

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

**AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District
Eureka, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Humboldt Bay Harbor, Recreation and Conservation District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State of California Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State of California Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Humboldt Bay Harbor, Recreation and Conservation District as of June 30, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and, the schedule of proportionate share of the net OPEB liability, schedule of the District's proportionate share of the net pension liability, and schedule of pension contributions on pages 42 through 44, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humboldt Bay Harbor, Recreation and Conservation District's basic financial statements. 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshwal & Company LLP

Oakland, California
December 21, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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 operating revenues increased by \$157,438, or 7.2 percent.
- The District's operating expenses decreased by \$15,922, or 0.4 percent.
- General revenues from taxes, interest, and investments accounted for \$1,310,008 in revenues or 27.6 percent of all revenues.
- The District had total expenditures of \$4,109,968, and total revenue of \$4,749,255. The resulting increase in net position of \$639,287 includes net government grant income of \$616,639, and depreciation expense in the amount of \$856,992.
- Notes payable debt has decreased \$635,398 from the prior fiscal year due to scheduled debt service 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.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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 Position. The Statement of Revenues, Expenses, and Changes in Net Position 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 position and how they have changed. The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

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

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 proprietary fund.

Enterprise 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.

ANALYSIS OF THE DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's activities.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Table 1
Comparative Statement of Net Position

	<u>2021</u>	<u>2020</u> As Restated	<u>Increase</u> <u>(Decrease)</u>
Assets			
Cash & cash equivalents	\$ 732,213	\$ 678,813	\$ 53,400
Receivables, net	773,319	594,347	178,972
Other assets	123,098	142,506	(19,408)
New Market loan receivable	5,849,375	5,849,375	-
Capital assets, net	<u>10,898,335</u>	<u>11,141,971</u>	<u>(243,636)</u>
Total assets	<u>18,376,340</u>	<u>18,407,012</u>	<u>(30,672)</u>
Deferred outflows of resources			
Deferred outflows of resources - pension	304,271	305,357	(1,086)
Deferred outflows of resources - OPEB	1,897	7,550	(5,653)
Deferred outflows of resources - bond refunding	<u>14,736</u>	<u>18,294</u>	<u>(3,558)</u>
Total deferred outflows of resources	<u>320,904</u>	<u>331,201</u>	<u>(10,297)</u>
Total assets and deferred outflows of resources	<u>18,697,244</u>	<u>18,738,213</u>	<u>(40,969)</u>
Liabilities			
Payables and other liabilities	509,024	478,024	31,000
Unearned income	4,500,893	4,531,672	(30,779)
Environment remediation liability	10,163	66,441	(56,278)
Current portion of notes payable	496,947	663,019	(166,072)
Other long-term liabilities	1,371,545	1,376,002	(4,457)
Long-term portion of notes payable	<u>3,365,192</u>	<u>3,834,518</u>	<u>(469,326)</u>
Total liabilities	<u>10,253,764</u>	<u>10,949,676</u>	<u>(695,912)</u>
Deferred inflows of resources			
Deferred inflows of resources - pension	101,377	135,270	(33,893)
Deferred inflows of resources - OPEB	<u>51,913</u>	<u>2,364</u>	<u>49,549</u>
Total deferred inflows of resources	<u>153,290</u>	<u>137,634</u>	<u>15,656</u>
Net position			
Net investment in capital assets	9,229,636	9,187,855	41,781
Restricted	730,732	677,533	53,199
Unrestricted	<u>(1,670,178)</u>	<u>(2,214,485)</u>	<u>544,307</u>
Total net position	<u>8,290,190</u>	<u>7,650,903</u>	<u>639,287</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,697,244</u>	<u>\$ 18,738,213</u>	<u>\$ (40,969)</u>

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Total net position of the District increased by 8.4 percent, or \$639,287 as of June 30, 2021.

June 30, 2020 has been restated to record a \$36,609 overstatement of leases receivable, a \$60,403 understatement of deferred outflow related to pensions, a \$143,000 understatement of a liability for delinquent Redwood Marine Terminal 2 property taxes, and a \$1,371 understatement of prior year net position.

**Table 2
Comparative Statement of Revenues, Expenses, and Changes in Net Position**

	2021	2020 As restated	Increase (Decrease)
Operating Revenues			
Rents and leases	\$ 1,327,112	\$ 1,274,196	\$ 52,916
Slip rentals	734,388	655,006	79,382
Harbor improvement surcharge	189,916	117,557	72,359
Other revenue	107,943	155,162	(47,219)
Total operating revenues	<u>2,359,359</u>	<u>2,201,921</u>	<u>157,438</u>
Operating Expenses			
Salaries, wages and benefits	1,334,484	1,364,566	(30,082)
Depreciation	856,992	826,847	30,145
Repairs and maintenance	220,411	181,132	39,279
Professional and outside services	204,072	241,206	(37,134)
Redwood terminal 2 expenses	221,005	219,160	1,845
Utilities	384,308	495,026	(110,718)
Other operating expenses	536,990	446,247	90,743
Total operating expenses	<u>3,758,262</u>	<u>3,774,184</u>	<u>(15,922)</u>
Operating income (loss)	(1,398,903)	(1,572,263)	173,360
Nonoperating Revenues (Expenses)			
General property taxes	1,146,344	1,157,594	(11,250)
Investment income (loss)	163,664	170,521	(6,857)
Grants and other income	1,079,888	796,799	283,089
Grant expenses	(142,880)	(130,223)	(12,657)
Interest expenses	(206,592)	(237,279)	30,687
Other nonoperating expenses	(2,234)	(694)	(1,540)
Total nonoperating revenues (expenses)	<u>2,038,190</u>	<u>1,756,718</u>	<u>281,472</u>
Increase (decrease) in net position	<u>\$ 639,287</u>	<u>\$ 184,455</u>	<u>\$ 454,832</u>

Operating revenues increased \$157,438 over the prior year, and operating expenses decreased \$15,922. The increase in revenue was due to increases in Redwood Terminal 2 lease revenues and increases in slip rentals and harbor improvement surcharges. The decrease in operating expenses was due to a decrease in water and sewage utilities expense, as well as maintenance staff's consistent efforts to eliminate unnecessary expenditures and closely manage project costs.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

June 30, 2020 has been restated to record a \$36,609 overstatement of lease revenue and a \$26,854 overstatement of pension expense. The remaining restatement for pension expense and for delinquent property taxes noted in the prior page affected beginning net position for the year ended June 30, 2020, not income or expense.

