T		phone service	-338.82
11/13/2012	48496	Almquist Lumber Co.		maintenance	-100.11
11/13/2012	48497	Arcata Countertops		Front office counterops	-950.00
11/13/2012	48498	Association of Pacific Ports		Fall seminar	-275.00
11/13/2012	48499	DIRECTV, INC.		cable service	-42.99
11/13/2012	48500	Edington, Peel & Associates, Inc.		Washington DC lobbyist	-2,500.00
11/13/2012	48501	Englund Marine Supply		maintenance	-1,191.84
11/13/2012	48502	Eureka Printing Company		Business cards	-29.16

4:26 PM
01/03/13

Humboldt Bay Harbor, Recreation & Conservation District

Check Listing

Accrual Basis

As of November 30, 2012

11/13/2012	48503	Gaynor Telephone System	Phone transfer back to office	-216.25
11/13/2012	48504	H. T. Harvey & Associates	Hbt Bay Mari Exp grant	-5,789.25
11/13/2012	48505	Humboldt No. 1 Fire Protection District	maintenance	-108.00
11/13/2012	48506	Mission Uniform & Linen	maintenance	-370.23
11/13/2012	48507	Munnell & Sherrill	Pump	-12.74
11/13/2012	48508	Myrtle town Do It Best Lumber	Maint, office remodel, K. Salmon	-763.82
11/13/2012	48509	New Directions	maintenance	-200.00
11/13/2012	48510	Pacific Gas & Electric	Utilities	-9,798.98
11/13/2012	48511	Pierson Building Center	1297 FL, Grant, Maint	-465.41
11/13/2012	48512	Public Phone	Pay phone	-35.00
11/13/2012	48513	Recology Humboldt County	garbage service	-4,543.02
11/13/2012	48514	Securitas Security Services USA, Inc.	security services	-3,166.72
11/13/2012	48515	Security Lock & Alarm	Key	-4.32
11/13/2012	48516	Sequoia Personnel Service	Spartina grant	-1,997.30
11/13/2012	48517	Shelter Cove Resort Improvement Dist	fish cleaning station	-49.40
11/13/2012	48518	Thomas Home Center	Office	-23.42
11/13/2012	48519	Tony Gosselin & Sons	Tire repair	-34.98
11/13/2012	48520	U S Bank Corporate Payment System	VISA	-1,643.82
11/13/2012	48521	Durant, Candace	Tenant Refund	-167.75
11/16/2012	48522	Glidden Professional	Office repair	-76.05
11/16/2012	48523	Mitchell, Brisso, Delaney & Vrieze	Legal services	-3,164.00
11/16/2012	48524	Oscar Larson & Associates	Bld 14 demo 7032.5	-127.84
11/16/2012	48525	Renner Petroleum	fuel expense	-1,113.92
11/15/2012	48526	Alderson, Jack.	1/2 of insurance buyout	-1,901.16
11/21/2012	48545	CalPERS Long-Term Care	Employee paid insurance	-67.69
11/21/2012	48546	ILWU Local 14A	Union Dues	-90.00
11/20/2012	48547	Humboldt County-Planning Dept	Bld 14 demo	-1,885.50
11/20/2012	48548	Demello, McAuley, McReynolds & Holl	7314 Audit June 2012	-13,488.00
11/20/2012	48549	Independent Business Forms, Inc.	office forms	-408.43
11/20/2012	48550	Yellow Pages	advertising	-78.03
11/21/2012	48551	Coast Seafood	Ship African Swan	-70.00
11/20/2012	48552	Fosmark, Scott	Tenant Refund	-279.00
11/23/2012	48553	A T & T	phone service	-64.06
11/23/2012	48554	ACWA JPIA	Employee medical insurance	-17,717.86
11/23/2012	48555	Advanced Display & Signs	FL signs	-303.52
11/23/2012	48556	Airtight Heating & Sheet Metal	main office rain gutters	-1,950.00
11/23/2012	48557	Cash & Carry No. 546	Office supplies	-152.85
11/23/2012	48558	City of Eureka	water service	-5,251.31
11/23/2012	48559	David L. Moonie & Company	Accounting services	-2,066.60
11/23/2012	48560	FedEx	office	-18.83
11/23/2012	48561	Glidden Professional	maintenance	-174.64
11/23/2012	48562	Humboldt Community Services District	water service	-183.10
11/23/2012	48563	Mendes Supply Company	maintenance	-85.39
11/23/2012	48564	Northern California Gloves	Gloves	-106.27
11/23/2012	48565	Nylex.net	computer services	-288.00
11/23/2012	48566	Planwest Partners, Inc.	RV Park Feasibility Study	-1,612.50
11/23/2012	48567	Security Lock & Alarm	maintenance	-76.68

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Humboldt Bay Harbor, Recreation & Conservation District

Check Listing

Accrual Basis

As of November 30, 2012

11/23/2012	48568	Sequoia Personnel Service	Spartina grant	-1,895.80
11/23/2012	48569	Shelter Cove Resort Improvement Dist	fish cleaning station	-1,620.00
11/23/2012	48570	Small Business Benefit Plan	Employee dental/vision insurance	-2,644.90
11/23/2012	48571	Staples Credit Plan	office	-120.64
11/23/2012	48572	U-Name-It	African Swan plaque	-26.98
11/23/2012	48573	US Cellular	cell phone service	-540.08
11/23/2012	48574	Verizon Wireless	cell phone service	-118.60
11/28/2012	48575	Professional Software, Inc.	Marina Software	-5,000.00
11/27/2012	48576	Mattson, Ed	VOID: Tenant Refund	0.00
				<u>-159,491.49</u>
				<u>-159,491.49</u>

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**HUMBOLDT BAY HARBOR,
RECREATION AND CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2012 and 2011



**DEMELLO, MCAULEY,
MCREYNOLDS & HOLLAND, LLP**
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS	
Statements of Net Assets	9
Statements of Activities and Changes in Net Assets	10
Statements of Cash Flows	11
Notes to Financial Statements	13
SUPPLEMENTARY INFORMATION	
Statements of Revenues and Expenses – Unrestricted and Tideland Trust	23
Statements of Revenues and Expenses – Marina and General	24
Statements of Revenues and Expenses – Budget and Actual - Marina	25
Statements of Revenues and Expenses – Budget and Actual - General	26
Statements of Funding Progress for Retiree Health Plan	27
REPORTS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	
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
SCHEDULE OF FINDINGS AND RESPONSES.....	30

• Keith G. Demello, CPA
Kimber L. McReynolds, CPA
Shan L. Grundman, CPA



J. William McAuley, CPA
Philip R. Holland, CPA

**DEMELLO, MCAULEY,
MCREYNOLDS & HOLLAND, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Humboldt Bay Harbor, Recreation
And Conservation District

We have audited the accompanying basic financial statements of Humboldt Bay Harbor, Recreation and Conservation District as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humboldt Bay Harbor, Recreation and Conservation District, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United State of America.