NET POSITION OF THE DISTRICT'S ENTERPRISE FUND

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

**Table 3
Changes in Year-End Net Position**

	2021	2020 As restated	% Change
Net Position, June 30,	\$ 8,290,190	\$ 7,650,903	8.36 %

The 8.36 percent increase is due to increased slip rental fees and lease revenues, as well as an increase in grant revenue.

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2021 and the amounts and percentages of increases and decreases of revenues in relation to the prior year.

**Table 4
Summary of Revenues**

	2020-21 Amount	Percent of Total	Increase (Decrease) from 2019-20	Percent Increase (Decrease)
Revenues:				
Rents and leases	\$ 1,327,112	27.94 %	\$ 52,916	4.2 %
Slip rentals	734,388	15.46 %	79,382	12.1 %
Harbor improvement surcharge	189,916	4.00 %	72,359	61.6 %
Other operating income	107,943	2.27 %	(47,219)	(30.4)%
General property taxes	1,146,344	24.14 %	(11,250)	(1.0)%
Interest Income	163,664	3.45 %	(6,857)	(4.0)%
Grant and other nonoperating income	1,079,888	22.74 %	283,089	35.5 %
Total revenues	\$ 4,749,255	100.00 %	\$ 422,420	9.8 %

Slip rentals increased due to partial recovery from impacts of the initial Covid-19 outbreak, as well as an improved salmon season. Harbor improvement surcharge revenues increased due to increased shipping. Other operating income decreased due to the District no longer operating the Fields Landing boat building and repair facility. Grant revenue varies from year to year based on available grant funding. Interest income decreased due to decreases in cash balances during the year.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

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

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Rents and leases	\$ 1,184,000	\$ 1,211,963	\$ 27,963
Slip rentals	620,000	517,518	(102,482)
Dredging and float replacement surcharge	203,000	216,245	13,245
Harbor improvement surcharge	150,000	189,916	39,916
Other revenue	241,087	223,717	(17,370)
Total operating revenues	<u>2,398,087</u>	<u>2,359,359</u>	<u>(38,728)</u>
Operating Expenses			
Salaries, wages and benefits	1,425,315	1,365,337	59,978
Depreciation	-	856,992	(856,992)
Dredging	150,000	-	150,000
Professional and outside services	200,150	265,725	(65,575)
Redwood terminal 2 expenses	102,816	221,005	(118,189)
Repairs and maintenance	207,100	220,411	(13,311)
Utilities	467,500	384,308	83,192
Other operating expenses	528,943	444,484	84,459
Total operating expenses	<u>3,081,824</u>	<u>3,758,262</u>	<u>(676,438)</u>
Operating income (loss)	(683,737)	(1,398,903)	(715,166)
Nonoperating Revenue (Expense)			
General property taxes	1,107,465	1,146,344	38,879
Investment income (loss)	173,950	163,664	(10,286)
Grants and other income	192,274	879,888	687,614
Cable landing fee	-	200,000	200,000
Grant expenses	(25,273)	(142,880)	(117,607)
Interest expenses	(738,071)	(206,592)	531,479
Other nonoperating expenses	(6,000)	(2,234)	3,766
Total nonoperating revenues (expenses)	<u>704,345</u>	<u>2,038,190</u>	<u>1,333,845</u>
Increase (decrease) in net position	<u>\$ 20,608</u>	<u>\$ 639,287</u>	<u>\$ 618,679</u>

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Final Budget versus Actual Results

Variations of more than \$100,000 between budgeted and actual amounts were a result of the following:

The unfavorable variance of \$102,482 in slip rentals revenue was due to lower than expected recovery from Covid-19 impacts.

The unfavorable variance of \$856,992 in depreciation expense was due to the District's policy of budgeting for actual capital outlay for the year rather than depreciation expense. The favorable variance of \$150,000 in dredging expense is due to the capitalization of \$405,207 of dredging expenditures.

The favorable variance of \$687,614 in grants and other non-operating income was due higher than anticipated grants for dredging and other grants. This favorable variance is partially offset by an unfavorable variance of \$117,607 in grant expense, which was due to expenditures of the additional grant revenues. The favorable variance in cable landing fee revenue was due to revenue that was not budgeted in 2020-21 due to uncertainty regarding the timing of the payment. The favorable variance of \$531,479 in interest expense was due to the District including the principal portion of loan payments in the annual budget.

Capital Assets

The District's total capital assets, net of accumulated depreciation, as of June 30, 2021 was \$10,898,335. The total decrease in net capital assets from the prior year was 2.2 percent. This decrease was due to capital acquisitions being offset by the annual depreciation expense. Capital asset balances for 2020/21 and 2019/20 were as follows:

**Table 6
Comparative Schedule of Capital Assets**

	2021	2020
Land, building and improvement	\$ 23,217,801	\$ 23,009,652
Automotive equipment	95,639	95,639
Office and operating equipment	3,977,194	3,977,194
Dredging costs	1,429,459	1,024,252
Marina restaurant work-in-progress	34,100	34,100
Subtotals	<u>28,754,193</u>	<u>28,140,837</u>
Less: accumulated depreciation	<u>17,855,858</u>	<u>16,998,866</u>
Capital assets, net	<u><u>\$ 10,898,335</u></u>	<u><u>\$ 11,141,971</u></u>

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Debt Administration

The District incurred no new long-term debt in 2020-21. The increase in net pension liability was a result of an increase in the District's share of the State-wide CalPERS net pension liability. The District is required to report its proportionate share of that liability in its financial statements. The decrease in other post-employment benefits was due to changes in staff eligible for other post-employment benefits. The ending balances for debts and other long-term liabilities, as of June 30, 2021 and 2020 are presented below in Table 7.

**Table 7
Debt and Other Long-Term Liabilities**

	2021	2020
Notes Payable:		
Refunding Bonds Series 2014	\$ 2,079,806	\$ 2,295,451
Compass BBVA Bank Loan	1,105,633	1,196,035
Note Payable to Coast Seafoods	676,700	1,006,051
Total notes payable	3,862,139	4,497,537
Other Long-Term Liabilities:		
OPEB	220,710	342,799
Net pension liability	1,150,835	1,033,203
Total debt and other long-term liabilities	\$ 5,233,684	\$ 5,873,539

ECONOMIC FACTORS

In February 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The COVID-19 pandemic is complex and continually evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, and financial position.

The District's efforts to improve economic conditions include the acquisition and environmental clean-up of the Freshwater Tissue/Redwood Terminal 2 property beginning in 2013/14 and continuing into 2020/21. Redwood Terminal 2 had significant deferred maintenance to buildings and utilities which needed to be addressed in order to attract new tenants to the facility. The District obtained funding through the New Market Tax Credit program which resulted in an estimated \$5 million in renovation and improvements to the site. Revenues from tenants at the Redwood Terminal 2 property has increased to over \$500,000 from new tenant leases.

The District is also actively marketing cruise lines and other shippers to make Humboldt Bay a port of call, and is helping the oyster industry expand through the District's pre-permitting project.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

BASIC FINANCIAL STATEMENTS

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021

ASSETS

CURRENT ASSETS:

Cash & cash equivalents	\$	1,481
Restricted cash & cash equivalents		730,732
Accounts receivable, net		773,319
Interest receivable		2,870
Prepaid insurance		120,228
		1,628,630
Total current assets		1,628,630

NONCURRENT ASSETS:

Nondepreciable capital assets		6,008,177
Depreciable capital assets, net		4,890,158
Notes receivable		5,849,375
		16,747,710
Total noncurrent assets		16,747,710
Total assets		18,376,340

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pension		304,271
Deferred outflows of resources - OPEB		1,897
Deferred outflows of resources - bond refunding		14,736
		320,904
Total deferred outflows of resources		320,904
Total assets and deferred outflows of resources		18,697,244

LIABILITIES

CURRENT LIABILITIES:

Accounts payable		226,716
Accrued wages, payroll taxes & benefit		24,678
Unearned income - current		974,215
Environment remediation liability		10,163
Accrued vacation payable		40,019
Customer deposits payable		217,611
Current portion of notes payable		496,947
		1,990,349
Total current liabilities	\$	1,990,349

Continued..

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021

LIABILITIES - CONT'D

NONCURRENT LIABILITIES:

Net OPEB liabilities	\$ 220,710
Unearned income	3,526,678
Net pension liabilities	1,150,835
Notes payable	<u>3,365,192</u>
Total noncurrent liabilities	<u>8,263,415</u>
Total liabilities	<u>10,253,764</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - OPEB	51,913
Deferred inflows of resources - pension	<u>101,377</u>
Total deferred inflows of resources	<u>153,290</u>
Total liabilities and deferred inflows of resources	<u>10,407,054</u>

NET POSITION

Net investment in capital assets	9,229,636
Restricted	730,732
Unrestricted	<u>(1,670,178)</u>
Total net position	<u>8,290,190</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 18,697,244</u></u>

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES

Sales & permits	\$ 11,135
Slip rentals	734,388
Rents and leases	1,327,112
Harbor improvement surcharge	189,916
Other revenue	<u>96,808</u>
Total operating revenues	<u>2,359,359</u>

OPERATING EXPENSES

Payroll & related cost	1,340,137
Commissioner's fees	25,200
Accounting & auditing	46,691
Advertising & promotion	4,361
Automobile expenses	19,063
Bad debt	90,215
Communications	32,767
Conference & meetings	4,646
Depreciation	856,992
Dues & subscriptions	49,974
Elections & property tax administration fee	84,741
Insurance	107,413
Rent and lease	882
Legal & other professional fees	157,381
Office expenses	32,372
Operating supplies	13,807
Outside service	61,653
Redwood terminal 2 expenses	221,005
Repairs, maintenance & small tools	220,411
Utilities	384,308
Other operating expenses	<u>4,243</u>
Total operating expenses	<u>3,758,262</u>

Operating income (loss) \$ (1,398,903)

Continued..

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

NONOPERATING REVENUES (EXPENSES)	
General property taxes	\$ 1,146,344
Investment income (loss)	163,664
Other governmental grant	759,519
Other nonoperating incomes	320,369
Grant expenses	(142,880)
Interest expenses	(206,592)
Other nonoperating expenses	<u>(2,234)</u>
Total nonoperating revenues (expenses)	<u>2,038,190</u>
CHANGE IN NET POSITION	639,287
NET POSITION, BEGINNING	<u>7,768,738</u>
RESTATEMENT	<u>(117,835)</u>
NET POSITION, BEGINNING, <i>AS RESTATED</i>	<u>7,650,903</u>
NET POSITION, ENDING	<u><u>\$ 8,290,190</u></u>

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,230,102
Payments to suppliers	(1,623,878)
Payments to employees	<u>(1,317,431)</u>
Net cash provided (used) by operating activities	<u>(711,207)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes for general operations	1,146,344
Receipt of grant & contract funds from other governments	759,519
Expenditures of grant funds	(142,880)
Payments for other nonoperating costs	(2,234)
Other nonoperating receipts	<u>320,369</u>
Net cash provided (used) by noncapital financing activities	<u>2,081,118</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Payments to acquire, construct & improve capital assets	(613,356)
Principal payments on notes payable & bonds	(635,398)
Interest paid	(234,308)
Bond refunding premium	<u>3,558</u>
Net cash provided (used) by capital & related financing activities	<u>(1,479,504)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>162,993</u>
Net cash provided (used) by investing activities	<u>162,993</u>

INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	53,400
CASH & CASH EQUIVALENTS, BEGINNING	<u>678,813</u>
CASH & CASH EQUIVALENTS, ENDING	<u><u>\$ 732,213</u></u>

FINANCIAL STATEMENT PRESENTATION RECONCILIATION

Cash & cash equivalents	\$ 1,481
Restricted cash & cash equivalents	<u>730,732</u>
CASH & CASH EQUIVALENTS, ENDING	<u><u>\$ 732,213</u></u>

Continued..

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

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

Operating income (loss)	\$ (1,398,903)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Bad debts	90,215
Depreciation	856,992
Restatement	(117,835)
Changes in assets & liabilities:	
Accounts receivable, excluding bad debts	(233,949)
Prepaid expenses	20,078
Accounts payable - related to operating activities	58,805
Customer deposits payable	81,865
Accrued liabilities	4,768
Pension and OPEB liability and deferred outflows and inflows of resources	(42,464)
Unearned income	(30,779)
	(711,207)
Net cash provided (used) by operating activities	\$ (711,207)

NONCASH CAPITAL & RELATED FINANCING ACTIVITIES

Amortization of ground lease	\$ 199,045
Amortization of bond premium	\$ 3,558

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Humboldt Bay Harbor, Recreation and Conservation District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The accompanying financial statements include all organizations, activities, and functions that comprise the District. The District has no oversight responsibility over any other governmental unit and is not included in any other governmental "reporting entity" as defined in GASB pronouncements. The District is governed by a five-member Board of Commissioners from the five supervisorial districts in Humboldt County.