The management's discussion and analysis on pages 2 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of Humboldt Bay Harbor, Recreation and Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Humboldt Bay Harbor, Recreation and Conservation District. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

Demello, McAuley, McReynolds & Holland, LLP

December 3, 2012

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

This section of the Humboldt Bay Harbor, Recreation and Conservation District's annual financial report represents our discussion and analysis of the District's financial activities for the year ended June 30, 2012. Please read it in conjunction with the Independent Auditor's Report and the District's basic financial statements. The District's basic financial statements follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net assets increased by \$723,365, or 6.6 percent. This increase was partially due to grants received for projects that funded capital assets.
- General revenues from taxes, interest, and investments accounted for \$852,171 in revenues or 19 percent of all revenues. Revenues in the form of grants accounted for \$2,329,254 or 53 percent of all revenues.
- The District had total expenditures of \$3,683,470 and total revenue of \$4,406,835. The resulting increase in net assets of \$723,365 includes net grant income of \$1,728,574 and depreciation expense in the amount of \$833,520.
- The balance of long-term debt has decreased \$85,000 from the prior fiscal year due to regularly scheduled principal payments.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: the government-wide financial statements and the notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The basic financial statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents a section of required supplementary information that further explains and supports the information in the financial statements.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and how they have changed. The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Additional non-financial factors such as the condition of buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the District's Most Significant Funds

The District's financial statements provide detailed information about the District's one fund.

Proprietary Fund:

Because a large portion of the District's revenues are obtained from various charges to customers, all of the District's activities are accounted for in an enterprise fund, which is a proprietary fund type. Enterprise funds provide both long and short-term financial information.

THE DISTRICT AS A WHOLE

The District's total net assets increased \$723,365 from one year ago, from \$10,983,162 to \$11,706,527. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's activities.

**Table 1
Net Assets
June 30, 2012 and 2011**

	Business-Type Activities		
	2012	2011	Increase (Decrease)
<u>Assets:</u>			
Cash, unrestricted	\$ 1,256,545	\$ 1,975,802	\$ (719,257)
Receivables	1,033,328	542,605	490,723
Prepaid expenses	36,137	32,990	3,147
Restricted assets	267,018	266,036	982
Other assets	258,298	273,217	(14,919)
Capital assets, net	13,529,543	12,548,008	981,535
Total Assets	<u>\$ 16,380,869</u>	<u>\$ 15,638,658</u>	<u>\$ 742,211</u>
<u>Liabilities:</u>			
Payables and other liabilities	\$ 419,767	\$ 352,470	\$ 67,297
Deferred revenues	194,323	262,144	(67,821)
Current loans	85,000	85,000	-
Long-term debt outstanding	3,975,252	3,955,882	19,370
Total Liabilities	<u>\$ 4,674,342</u>	<u>\$ 4,655,496</u>	<u>\$ 18,846</u>
<u>Net Assets:</u>			
Invested in Capital Assets			
-Net of Related Debt	\$ 12,233,592	\$ 11,252,058	\$ 981,534
Restricted	267,018	266,036	982
Unrestricted	(794,083)	(534,932)	(259,151)
Total Net Assets	<u>\$ 11,706,527</u>	<u>\$ 10,983,162</u>	<u>\$ 723,365</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net assets of the District increased 6.6%, or \$723,365. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from a deficit balance of \$534,932 to a deficit balance of \$794,083.

Table 2 presents a comparative statement of activities and change in net assets.

Table 2
Comparative Statement of Activity And Changes In Net Assets
For The Years Ended June 30, 2012 and 2011

	Business-Type Activities		
	2012	2011	Increase (Decrease)
Operating Revenues:			
Rents and leases	\$ 424,777	\$ 398,222	\$ 26,555
Slip rentals	562,038	540,058	21,980
Pilotage services	53,299	38,331	14,968
Harbor improvement surcharge	84,373	67,946	16,427
Other	37,057	29,403	7,654
Total Operating Revenue	<u>1,161,544</u>	<u>1,073,960</u>	<u>87,584</u>
Operating Expenses:			
Salaries, wages, and benefits	1,137,388	1,039,470	97,918
Depreciation	833,520	767,254	66,266
Boat building and repair facility	66,819	84,639	(17,820)
Professional services	189,581	161,065	28,516
Outside services	109,922	117,730	(7,808)
Utilities	206,787	174,008	32,779
Other	333,651	408,407	(74,756)
Total Operating Expenses	<u>2,877,668</u>	<u>2,752,573</u>	<u>125,095</u>
Operating Income (Loss)	<u>(1,716,124)</u>	<u>(1,678,613)</u>	<u>(37,511)</u>
Non-Operating Revenue (Expense):			
Property taxes	848,045	812,573	35,472
Interest income	4,126	21,165	(17,039)
Grants and other income	2,393,120	1,279,393	1,113,727
Grant expense	(600,680)	(528,895)	(71,785)
Interest expense	(199,819)	(205,506)	5,687
Other expenses	(5,303)	(6,855)	1,552
Total Non-Operating Revenue (Expense)	<u>2,439,489</u>	<u>1,371,875</u>	<u>1,067,614</u>
Increase (Decrease) In Net Assets	<u>\$ 723,365</u>	<u>\$ (306,738)</u>	<u>\$ 1,030,103</u>

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NET ASSETS OF THE DISTRICT'S ENTERPRISE FUND

Table 3 presents the net assets of the District's one fund, the Enterprise Fund, and an analysis of significant changes in the fund's net assets.

Table 3

Changes In Year-End Net Assets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Enterprise Fund	\$ 11,706,527	\$ 10,983,162	6.59%

The 6.59 percent increase can be attributed to grant funding received for capital projects.

Table 4 presents a summary of Enterprise fund revenues for the year ended June 30, 2012 and the amounts and percentages of increases and decreases in relation to the prior year.