B. Nature of Activities

The District is a special district created in 1970 by the State of California. 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.

C. Basis of Presentation

The financial statements required by *GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34)*, as amended by *GASB Statement No. 63*, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District utilizes an enterprise fund, which is a proprietary fund type. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds account for goods or services that are provided to outside parties. The District has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the District prepares its statement of cash flows using the direct method.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements. Proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. Measurement Focus/Basis of Accounting - Cont'd

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 non-operating revenues and expenses. Other government grants represent non-operating revenues received from other agencies related to harbor projects, including Spartina eradication, homeland security, port access, aquaponics expansion and other initiatives. Other nonoperating income includes the portion of the PG&E funding (see Note 9) that has been recognized. Grant expenses primarily represent nonoperating expenses related to the other government grants nonoperative revenues.

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

E. 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 supplementary information.

F. Allowance for Doubtful Accounts

The District evaluates the collectability of receivables in order to determine the allowance for doubtful accounts. As of June 30, 2021, the District recorded an allowance for doubtful accounts of \$302,323. Based on historical experience, the District does not expect additional amounts to become uncollectable, however if they are, they will be charged to operations as a bad debt expense. The impact of any bad debt expense recorded in the future is expected to be immaterial to the financial statements.

G. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be all cash on hand, demand deposits, and pooled cash and investments. 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.

The District follows the authority governing investments for municipal governments set forth in the California Government Code, Sections 53601 through 53659. The County Treasurer's Investment Pool is administered by the County of Humboldt Treasurer's Office and conforms to the California Government Code. The County's portfolio normally consists of U.S. Treasury issues, U.S. Agency agreements, banker's acceptances, and the State of California Local Agency Investment Fund. All cash invested by the County in demand deposit accounts is collateralized to 110 percent with approved U.S. Government securities, such as Treasury Bills and other U.S. Treasury issues.

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.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Capital Assets

The capitalization threshold for all capital assets is \$2,500. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets that individually may be below threshold amounts are capitalized if collectively they are above the threshold amount.

Depreciation of all exhaustible capital assets is charged as an expense against operations, with accumulated depreciation reflected in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

<u>Assets class</u>	<u>Useful life</u>
Equipment	3 - 10 Years
Dredging projects	7 Years
Buildings and improvements	20 - 40 Years

I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

J. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

- *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- *Restricted net position* is considered restricted, if its use is constrained to a particular purpose. Restrictions are imposed by creditors, grantors, contributors, laws, or regulations.
- *Unrestricted net position* consists of all other net position that does not meet the definition of “net investment in capital assets” or “restricted net position” and is available for general use by the District.

K. Property Taxes

The lien date for secured property taxes is March 1st of each year. Taxes are levied as of July 1st on all secured real property and are due and payable November 1st and February 1st of the following fiscal year. Humboldt County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

K. Property Taxes - Cont'd

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on State formula.

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted by the County. Under this Plan, the County's auditor/controller distributes 100 percent of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues on the accrual basis of accounting.

L. Postemployment Benefits other than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Pensions

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

N. Compensated Absences

All vested vacation is recognized as an expense and as a liability at the anniversary date of hire during the year ended June 30, 2021. The liability for compensated absences is reported as accrued vacation payable. Additionally, 50% of accrued sick hours over 240 is vested and reported as accrued sick leave payable. The accrued vacation payable and accrued sick leave payable are payable from unrestricted current assets.

NOTE 2 - CASH AND CASH EQUIVALENTS

The cash and cash equivalents at June 30, 2021 were classified in the accompanying financial statements as follows:

Cash & cash equivalents	\$	1,481
Restricted cash & cash equivalents		730,732
Total cash and cash equivalents	\$	732,213

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS - CONT'D

Restricted cash and cash equivalents activity for the year ended June 30, 2021 was as follows:

	Marina Dredging Surcharge	Float Replacement Surcharge	Total
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2020	\$ 727,074	\$ 422,140	\$ 1,149,214
Additions, 2020/2021	153,325	62,917	216,242
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2021	\$ 880,399	\$ 485,057	1,365,456
Less: Restricted cash in excess of available cash, June 30, 2021			(634,724)
Restricted Cash, June 30, 2021			\$ 730,732

Total cash and cash equivalents at June 30, 2021, consisted of the following:

Cash on hand	\$ 1,280
Deposits held with financial institutions	492,384
Deposits held with the County Treasurer's Investment Pool	238,509
Undeposited fund	40
Total cash and cash equivalents	\$ 732,213

The District may invest in any obligations, bonds, or securities in accordance with Section 53601 of the California Government Code, provided that the investment is in compliance with any debt covenant.

Fair value of Deposits held with the County Treasurer's Investment Pool as of June 30, 2021 was \$239,516.

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 totaling \$610,817 as of June 30, 2021. The District had an uninsured balance of 345,090, held with bank as on June 30, 2021.

The custodial credit risk for the County Treasurer's Investment Pool 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.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS - CONT'D

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.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2021, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 5,550,701	\$ 208,149	\$ -	\$ 5,758,850
Dredging costs (old harbor)	215,227	-	-	215,227
Capital work-in-progress (Marina)	34,100	-	-	34,100
	<u>5,800,028</u>	<u>208,149</u>	<u>-</u>	<u>6,008,177</u>
Total nondepreciable capital assets				
Depreciable capital assets :				
Building and improvement	17,458,951	-	-	17,458,951
Automotive equipment	95,639	-	-	95,639
Office and operating equipment	3,977,194	-	-	3,977,194
Dredging costs	809,025	405,207	-	1,214,232
	<u>22,340,809</u>	<u>405,207</u>	<u>-</u>	<u>22,746,016</u>
Total depreciable capital assets				
Accumulated depreciation :				
Accumulated depreciation	(16,998,866)	(856,992)	-	(17,855,858)
	<u>(16,998,866)</u>	<u>(856,992)</u>	<u>-</u>	<u>(17,855,858)</u>
Total accumulated depreciation				
Depreciable capital assets, net	<u>5,341,943</u>	<u>(451,785)</u>	<u>-</u>	<u>4,890,158</u>
Total capital assets, net	<u>\$ 11,141,971</u>	<u>\$ (243,636)</u>	<u>\$ -</u>	<u>\$ 10,898,335</u>