Table 4

Summary of Revenues

	<u>FYE 2012 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from FYE 2011</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Rents and leases	\$ 424,777	9.64%	\$ 26,555	6.67%
Slip rentals	562,038	12.75%	21,980	4.07%
Pilotage services	53,299	1.21%	14,968	39.05%
Harbor improvement surcharge	84,373	1.91%	16,427	24.18%
Other operating income	37,057	0.84%	7,654	26.03%
Property taxes	848,045	19.24%	35,472	4.37%
Interest income	4,126	0.09%	(17,039)	-80.51%
Grants and other non-operating income	2,393,120	54.30%	1,113,727	87.05%
Total Revenues	<u>\$ 4,406,835</u>	<u>100.00%</u>	<u>\$ 1,219,744</u>	<u>38.27%</u>

The increase in rents and leases is due mainly to an increase in rents and fees for the Fields Landing boat building and repair facility. The increase in slip rentals is due to an increase in the Marina slip rent usage. The increase in pilotage services and harbor improvement surcharge is due to increased shipping of logs overseas. The decrease in interest income is due to decreases in interest rates as well as decreases in cash balances in 2011-2012. The increase in property taxes is due to a slight increase in assessed property values. The increase in grants and other operating income is due to increases in grants received by the District.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Table 5 presents the variance between the District's budget and the actual results for the fiscal year. The District had no budget modifications during the year, so the final budget and the adopted budget were identical.

Table 5

Final Budget Versus Actual Results
For the Year Ended June 30, 2012

	Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues:			
Rents and leases	\$ 438,249	\$ 424,777	\$ (13,472)
Slip rentals	555,160	562,038	6,878
Harbor improvement surcharge	144,000	84,373	(59,627)
Pilotage services	136,000	53,299	(82,701)
Other	43,500	37,057	(6,443)
Total Operating Revenue	<u>1,316,909</u>	<u>1,161,544</u>	<u>(155,365)</u>
Operating Expenses			
Salaries, wages and benefits	1,059,731	1,137,388	(77,657)
Depreciation	-	833,520	(833,520)
Boat building and repair facility	66,600	66,819	(219)
Professional services	149,750	189,581	(39,831)
Outside services	110,000	109,922	78
Utilities	175,000	206,787	(31,787)
Other operating expenses	397,200	333,651	63,549
Total Operating Expenses	<u>1,958,281</u>	<u>2,877,668</u>	<u>(919,387)</u>
Operating Income (Loss)	<u>(641,372)</u>	<u>(1,716,124)</u>	<u>(1,074,752)</u>
Non-Operating Revenue (Expense):			
Property taxes	824,000	848,045	24,045
Interest income	40,000	4,126	(35,874)
Grants and other non-operating income	-	2,393,120	2,393,120
Grant expense	-	(600,680)	(600,680)
Interest expense	(217,123)	(199,819)	17,304
Capital expenses	(42,500)	-	42,500
Other non-operating expense	(1,000)	(5,303)	(4,303)
Total Non-Operating Revenue (Expense)	<u>603,377</u>	<u>2,439,489</u>	<u>1,836,112</u>
Increase (Decrease) in Net Assets	<u>\$ (37,995)</u>	<u>\$ 723,365</u>	<u>\$ 761,360</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Final Budget versus Actual Results

The unfavorable variance in rents and leases is due to lower than anticipated rents for the Fields Landing boat building and repair facility. The unfavorable variance in harbor improvement surcharge and pilotage services revenue was due to lower than anticipated shipping levels during the year. The unfavorable balance in salaries, wages and benefits was due to higher than anticipated costs for benefits, and a severance payment. The variance in depreciation and in capital expenses was due to the District's policy of budgeting for actual capital outlay for the year rather than depreciation expense. The unfavorable variance in professional services was due to higher than anticipated expenditures for engineering fees and for legal services related to employee severance. The unfavorable variance in utilities expense was due to higher than anticipated costs for utilities during the year. The favorable variance in other operating expenses was due to allocation of overhead costs to grant expenses. The unfavorable variance in interest revenue was due to lower than anticipated interest rates during the year, an adjustment to the fair value of the District's cash in the County Treasury, and a decrease in the District's cash balances. The variance in grant income and expense was due to the District's policy of not including grant income and expense in the adopted budget.

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2012 was \$13,529,543. The total increase from the prior year in this investment was 7.8 percent. This increase was attributable to capital additions funded mainly by grants. There were no dispositions of capital assets. Major capital additions during the year included security cameras and a new Harbor Security boat and construction-in-progress for a new Fireboat, funded with Homeland Security grants, Shelter Cove breakwater project costs, Homeland Security equipment, and Marina, Fields Landing Boatyard, and Redwood Dock improvement costs.

Table 6
Comparative Schedule of Capital Assets
 June 30, 2012 and 2011

	Governmental Activities	
	2012	2011
Land, buildings and improvements	\$ 20,745,357	\$ 20,655,624
Automotive equipment	88,316	88,316
Office and operating equipment	1,541,800	614,863
Dredging costs	2,690,120	2,690,120
Fireboat construction in progress	798,385	-
Marina restaurant work-in-progress	34,100	34,100
Subtotals	25,898,078	24,083,023
Less: Accumulated Depreciation	(12,368,535)	(11,535,015)
Capital Assets, net	\$ 13,529,543	\$ 12,548,008

Debt Administration

At year-end, the District had \$3,745,951 in outstanding loans and bonds payable versus \$3,830,951 last year, a decrease of 2.0 percent. The debt consisted of \$1,295,951 payable to the California Department of Boating and Waterways with an interest rate of 4.5 percent and maturity dates ranging from 2024 to 2031, and \$2,450,000 of bonds payable to the Bank of New York with an average interest rate of 5.39 percent

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

and a maturity date of 2029. For detail on the note balances and maturities, refer to the notes to the basic financial statements.

Also included in long term debt as of June 30, 2012 and 2011 is \$314,301 and \$209,931, respectively, for the estimated liability for other postemployment benefits to be provided by the District.

ECONOMIC FACTORS

Nation-wide and state-wide economic trends that affect the financial condition of the District continue to be generally unfavorable. However, there was a recent improvement in shipping from the Harbor related to China's increased demand for logs. That increase is expected to continue for the short-term, but is uncertain for the long-term. The state-wide economic downturn has also made competition for grant funds intense.

Local economic conditions for the fishing and shipping industries in Humboldt Bay have been difficult for the last several years, due to the closure of the last remaining pulp mill on Humboldt Bay and state restrictions on sport and commercial fishing. The District's efforts to improve these conditions include a project completed in 2000 to deepen the harbor entrance channel to improve safety and expand the capacity of the harbor for larger ships. Once the deepening project was completed, the District (and other local agencies) completed the Harbor Revitalization Plan (2003). The Harbor Revitalization Plan concluded that Humboldt Bay had the necessary infrastructure and services to be a viable port. Building on this study, the District acquired the Redwood Marine Terminal (2004-2006) and developed a feasibility study and business plan, which was completed in October 2008. The District is also actively marketing cruise lines and other shippers to make Humboldt Bay a port of call, as well as actively pursuing a relationship with other California ports, such as the port of Oakland, to develop joint business opportunities. In addition, some restrictions on sport and commercial fishing were eased in 2012, and transient slip rentals for sport fishing are expected to improve.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Humboldt Bay Harbor, Recreation and Conservation District, P.O. Box 1030, Eureka, California 95502.

FINANCIAL STATEMENTS

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,256,545	\$ 1,975,802
Receivables (net of allowance for uncollectible accounts)	1,030,829	537,240
Interest receivable	2,499	5,365
Prepaid expenses	36,137	32,990
	<u>2,326,010</u>	<u>2,551,397</u>
RESTRICTED ASSETS		
Cash and cash equivalents	267,018	266,036
	<u>267,018</u>	<u>266,036</u>
NONCURRENT ASSETS		
Capital assets, not depreciated	5,765,507	4,967,122
Capital assets, depreciated	7,764,036	7,580,886
	<u>13,529,543</u>	<u>12,548,008</u>
Deferred loan issuance costs	258,298	273,217
	<u>13,787,841</u>	<u>12,821,225</u>
	<u>13,787,841</u>	<u>12,821,225</u>
	<u>\$ 16,380,869</u>	<u>\$ 15,638,658</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 74,843	\$ 44,922
Payroll and related benefits payable	40,857	32,655
Accrued vacation payable	43,327	57,529
Accrued sick leave payable	37,232	49,509
Deferred income	194,323	262,144
	<u>390,582</u>	<u>446,759</u>
CURRENT LIABILITIES (payable from restricted assets)		
Customer deposits payable	49,316	48,333
Accrued interest payable	174,192	119,522
Current portion of long-term debt	85,000	85,000
	<u>308,508</u>	<u>252,855</u>
NONCURRENT LIABILITIES		
Long-term debt	3,745,951	3,830,951
Other post employment benefits	314,301	209,931
Less current portion	(85,000)	(85,000)
	<u>3,975,252</u>	<u>3,955,882</u>
	<u>3,975,252</u>	<u>3,955,882</u>
	<u>\$ 4,674,342</u>	<u>\$ 4,655,496</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 12,233,592	\$ 11,252,058
Restricted	267,018	266,036
Unrestricted	(794,083)	(534,932)
	<u>\$ 11,706,527</u>	<u>\$ 10,983,162</u>
	<u>\$ 11,706,527</u>	<u>\$ 10,983,162</u>

See accompanying notes.

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ending June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Sales and permits	\$ 10,668	\$ 11,442
Marina slip rentals, utility and dredging surcharge	562,038	540,058
Pilotage Services	53,299	38,331
Rents and leases	424,777	398,222
Harbor improvement surcharge	84,373	67,946
Other revenue	26,389	17,961
	<u>1,161,544</u>	<u>1,073,960</u>
OPERATING EXPENSES		
Salaries, wages and benefits	1,137,388	1,039,470
Commissioners' fees	25,200	25,200
Accounting and auditing	40,589	40,783
Advertising and promotion	12,888	6,140
Automobile expense	20,650	21,730
Bad debt	6,007	5,549
Boat building and repair facility	66,819	84,639
Communications	12,509	12,124
Conferences and meetings	20,605	40,238
Depreciation	833,520	767,254
Dues and subscriptions	28,625	47,556
Elections and property tax administration fee	24,467	24,218
Insurance	27,870	40,251
Legal and other professional fees	148,992	120,282
Office expense	41,542	38,104
Operating supplies	5,926	5,271
Outside services	109,922	117,730
Repairs, maintenance, and small tools	87,176	119,760
Utilities	206,787	174,008
Other operating expenses	20,186	22,266
	<u>2,877,668</u>	<u>2,752,573</u>
OPERATING INCOME (LOSS)	(1,716,124)	(1,678,613)
NONOPERATING REVENUES (EXPENSES)		
General property taxes	848,045	812,573
Investment income	4,126	21,165
Other government grants	2,329,254	1,256,506
Other nonoperating income	63,866	22,887
Grant expenses	(600,680)	(528,895)
Interest Expense	(199,819)	(205,506)
Harbor entrance deep dredging project	(2,671)	(2,671)
GIS base mapping	-	(43)
Other nonoperating expenses	(2,632)	(4,141)
	<u>2,439,489</u>	<u>1,371,875</u>
CHANGES IN NET ASSETS	723,365	(306,738)
NET ASSETS, BEGINNING OF YEAR	10,983,162	11,289,900
NET ASSETS, END OF YEAR	<u>\$ 11,706,527</u>	<u>\$ 10,983,162</u>

See accompanying notes.

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,161,754	\$ 1,080,130
Cash payments to suppliers for goods and services	(848,782)	(946,757)
Cash payments to employees for services	<u>(1,076,496)</u>	<u>(941,239)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(763,524)</u>	<u>(807,866)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes collected	848,045	812,573
Grant and contract funds from other governments received	1,792,559	1,120,161
Grant funds expended	(600,680)	(528,895)
Other nonoperating receipts	<u>33,921</u>	<u>23,034</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,073,845</u>	<u>1,426,873</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,815,054)	(812,205)
Principal paid on bonds and notes payable	(85,000)	(80,000)
Interest paid	(130,230)	(133,963)
Cash payments on harbor projects	(2,671)	(2,714)
Cash payments for other nonoperating costs	<u>(2,632)</u>	<u>(4,141)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,035,587)</u>	<u>(1,033,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on note receivable	-	88,581
Investment income	<u>6,990</u>	<u>29,214</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,990</u>	<u>117,795</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(718,275)	(296,221)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,241,838</u>	<u>2,538,059</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,523,563</u>	<u>\$ 2,241,838</u>
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents	\$ 1,256,545	\$ 1,975,802
Restricted cash and cash equivalents	<u>267,018</u>	<u>266,036</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,523,563</u>	<u>\$ 2,241,838</u>

See accompanying notes.

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,716,124)	\$ (1,678,613)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	833,519	767,254
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	73,051	(16,039)
Prepaid expenses	(3,147)	(20,924)
Increase (decrease) in: accounts payable		
Accounts payable	29,922	(10,727)
Accrued expenses	(18,277)	24,286
Other post employment benefits	104,370	99,141
Deposits and other	983	119
Deferred revenue	(67,821)	27,637
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (763,524)</u>	<u>\$ (807,866)</u>

See accompanying notes.

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Humboldt Bay Harbor, Recreation and Conservation District (District) is a special district created in 1970 by the State of California. The District is governed by a five-member Board of Commissioners from the five supervisorial districts in Humboldt County. The District was formed for the development of Humboldt County's harbors and ports, for the promotion of commerce, navigation, fisheries, and recreation thereon, as well as the protection of the County's natural resources.