Total depreciation expense charged to operations for the year ended June 30, 2021 was \$856,992.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable for the fiscal year ended June 30, 2021:

	Beginning Balance	Additions	Deletion	Ending Balance	Classification	
					Current Portion	Long-Term Portion
Refunding Bonds Series 2014	\$ 2,295,451	\$ -	\$ (215,645)	\$ 2,079,806	\$ 224,577	\$ 1,855,229
Coast Seafood's Line of Credit	1,006,051	-	(329,351)	676,700	176,457	500,243
Compass BBVA Bank Loan	1,196,035	-	(90,402)	1,105,633	95,913	1,009,720
Total	\$ 4,497,537	\$ -	\$ (635,398)	\$ 3,862,139	\$ 496,947	\$ 3,365,192

Refunding of Debt:

On December 22, 2014, the District issued \$3,333,674 in revenue bonds with an interest rate of 4.1 percent, to refund \$2,180,000 of outstanding 2004 revenue bonds with an average interest rate of 5.42 percent and \$1,241,382 of notes payable to the California Department of Boating and Waterways with an interest rate of 4.5 percent. The bonds are secured by net revenues of the District. The District used \$217,702 of proceeds from the debt service reserve fund on the 2004 revenue bonds to fund the refunding issuance costs and reduce the balance borrowed on the 2014 refunding bonds. The District used \$43,600 of the proceeds from the refunding to pay a call premium on the refunding. The call premium is recorded as a deferred outflow of resources and amortized as interest expense over the 15-year term of the bonds.

The annual requirements to amortize the outstanding bonds payable, as of June 30, 2021 was as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 224,577	\$ 82,993	\$ 307,570
2023	233,879	73,691	307,570
2024	243,567	64,004	307,571
2025	253,655	53,916	307,571
2026	264,162	43,409	307,571
2027 - 2029	859,966	62,746	922,712
Total	\$ 2,079,806	\$ 380,759	\$ 2,460,565

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - NOTES PAYABLE - CONT'D

Coast Seafood's Line of Credit:

The District has a letter of credit agreement with Coast Seafood's Company for up to \$1.25 million. As of June 30, 2018, the District had an outstanding balance of \$1.16 million borrowed from Coast Seafood's Company, at 3.5% annual interest. The loan maturity date was June 2018. The District has negotiated to extend the loan term for a period of 10 years beginning the first day of December 2018. Interest rate on new loan is 4.5% annual interest rate. The primary purpose of original letter of credit was to procure funds for the removal of pulp processing liquors mill in the state of Washington, which began in April 2014 and completed in September 2014. The District pledged collateral of interest in all of the revenue assets of district set forth above as may be evidence by a Line of Credit Instrument, Security Agreement, Assignment of Leases and Rents, Fixture.

As of December 10, 2020, Amendment is entered in the agreement. From the Effective Date of this Amendment, the Interest rate is 3.25%, and the loan term will end on April 30, 2023.

As of June 30, 2021, future debt service related to this loan was as follow:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 176,457	\$ 19,543	\$ 196,000
2023	500,243	9,953	510,196
Total	<u>\$ 676,700</u>	<u>\$ 29,496</u>	<u>\$ 706,196</u>

Compass BBVA Bank Loan:

During the year ended June 30, 2016, the District borrowed \$1,560,000 from Compass BBVA Bank, at a 5.99% annual interest rate. Payments of principal and interest are due semi-annually with the first payment due July 1, 2016. The loan matures on July 1, 2030. In conjunction with this loan, the District entered into an installment sale agreement and pledged all net revenues as collateral with Compass BBVA Bank for the payment of this obligation.

As of June 30, 2021, future debt service related to this loan was as follow:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 95,913	\$ 64,823	\$ 160,736
2023	101,745	58,992	160,737
2024	107,931	52,806	160,737
2025	114,492	46,244	160,736
2026	121,453	39,283	160,736
2027 - 2030	564,099	78,667	642,766
Total	<u>\$ 1,105,633</u>	<u>\$ 340,815</u>	<u>\$ 1,446,448</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS

During the fiscal year ended June 30, 2014, the District revised the personnel policies. Under the revised personnel policies, the District provides post-retirement health care benefits, in accordance with state statute, to all employees hired before December 1, 2011, who retire from the District on or after attaining age fifty-five with at least ten years of service up until age sixty-five or when the retired employee is first eligible for Medicare, whichever is later. Employees forced to retire due to disability may retire at any age with at least five years of service.

A. Plan Description

The District has established the Humboldt Bay Harbor, Recreation, and Conservation District Retiree Healthcare Plan (HC Plan), a single-employer plan. The HC Plan provides healthcare insurance for eligible retirees and their spouses. The District pays 100% of the health insurance premiums for retired employees with a minimum of ten years of service and who have reached a minimum of fifty-five years of age up until age sixty-five. The District pays 50% of the health insurance premiums for the retiree spouse who must enroll in Medicare, if eligible. Any employee hired after December 1, 2011, will not be eligible for retiree health insurance. The HC Plan has not established or accumulated any assets in a trust. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	1	
Inactive employees or beneficiaries currently receiving benefits	2	
Inactive employees entitled to, but not yet receiving benefits	-	
Total	3	

B. Contributions

The HC Plan and its contribution requirements are established by agreements with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the current insurance premiums due for the participating retirees. For the fiscal year ended June 30, 2021, the District's cash contributions were \$55,906, and there was no estimated implied subsidy, resulting in total payments of \$55,906. No trust has been created for the purpose of prefunding obligations for past services.

C. Funding Policy

The District funds post-employment health benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2021, the District's contributions for post-employment health benefit costs were \$32,364.

D. Annual OPEB Cost and Net OPEB Obligation

The District's Net OPEB liability was measured as of June 30, 2021 and the Total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT - CONT'D

E. Actuarial Methods and Assumptions:

The Total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-age actuarial cost method
Discount Rate	2.16%
Inflation	2.5%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	2.16% net of expenses
Mortality Rate	Derived using 2017 CalPERS Active Mortality for Miscellaneous Employees tables
Pre-Retirement Turnover	Derived using 2017 CalPERS Turnover for Miscellaneous Employees tables
Healthcare Trend Rate	4.00%

F. Information Related to Assumptions and Other Inputs

Following is the table, the assumptions are based upon.

Mortality	<p>2017 CalPERS Mortality for Miscellaneous and Schools Employees</p> <p>The mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables.</p> <p>2017 CalPERS Retiree Mortality for All Employees</p> <p>The mortality assumptions are based on the 2017 CalPERS Retiree Mortality for All Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables.</p>
Retirement	<p>2017 CalPERS 2.0%@55 Rates for Miscellaneous Employees</p> <p>The retirement assumptions are based on the 2017 CalPERS 2.0%@55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.</p>
Turnover	<p>2017 CalPERS Turnover for Miscellaneous Employees</p> <p>The turnover assumptions are based on the 2017 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.</p>

For other assumptions, actual plan provisions and plan data were used.

The alternative measurement method was not used in this valuation.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT - CONT'D

G. Discount Rate

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus the long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates. The discount rate used in the valuation was 2.16%.

H. Changes in Net OPEB Liability

Changes in Net OPEB liability as of June 30, 2021 was as follows:

Determination of Net OPEB Liability	For the Year Ending June 30, 2021
Service cost	\$ 4,715
Interest on total OPEB liability	6,905
Employer contribution as Benefit Payments	(55,906)
Experience (Gains)/Losses	(80,755)
Changes in assumptions	2,952
Net changes during 2020-21	(122,089)
Net OPEB liability - beginning of year	342,799
Net OPEB liability - end of year	\$ 220,710

I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Sensitivity of the Net OPEB liability to changes in the discount rate. The following presents the Net OPEB liability, as well as what the Net OPEB liability would be, if it was calculated using a discount rate (2.16 percent) that is 1- percentage point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	\$ 227,283	\$ 220,710	\$ 214,286

J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Sensitivity of the Net OPEB liability to changes in the healthcare cost trend rates. The following presents the Net OPEB liability, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates (4.00 percent) that are 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rates.

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	\$ 211,886	\$ 220,710	\$ 230,189

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT - CONT'D

K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense/(income) of \$(10,981).

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Experience gains and Losses	\$ -	\$ 51,913
Changes of assumptions	1,897	-
Total	\$ 1,897	\$ 51,913

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Deferred Outflow/ (Inflows) of Resources
2022	\$ (27,787)
2023	(22,229)
2024	-
Thereafter	-
Total	\$ (50,016)

NOTE 6 - PENSION PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Humboldt Bay Harbor, Recreation and Conservation District. The District's employer rate plans in the miscellaneous risk pool include the Miscellaneous Plan (Miscellaneous) and the PEPRA Miscellaneous Plan (PEPRA Misc.). The Humboldt Bay Harbor, Recreation and Conservation District does not have any rate plans in the safety risk pool.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - PENSION PLAN - CONT'D

B. Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

Employer Rate Plans in the Miscellaneous Risk Pool

<u>Employer rate plan</u>	<u>Miscellaneous Prior to January 01, 2013</u>	<u>PEPRA Misc. On or After January 1, 2013</u>
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.418%	1.0% to 2.5%
Required employee contribution rates	6.886%	6.25%
Required employer contribution rates	8.377%	6.555%

C. Contributions Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The District's contributions to Miscellaneous Risk Pool plan for the year ended June 30, 2021, was \$136,505.

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

As of June 30, 2021, the District reported net pension liability of \$1,150,835 for its proportionate share of net Pension liability of the Miscellaneous Risk Pool.

The proportionate share of the total NPL to each of the enterprise and internal service funds is not being allocated because it is deemed to have an immaterial effect on the financial statements.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - PENSION PLAN - CONT'D

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

The District's Net Pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

As of June 30, 2021, the District's reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$1,150,835. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members.

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability determined in the June 30, 2019 actuarial accounting valuation.

The District's proportionate share percentage of the net pension liability and change in proportionate share percentage of the net pension liability for Miscellaneous Risk Pool was as follows:

Proportion - June 30, 2020	0.025800 %
Proportion - June 30, 2021	<u>0.027280 %</u>
Change - increase/(decrease)	<u>0.001480 %</u>

For the year ended June 30, 2021, the District recognized pension expense of \$160,928. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 59,306	\$ -
Change in assumptions	-	8,208
Differences between projected and actual investment earnings	34,187	-
Change in employer's proportion	74,273	-
Differences between employer's contributions and proportionate share of contributions	-	93,169
Contributions subsequent to measurement date	<u>136,505</u>	<u>-</u>
Total	<u>\$ 304,271</u>	<u>\$ 101,377</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - PENSION PLAN - CONT'D

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30	Deferred Outflows/ (Inflows) of Resources
2022	4,040
2023	22,397
2024	23,555
2025	16,397
Thereafter	-
Total	<u>\$ 66,389</u>

E. Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

F. Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments 5 year straight-line amortization

All other amounts

Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - PENSION PLAN - CONT'D

G. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies,

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

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

H. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all Plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - PENSION PLAN - CONT'D

H. Discount Rate - Cont'd

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	50.0 %	4.80 %	5.98 %
Global Fixed Income	28.0 %	1.00 %	2.62 %
Inflation assets	- %	0.77 %	1.81 %
Private Equity	8.0 %	6.30 %	7.23 %
Real Estate	13.0 %	3.75 %	4.93 %
Liquidity	1.0 %	- %	(0.92)%
Total	<u>100 %</u>		

¹ An expected inflation of 2.00% used for this period.

² An expected inflation of 2.92% used for this period.

I. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Humboldt Bay Harbor Recreation and Conservation District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Humboldt Bay Harbor Recreation and Conservation District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate Less 1% (6.15%)	Current Discount (7.15%)	Discount Rate plus 1% (8.15%)
Proportionate share of the Miscellaneous Risk Pool's net pension liability	\$ <u>1,828,136</u>	\$ <u>1,150,835</u>	\$ <u>591,202</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - PENSION PLAN - CONT'D

J. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in CalPERS' CAFR for the fiscal year ended June 30, 2020, and the CalPERS' GASB 68 Accounting Valuation Report for the schools cost-sharing multiple-employer defined benefit pension plan, which can be found on CalPERS' website at <https://www.calpers.ca.gov/docs/forms-publications/gasb-68>.