The accompanying financial statements include all organizations, activities, and functions that comprise the District. There are no component units (entities that are legally separate for which the District is financially accountable) included within the reporting entity.

Basic Financial Statements

The basic financial statements (Statements of Net Assets, Statements of Activities and Changes in Net Assets, and Statements of Cash Flows) report information on all of the enterprise activities of the District. The Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments* requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or concurrent) are included on the Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the related liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for rents and tidelands leases and harbor improvement surcharges. Operating expenses include the cost of maintaining the marina and tidelands, general and administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property taxes are levied and collected by the County of Humboldt and are apportioned to the District under the "Teeter Plan". Under this plan, the full amount of the levy is paid to the District. All interest and penalties for late payment of taxes are retained by the County. Tax revenues are recognized by the District on the accrual basis.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Budget and Budgetary Accounting

The Board of Commissioners adopts a budget annually to be effective July 1st of the ensuing fiscal year. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgetary data for expenses, as revised, are presented in the accompanying supplemental information.

HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Cash, Cash Equivalents, and Investments

Cash and cash equivalents – The District considers all cash on hand, demand deposits, and pooled cash and investments to be cash and cash equivalents. The pooled cash and investments consists of cash pooled with the Humboldt County Treasurer's investment pool and is used as a demand deposit account.

Investments – The District reports investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Changes in fair value that occur during a fiscal year are recognized as investment income in the year in which the changes occurred. Investment income includes interest earned, changes in the fair value, and any gains or losses realized upon the liquidation or sale of investments. Inventories are valued at the lower of average cost or market.

Restricted Assets

Restricted assets are cash balances restricted by bank covenants for future payments of the loan for the harbor deep dredging project.

Capital Assets

Capital assets are recorded at cost. The capitalization threshold for all capital assets is \$2,500. Depreciation is based on the estimated useful lives of the assets, which range from three to ten years for equipment, seven years for dredging projects, and twenty to forty years for buildings and improvements, using the straight-line method.

Compensated Absences

All vested vacation and compensatory leave time is recognized as an expense and as a liability at the time the benefit vests. The liability for compensated absences is included as part of the accrued expenses payable from unrestricted current assets. Additionally, 50% of accrued sick hours over 240 is vested and included in the accrued sick pay liability.

Net Assets

In the Statement of Net Assets, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted".

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.

NOTE B — CASH AND CASH EQUIVALENTS AND INVESTMENTS

The cash and cash equivalents as of June 30, 2012 and 2011 are classified in the accompanying financial statements as follows:

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents - Current Assets	\$ 1,256,545	\$ 1,975,802
Cash and cash equivalents - Restricted Assets	267,018	266,036
	<u>\$ 1,523,563</u>	<u>\$ 2,241,838</u>

The cash and cash equivalents as of June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 405	\$ 405
Deposits held with financial institutions	363,140	611,128
Deposits held with the County Treasury	1,160,018	1,630,305
	<u>\$ 1,523,563</u>	<u>\$ 2,241,838</u>

Investments Authorized

The District may invest in any obligations, bonds, or securities in accordance with Section 563601 of the California Government Code, provided that the investment is in compliance with any debt covenant.

Investments in External Investment Pool

The District participates in an external investment pool with the County of Humboldt (County Treasury). The County Treasury pools these funds with those of other entities and invests the cash in accordance with Government Code Section 53635, pursuant to Section 53601. The fair value of the District's investments in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure by a 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. The California Government Code requires that financial institutions secure cash deposits made by state or local governments by pledging securities as collateral. The fair value of the pledged securities must equal at least 110% of the amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District has not waived the collateralization requirement. The District had deposits with bank balances of \$506,347 and \$675,783 as of June 30, 2012 and 2011, respectively. The deposits were fully insured or collateralized.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The district does not have a specific policy which relates to interest rate risk.

Credit Risk

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; however, the external investment pool with the County Treasury is not rated.

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE C — ACCOUNTS RECEIVABLE

Accounts receivable were comprised of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Trade accounts receivable	\$ 137,385	\$ 197,099
Grants receivable	1,005,762	439,122
Less allowance for uncollectible accounts	<u>(112,504)</u>	<u>(106,497)</u>
	1,030,643	529,724
Other receivables	<u>186</u>	<u>7,516</u>
	<u>\$ 1,030,829</u>	<u>\$ 537,240</u>

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE D — CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Retirements and Transfers	Balance June 30, 2012
Marina	\$ 2,556,121	\$ -	\$ -	\$ 2,556,121
Fields Landing	1,038,099	-	-	1,038,099
King Salmon	14,716	-	-	14,716
Redwood Dock	859,000	-	-	859,000
Marina restaurant complex	34,100	-	-	34,100
Shelter Cove breakwater projects	235,365	-	-	235,365
Redwood Dock improvements	14,494	-	-	14,494
Dredging costs	215,227	-	-	215,227
Construction-in-Progress	-	798,385	-	798,385
Total capital assets, not being depreciated	<u>4,967,122</u>	<u>798,385</u>	<u>-</u>	<u>5,765,507</u>
<u>Capital assets</u>				
Automotive equipment	88,316	-	-	88,316
Office equipment	173,560	-	-	173,560
Operating equipment	286,039	-	-	286,039
Marina facilities and improvements	7,764,133	10,078	-	7,774,211
Fields Landing boat building and repair facility	3,253,772	10,389	-	3,264,161
Shelter Cove facilities and improvements	2,142,972	-	-	2,142,972
King Salmon improvements	428	-	-	428
Marina dredging 2005	2,474,894	-	-	2,474,894
Redwood Dock buildings and dock	2,776,163	69,266	-	2,845,429
Homeland security equipment	155,264	926,936	-	1,082,200
Table Bluff equipment	361	-	-	361
Total capital assets, being depreciated	<u>19,115,902</u>	<u>1,016,669</u>	<u>-</u>	<u>20,132,571</u>
<u>Accumulated depreciation</u>				
Automotive equipment	(81,117)	(4,670)	-	(85,787)
Office equipment	(145,002)	(11,248)	-	(156,250)
Operating equipment	(221,751)	(28,333)	-	(250,084)
Marina facilities and improvements	(5,693,856)	(206,292)	-	(5,900,148)
Fields Landing boat building and repair facility	(2,202,371)	(96,272)	-	(2,298,643)
Shelter Cove facilities and improvements	(1,454,571)	(82,390)	-	(1,536,961)
King Salmon improvements	(427)	-	-	(427)
Marina dredging 2005	(1,029,725)	(247,489)	-	(1,277,214)
Redwood Dock buildings and dock	(633,931)	(105,323)	-	(739,254)
Homeland security equipment	(71,904)	(51,502)	-	(123,406)
Table Bluff equipment	(361)	-	-	(361)
Total accumulated depreciation	<u>(11,535,016)</u>	<u>(833,519)</u>	<u>-</u>	<u>(12,368,535)</u>
Total capital assets, being depreciated, net	<u>7,580,886</u>	<u>183,150</u>	<u>-</u>	<u>7,764,036</u>
Total capital assets, net	<u>\$ 12,548,008</u>	<u>\$ 981,535</u>	<u>\$ -</u>	<u>\$ 13,529,543</u>

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE E — UNAMORTIZED BOND ISSUANCE COSTS

The District incurred bond issuance costs for the Refunding Bonds, Series 2004 issued in August 2004 of \$376,478 that is amortized over 25 years. The unamortized issuance cost was \$258,298 and \$273,217 as of June 30, 2012 and 2011, respectively.

NOTE F — LONG-TERM DEBT

The following is a schedule of the changes in the long-term debt for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Principal Additions	Principal Reductions	Balance June 30, 2012	Classification	
					Current Portion	Long-Term Portion
California Department of Boating and Waterways						
Note 2	\$ 537,933	\$ -	\$ -	\$ 537,933	\$ -	\$ 537,933
Note 3	693,725	-	-	693,725	-	693,725
Note 4	64,293	-	-	64,293	-	64,293
Refunding Bonds Series 2004	2,535,000	-	85,000	2,450,000	85,000	2,365,000
	<u>\$ 3,830,951</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 3,745,951</u>	<u>\$ 85,000</u>	<u>\$ 3,660,951</u>

State of California, Department of Boating and Waterways

The District entered into loan agreements, with the State of California, Department of Boating and Waterways, Notes 2, and 3, to finance the construction of the Woodley Island Marina. Note 4 was issued for the first phase of construction of the Woodley Island Improvement Project. This improvement project was not completed.

The Department of Boating and Waterways agreed to a reduction in schedule payments for Notes 2 and 3 until negotiations for a restructuring of future payments is completed.

The notes call for principal and interest payments at a rate of 4.5% to be paid annually beginning August 1, 1983 for Note 2, August 1, 1984 for Note 3, and August 1, 1997 for Note 4. Notes 2, 3, and 4 mature on August 1, 2030, August 1, 2031, and August 1, 2024, respectively.

As of June 30, 2011 the State of California approved a two year deferral of payments on California Boating and Waterways loans number 2, 3 and 4. The amounts deferred will be payable at the original maturity dates of the loans.

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

The annual principal and interest requirements on the long-term debt outstanding as of June 30, 2012 are as follows:

California Department of Boating and Waterways:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	41,048	58,318	99,366
2015	42,895	56,471	99,366
2016	44,825	54,541	99,366
2017	46,842	52,524	99,366
2018-2022	267,795	229,135	496,930
2023-2027	333,727	163,407	497,134
2028-2032	518,819	92,319	611,138
	<u>\$ 1,295,951</u>	<u>\$ 706,715</u>	<u>\$ 2,002,666</u>

Refunding Bonds, Series 2004

In August 2004, the District issued the Series 2004 bonds to prepay the loan agreement with the California Maritime incurred to finance the District's portion of the harbor deep dredging project. The Series 2004 bonds are unsecured, general obligations of the District.

The District is required by the Fiscal Agent Agreement to maintain an amount equal to the debt service requirements as defined in the Agreement in a Debt Service Reserve Fund. The Debt Service Reserve Fund of \$267,018 and \$266,036 is included in the respective June 30, 2012 and 2011 restricted cash and cash equivalents.

Interest, at an average rate of 5.39%, is payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2005. The bonds mature on July 1 of each year commencing July 1, 2005 and have a final maturity date of July 1, 2029. The bond debt service is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 85,000	\$ 126,257	\$ 211,257
2014	90,000	122,233	212,233
2015	95,000	117,978	212,978
2016	100,000	113,442	213,442
2017	105,000	108,468	213,468
2018-2022	605,000	455,695	1,060,695
2023-2027	785,000	272,438	1,057,438
2028-2032	585,000	49,362	634,362
	<u>\$ 2,450,000</u>	<u>\$ 1,365,873</u>	<u>\$ 3,815,873</u>

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE G — NET ASSETS

Net assets represent the difference between assets and liabilities. The net assets amounts as of June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Invested in capital assets, net of related debt:		
Capital assets, net of accumulated depreciation	\$ 13,529,543	\$ 12,548,008
Less notes payable to the State of California		
Department of Boating and Waterways	(1,295,951)	(1,295,950)
Total invested in capital assets, net of related debt	<u>12,233,592</u>	<u>11,252,058</u>
Restricted for debt service	267,018	266,036
Unrestricted	<u>(794,083)</u>	<u>(534,932)</u>
Total Net Assets	<u>\$ 11,706,527</u>	<u>\$ 10,983,162</u>

NOTE H — EMPLOYEE RETIREMENT PLAN

Plan Description

Humboldt Bay Harbor, Recreation and Conservation District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer, defined benefit public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in social security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$60,732, \$58,555 and \$56,159, respectively, and equal the total required contributions for each year.

NOTE I — OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note I, the District provides post-retirement health care benefits, in accordance with state statute, to all employees who retire from the District on or after attaining age 55 with at least 5 years of service. Employees forced to retire due to disability may retire at any age with at least 5 years of service. Currently, one retiree meets the retirement or the disability retirement eligibility criteria.

Plan Description

The District administers a single-employer defined benefit healthcare plan which provides healthcare insurance for eligible retirees and their dependents. The District pays 100% of the health insurance premiums for retired employees with a

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

minimum of five years of service and who have reached a minimum of fifty years of age. The District also provides dependent coverage which the retired employee is required to contribute monthly \$84.56 for one dependent and \$189.04 for more than one dependent. There is no District limit to the number of dependents under coverage.

Funding Policy

The District funds post-employment health benefits on a pay-as-you-go basis. For the fiscal years ended June 30, 2012 and 2011, the District's contributions for post-employment health benefit costs was \$7,618 and \$6,200, respectively.

The District retrospectively implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (OPEB)* as of July 1, 2010.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated on the annual required contribution to the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's OPEB obligation to the plan.

Annual required contribution	\$	106,655
Interest on net OPEB obligation		5,333
		<hr/>
Annual OPEB cost (expense)		111,988
Contributions made		(7,618)
		<hr/>
Increase in net OPEB obligation		104,370
Net OPEB obligation - beginning of year		209,931
		<hr/>
Net OPEB obligation - end of year	\$	<u>314,301</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011-12 is as follows.