NOTE 7 - 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. There have been no significant reductions in insurance coverage from the prior year. 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 8 - NEW MARKET TAX CREDIT TRANSACTION

The District is a sponsor of New Markets Tax Credits (NMTC) to support redevelopment in distressed communities. The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments in operating businesses and real estate projects located in low-income communities.

The District, in collaboration with Chase Bank (Bank), entered into various agreements to provide for the completion of the Humboldt Bay Eco-Industrial Park project, consisting of renovations and improvements to property in Samoa, Humboldt County, California. As part of the NMTC Program transaction, a new independent entity, Humboldt Bay Development Association, Inc. (HBDA) a not-for-profit organization, was formed to participate under the Federal NMTC guidelines and to complete the project improvements. Also, pursuant to NMTC Program requirements, several financial intermediaries were established to finance the project. HBDA's construction costs are projected to be approximately \$5.20 million.

As required under the NMTC agreements with these entities, the District loaned the Chase NMTC Samoa Investment Fund, LLC \$5,849,375 and within the NMTC structure invested \$398,057 in cash to the transaction. Within the structure of the NMTC transaction, this \$398,057 cash investment was offset by a \$565,000 reimbursement from HBDA for project costs incurred by the District prior to the NMTC closing, and the funds to provide the loan to Chase NMTC Samoa Investment Fund, LLC were obtained through proceeds in the amount of \$3,906,000 for a long-term ground lease of the Samoa property to HBDA and from a \$1,560,000 loan obtained from Compass BBVA Bank.

The District's leveraged loan receivable from Chase NMTC Samoa Investment Fund, LLC bears interest of 2.7481% and is receivable in quarterly interest-only payments from June 10, 2016 through March 10, 2023; thereafter principal and interest payments are due until March 10, 2046. As of June 30, 2021, the balance of the loan receivable was \$5,849,375.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - NEW MARKET TAX CREDIT TRANSACTION - CONT'D

The District recorded the ground lease as unearned revenue in the liabilities section of its balance sheet, and will recognize operating income over the course of the lease. The District recognized \$60,092 of operating revenue during the year ended June 30, 2021, for a remaining balance of unearned income for an amount of as of \$3,586,770 as long-term deferred income as of June 30, 2021.

To fund HBDA's initial cost of the ground lease and the remaining project costs to be incurred by HBDA, within the NMTC structure New Markets Community Capital XVII, LLC and CNMC SUT-CDE 69, LLC loaned HBDA funds totaling \$8,680,000. In addition, the District and HBDA signed lease agreements under which the District is leasing-back the Samoa, California property from HBDA for the District's operations related to that asset.

As of June 30, 2021, unearned income consisted of:

Unearned HBDA ground lease income - current	\$ 60,092
Unearned PG&E dredge-related income (Note 9)	723,524
Unearned lease income (outfall pipe, tidelands, slip rentals and warehouse)	<u>190,599</u>
Total unearned income - current	<u>974,215</u>
Unearned HBDA ground lease income - long-term	<u>3,526,678</u>
Total unearned income	<u><u>\$ 4,500,893</u></u>

There is a seven-year compliance period for the NMTC program. For the District, the seven-year period ends on March 30, 2023. At that point there is put call option where District has the option to purchase the outstanding debt from the various entities involved for \$1,000. At that point the various NMTC loans payable and receivable will be eliminated. It is estimated that the total cost to the District to terminate the agreements in March 2023 will be less than \$25,000, including professional and legal services.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

PG&E Agreement

During 2014, Pacific Gas and Electric (PG&E) paid the District \$2.0 million for the specific purpose of procuring dredging equipment, financing initial start-up and training of the District personnel, and reuse or disposal of dredged material. As part of the agreement, the District has committed to perform a one-time dredging of certain real property owned by PG&E and located near King Salmon known as Fisherman's Channel. The District assumes responsibility for the dredging activities and repair work of Fisherman's Channel, and upon completion of these contract terms, the District will obtain ownership of the Fisherman's Channel. As of June 30, 2021, \$723,524 of the PG&E funding has not been used and is recorded as unearned income on the statement of net position. The District believes the PG&E grant will cover the costs associated with this commitment. This represents a significant management estimate and actual results could differ.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - COMMITMENTS AND CONTINGENCIES - CONT'D

Environmental Protection Agency (EPA) Settlement Agreement

In June 2015, the District signed a settlement agreement with the EPA related to the approximately \$13.3 million of costs the EPA incurred to clean-up Parcel A on the Samoa peninsula (the site). The agreement stipulates that the District will pay all or a portion of this liability from the salvage of fixtures and equipment at the site, or from the potential sale of the property. The obligation to reimburse the EPA from net proceeds of a sale of any real property within the site shall not apply to the property for any sale that occurs at least seven years after August 26, 2015, the date of the agreement. The District has not recorded this liability as the obligation is not payable until a sale occurs.

NOTE 10 - SUBSEQUENT EVENTS

The District has reviewed the change in the net position and evaluated all subsequent events through December 21, 2021, the date on which the financial statements were available to be issued.

As the COVID_19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2021, the District determined that changes to the beginning of year net positions and fund balances were necessary. A description, and the effect of the changes, is as follows:

Net position previously reported, June 30, 2020	\$ 7,768,738
Account receivables incorrectly billed in 06/30/2020	(36,609)
Payments to PERS for District's unfunded liability, not included in deferred outflow at 06/30/2020	60,403
Record delinquent property taxes on RMT2 from years 06/30/2015 - 06/30/2019	(143,000)
Adjust net position audited balance	<u>1,371</u>
Net position, as restated, June 30, 2020	<u><u>\$ 7,650,903</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE LAST TEN YEARS *
JUNE 30, 2021