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2010	\$ 110,790	0.0%	\$ 110,790
6/30/2011	\$ 105,341	0.0%	\$ 99,141
6/30/2012	\$ 111,988	0.0%	\$ 104,370

Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was \$764,643, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actual accrued liabilities for benefits.

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by the District regarding practices with respect to employer and employee contributions and other relevant factors.

In the June 30, 2010, actuarial valuation, the entry age actuarial cost method was used, which use the level percentage of payroll method, with salary increases projected at 3% per year, to allocate other post employment benefits cost over years of service. The actuarial assumptions include a 3% rate of inflation assumption. Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire.

NOTE J — RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three years.

NOTE K — JOINT VENTURES

The Humboldt Bay Harbor, Recreation and Conservation District participates in the joint venture under a joint powers agreement with the California Maritime Infrastructure Authority (the Authority). The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

The Authority acts as a conduit agency to provide a funding mechanism for the financing and development of port infrastructure for its five member districts; the Humboldt Bay Harbor, Recreation and Conservation District, the Stockton Port District, the Sacramento-Yolo Port District, the San Diego Unified Port District, and the Santa Cruz Port District. The Authority is governed by a board consisting of one member from each member district. The board controls the operations of the Authority, including selection of management, independent of any influence by the member districts beyond their representation on the board.

The Authority acts as a conduit agency only. There were no assets or liabilities of the Authority at the Statement of Net Assets date. For the current period being reported in these financial statements the District made no payments to the Authority and received no funds from the Authority.

SUPPLEMENTARY INFORMATION

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
For the Year Ending June 30, 2012**

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>2012 Totals</u>
OPERATING REVENUES			
Sales and permits	\$ 9,163	\$ 1,505	\$ 10,668
Marina slip rentals and utility surcharge	-	562,038	562,038
Pilotage services	-	53,299	53,299
Rents and leases	280,925	143,852	424,777
Harbor improvement surcharge	-	84,373	84,373
Other revenue	5,760	20,629	26,389
TOTAL OPERATING REVENUES	<u>295,848</u>	<u>865,696</u>	<u>1,161,544</u>
OPERATING EXPENSES			
Salaries, wages, and benefits	342,002	795,386	1,137,388
Commissioners' fees	5,040	20,160	25,200
Accounting and auditing	39,762	827	40,589
Advertising and promotion	3,797	9,091	12,888
Automobile expense	8,408	12,242	20,650
Bad debt	6,007	-	6,007
Boat building and repair facility	66,819	-	66,819
Communications	6,255	6,254	12,509
Conferences and meetings	2,983	17,622	20,605
Depreciation	833,520	-	833,520
Dues and subscriptions	12,769	15,856	28,625
Elections and property tax administration fee	12,234	12,233	24,467
Insurance	16,641	11,229	27,870
Legal and other professional fees	43,742	105,250	148,992
Office expense	15,066	26,476	41,542
Operating supplies	1,185	4,741	5,926
Outside services	21,837	88,085	109,922
Repairs, maintenance, and small tools	39,038	48,138	87,176
Utilities	57,927	148,860	206,787
Other operating expenses	19,372	814	20,186
TOTAL OPERATING EXPENSES	<u>1,554,404</u>	<u>1,323,264</u>	<u>2,877,668</u>
OPERATING INCOME (LOSS)	<u>(1,258,556)</u>	<u>(457,568)</u>	<u>(1,716,124)</u>
NONOPERATING REVENUES (EXPENSES)			
General property taxes	848,045	-	848,045
Investment income	3,380	746	4,126
Contributions from other governments	55	2,329,199	2,329,254
Other nonoperating income	9,882	53,984	63,866
Grant expenses	(47)	(600,633)	(600,680)
Interest expense	(56,676)	(143,143)	(199,819)
Harbor deepening project	-	(2,671)	(2,671)
Other nonoperating expenses	(2,632)	-	(2,632)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>802,007</u>	<u>1,637,482</u>	<u>2,439,489</u>
CHANGE IN NET ASSETS	<u>\$ (456,549)</u>	<u>\$ 1,179,914</u>	<u>\$ 723,365</u>

**HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
For the Year Ending June 30, 2012**

	<u>Marina</u>	<u>General</u>	<u>2012 Totals</u>
OPERATING REVENUES			
Sales and permits	\$ 10,168	\$ 500	\$ 10,668
Marina slip rentals and utility surcharge	562,038	-	562,038
Pilotage services	-	53,299	53,299
Rents and leases	154,055	270,722	424,777
Harbor improvement surcharge	-	84,373	84,373
Other revenue	9,071	17,318	26,389
TOTAL OPERATING REVENUES	<u>735,332</u>	<u>426,212</u>	<u>1,161,544</u>
OPERATING EXPENSES			
Salaries, wages, and benefits	376,971	760,417	1,137,388
Commissioners' fees	7,560	17,640	25,200
Accounting and auditing	10,445	30,144	40,589
Advertising and promotion	2,065	10,823	12,888
Automobile expense	12,778	7,872	20,650
Bad debt	-	6,007	6,007
Boat building and repair facility	-	66,819	66,819
Communications	3,267	9,242	12,509
Conferences and meetings	5,143	15,462	20,605
Depreciation	479,737	353,783	833,520
Dues and subscriptions	(2,182)	30,807	28,625
Elections and property tax administration fee	-	24,467	24,467
Insurance	23,248	4,622	27,870
Legal and other professional fees	4,924	144,068	148,992
Office expense	19,614	21,928	41,542
Operating supplies	5,762	164	5,926
Outside services	62,121	47,801	109,922
Repairs, maintenance, and small tools	78,156	9,020	87,176
Utilities	194,114	12,673	206,787
Other operating expenses	712	19,474	20,186
TOTAL OPERATING EXPENSES	<u>1,284,435</u>	<u>1,593,233</u>	<u>2,877,668</u>
OPERATING INCOME (LOSS)	<u>(549,103)</u>	<u>(1,167,021)</u>	<u>(1,716,124)</u>
NONOPERATING REVENUES (EXPENSES)			
General property taxes	82,404	765,641	848,045
Investment income	-	4,126	4,126
Contributions from other governments	-	2,329,254	2,329,254
Other nonoperating income	1,780	62,086	63,866
Grant expenses	-	(600,680)	(600,680)
Interest expense	(56,625)	(143,194)	(199,819)
Harbor deepening project	-	(2,671)	(2,671)
Other nonoperating expenses	(902)	(1,730)	(2,632)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>26,657</u>	<u>2,412,832</u>	<u>2,439,489</u>
CHANGE IN NET ASSETS	<u>\$ (522,446)</u>	<u>\$ 1,245,811</u>	<u>\$ 723,365</u>

HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
For the Year Ending June 30, 2012

	Marina		Variance Favorable (Unfavorable)
	Budget	Actual	
OPERATING REVENUES			
Sales and permits	\$ 21,000	\$ 10,168	\$ (10,832)
Marina slip rentals, utility and dredging surcharge	555,160	562,038	6,878
Rents and leases	150,000	154,055	4,055
Other revenue	6,000	9,071	3,071
TOTAL OPERATING REVENUES	<u>732,160</u>	<u>735,332</u>	<u>3,172</u>
OPERATING EXPENSES			
Salaries, wages, and benefits	357,635	376,971	(19,336)
Commissioners' fees	7,560	7,560	-
Accounting and auditing	9,688	10,445	(757)
Advertising and promotion	1,000	2,065	(1,065)
Automobile expense	3,000	12,778	(9,778)
Communications	5,000	3,267	1,733
Conferences and meetings	4,000	5,143	(1,143)
Depreciation	-	479,737	(479,737)
Dues and subscriptions	8,000	(2,182)	10,182
Insurance	20,000	23,248	(3,248)
Legal and other professional fees	5,000	4,924	76
Office expense	14,000	19,614	(5,614)
Operating supplies	3,500	5,762	(2,262)
Outside services	105,000	62,121	42,879
Repairs, maintenance, and small tools	50,000	78,156	(28,156)
Utilities	130,000	194,114	(64,114)
Other - collection expense	-	712	(712)
TOTAL OPERATING EXPENSES	<u>723,383</u>	<u>1,284,435</u>	<u>(561,052)</u>
OPERATING INCOME (LOSS)	8,777	(549,103)	(557,880)
NONOPERATING REVENUES (EXPENSES)			
General property taxes	82,400	82,404	4
Other nonoperating income	-	1,780	1,780
Interest expense	-	(56,625)	(56,625)
Other nonoperating expenses	(30,000)	(902)	29,098
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>52,400</u>	<u>26,657</u>	<u>(25,743)</u>
CHANGE IN NET ASSETS	<u>\$ 61,177</u>	<u>\$ (522,446)</u>	<u>\$ (583,623)</u>

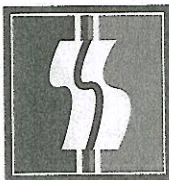
HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
For the Year Ending June 30, 2012

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
OPERATING REVENUES			
Sales and permits	\$ 500	\$ 500	\$ -
Pilotage services	136,000	53,299	(82,701)
Rents and leases	288,249	270,722	(17,527)
Harbor improvement surcharge	144,000	84,373	(59,627)
Other revenue	16,000	17,318	1,318
TOTAL OPERATING REVENUES	584,749	426,212	(158,537)
OPERATING EXPENSES			
Salaries, wages, and benefits	700,696	760,417	(59,721)
Commissioners' fees	17,640	17,640	-
Accounting and auditing	33,062	30,144	2,918
Advertising and promotion	5,000	10,823	(5,823)
Automobile expense	13,400	7,872	5,528
Bad debts	-	6,007	(6,007)
Boat building and repair facility	66,600	66,819	(219)
Communications	8,000	9,242	(1,242)
Conferences and meetings	29,000	15,462	13,538
Depreciation	-	353,783	(353,783)
Dues and subscriptions	30,000	30,807	(807)
Elections and property tax administration fee	45,000	24,467	20,533
Insurance	35,000	4,622	30,378
Legal and other professional fees	80,000	144,068	(64,068)
Office expense	14,000	21,928	(7,928)
Operating supplies	3,500	164	3,336
Outside services	5,000	47,801	(42,801)
Repairs, maintenance, and small tools	55,000	9,020	45,980
Utilities	45,000	12,673	32,327
Other operating expenses	49,000	19,474	29,526
TOTAL OPERATING EXPENSES	1,234,898	1,593,233	(358,335)
OPERATING INCOME (LOSS)	(650,149)	(1,167,021)	(516,872)
NONOPERATING REVENUES (EXPENSES)			
General property taxes	741,600	765,641	24,041
Investment income	40,000	4,126	(35,874)
Contributions from other governments	-	2,329,254	2,329,254
Other nonoperating income	-	62,086	62,086
Interest Expense	(217,123)	(143,194)	73,929
Grant expenses	-	(600,680)	(600,680)
Harbor deepening project	-	(2,671)	(2,671)
Other nonoperating expenses	(13,500)	(1,730)	11,770
TOTAL NONOPERATING REVENUES (EXPENSES)	550,977	2,412,832	1,861,855
CHANGE IN NET ASSETS	\$ (99,172)	\$ 1,245,811	\$ 1,344,983

HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
STATEMENTS OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
For the Year Ending June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2010	\$ -	\$ 716,234	\$ 716,234	0.0%	\$ 695,704	103.0%
6/30/2011	\$ -	\$ 602,554	\$ 602,554	0.0%	\$ 681,377	88.4%
6/30/2012	\$ -	\$ 764,643	\$ 764,643	0.0%	\$ 627,301	121.9%

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS



**DEMELLO, MCAULEY,
MCREYNOLDS & HOLLAND, LLP**
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Humboldt Bay Harbor, Recreation
And Conservation District

We have audited the financial statements of the business-type activities of Humboldt Bay Harbor, Recreation and Conservation District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Humboldt Bay Harbor, Recreation and Conservation District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Humboldt Bay Harbor, Recreation and Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Humboldt Bay Harbor, Recreation and Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Humboldt Bay Harbor, Recreation and Conservation District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Bay Harbor, Recreation and Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Demello, McAuley, McReynolds & Holland, LLP

December 3, 2012



HUMBOLDT BAY HARBOR, RECREATION
AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

2012

No current year findings.

Prior Year Findings

2011-01 – Source documentation

Finding

During our testing, we noted that some source documentation for employee reimbursements was missing or incomplete.

Criteria

Good internal control systems provide a mechanism to verify that reimbursements are for the correct purpose and amount and that they qualify as reimbursable expenses.

Cause

Lack of oversight and documentation

Effect of Condition

Reimbursements might include unallowable expenses, improper classification of expense, and overstated expenses.

Recommendation

All employee reimbursements must be accompanied by detailed source documentation which must be reconciled to the expense report. Employees without source documentation should not be reimbursed.

Response

The District will remind employees about the importance of obtaining and saving source documentation for all reimbursement requests, and will not reimburse employees until source documentation is submitted.

Status

Implemented.