<u>Measurement Period, June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 4,715	\$ 3,771	\$ 20,986	\$ 19,877
Interest on total OPEB liability	6,905	7,841	19,794	21,313
Employer contribution as benefit payments	(55,906)	(75,367)	(83,586)	(80,371)
Experience gains/losses	(80,755)	(5,321)	(118,069)	-
Changes in assumptions	<u>2,952</u>	<u>16,988</u>	<u>3,564</u>	<u>-</u>
Net change in net OPEB liability	(122,089)	(52,088)	(157,311)	(39,181)
Net OPEB liability - beginning of year	<u>342,799</u>	<u>394,887</u>	<u>552,198</u>	<u>591,379</u>
Net OPEB liability - end of year	<u>\$ 220,710</u>	<u>\$ 342,799</u>	<u>\$ 394,887</u>	<u>\$ 552,198</u>
Covered Employee Payroll	\$ 47,351	\$ 60,367	\$ 276,928	\$ 376,937
Total OPEB Liability as a Percentage of Covered Employee Payroll	466.11 %	567.86 %	142.60 %	146.50 %

NOTES TO SCHEDULE

1. The District's retiree healthcare plan had no assets accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement no. 75, paragraph 4.
2. Changes in assumptions - Discount rate changed from 2.20% to 2.16%.
3. There are no statutorily or contractually established contribution requirements.
4. Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

* Fiscal Year 2018 was the first year of implementation, therefore only 4 years are shown.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY FOR THE LAST TEN YEARS *
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Plan's Proportion of the PERF C Net Pension Liability/(Asset)	0.027280 %	0.010080 %	0.009570 %	0.009500 %	0.009023 %	0.007965 %	0.008534 %
Plan's Proportionate Share of the Net Pension Liability /(Asset)	\$ 1,150,835	\$ 1,033,203	\$ 921,868	\$ 941,780	\$ 780,795	\$ 546,685	\$ 531,034
Plan's Covered-Employee Payroll	\$ 764,169	\$ 764,169	\$ 889,228	\$ 794,364	\$ 863,258	\$ 871,775	\$ 730,490
Plan's Proportionate Share of the Net Pension Liability/(Asset) as Percentage of Covered-Employee Payroll	150.60 %	135.21 %	103.67 %	118.56 %	90.45 %	62.71 %	72.70 %
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	77.39 %	79.58 %	78.81 %	77.50 %	80.01 %	83.38 %	83.19 %

* Fiscal Year 2015 was the first year of implementation, therefore only 7 years are shown.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS FOR THE LAST TEN YEARS*
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2021

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Actuarially Determined Contributions	\$ 136,505	\$ 55,338	\$ 54,414	\$ 53,870	\$ 83,233	\$ 75,091	\$ 68,939
Actual Contributions During the Measurement Period	<u>(136,505)</u>	<u>(55,338)</u>	<u>(54,414)</u>	<u>(53,870)</u>	<u>(83,233)</u>	<u>(75,091)</u>	<u>(68,939)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 788,024	\$ 764,169	\$ 889,228	\$ 794,364	\$ 863,258	\$ 871,775	\$ 730,490
Contributions as a Percentage of Covered Employee Payroll	17.32 %	7.24 %	6.12 %	6.78 %	9.64 %	8.61 %	9.44 %

* Fiscal Year 2015 was the first year of implementation, therefore only 7 years are shown.

SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
OPERATING REVENUES			
Sales & permits	\$ 4,123	\$ 7,012	\$ 11,135
Slip rentals	-	733,759	733,759
Utility charges	66,492	51,389	117,881
Rents and concessions	19,838	41,700	61,538
Rents - tideland leases	6,211	356,245	362,456
Rents - redwood terminal 2	787,969	-	787,969
Late fees and interest	2,100	9,185	11,285
Fields landing fees and rents	12,406	-	12,406
Harbor improvement surcharge	-	189,916	189,916
Pilotage services	26,980	11,059	38,039
Other revenue	21,003	11,972	32,975
	<u>947,122</u>	<u>1,412,237</u>	<u>2,359,359</u>
OPERATING EXPENSES			
Salaries and wages	467,734	326,434	794,168
Commissioner's fees	25,200	-	25,200
Imputed auto value	1,165	-	1,165
Payroll benefits	372,647	175,414	548,061
Advertising & promotion	3,329	1,032	4,361
Bad debt	37,359	52,856	90,215
Communications	18,368	14,399	32,767
Conference & meetings	4,606	40	4,646
Dues & subscriptions	49,924	50	49,974
Elections	84,741	-	84,741
Insurance	49,410	58,003	107,413
Automotive expenses	14,020	5,043	19,063
Office expenses	31,544	1,073	32,617
Operating supplies	13,807	-	13,807
Outside services	61,653	-	61,653
Professional services	100,439	25,002	125,441
Legal fees	31,940	-	31,940
Accounting fees	46,691	-	46,691
Rents and leases	882	-	882
Repairs and maintenance	148,146	68,762	216,908
Small tools	1,824	2,420	4,244
Utilities	253,058	131,250	384,308
Redwood terminal 2 expenses	221,005	-	221,005
Depreciation	435,978	421,014	856,992
	<u>2,475,470</u>	<u>1,282,792</u>	<u>3,758,262</u>
Total operating expenses			
Operating income (loss)	<u>\$ (1,528,348)</u>	<u>\$ 129,445</u>	<u>(1,398,903)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
NONOPERATING REVENUES			
Cable landing fee	\$ -	\$ 200,000	\$ 200,000
Investment income	163,664	-	163,664
General property taxes	1,146,344	-	1,146,344
Federal revenues	149	-	149
Other government grants	178,467	580,903	759,370
Other nonoperating incomes	120,369	-	120,369
	<u>1,608,993</u>	<u>780,903</u>	<u>2,389,896</u>
Total nonoperating revenues			
NONOPERATING EXPENSES			
Interest expenses	110,465	96,127	206,592
Grant expenses	95,506	47,374	142,880
Other nonoperating expenses	2,234	-	2,234
	<u>208,205</u>	<u>143,501</u>	<u>351,706</u>
Total nonoperating expenses			
Net nonoperating revenues and expenses	<u>1,400,788</u>	<u>637,402</u>	<u>2,038,190</u>
CHANGE IN NET POSITION	(127,560)	766,847	639,287
NET POSITION, BEGINNING	<u>10,397,139</u>	<u>(2,628,401)</u>	<u>7,768,738</u>
RESTATEMENT	<u>(117,835)</u>	<u>-</u>	<u>(117,835)</u>
NET POSITION, BEGINNING, AS RESTATED	<u>10,279,304</u>	<u>(2,628,401)</u>	<u>7,650,903</u>
NET POSITION, ENDING	<u>\$ 10,151,744</u>	<u>\$ (1,861,554)</u>	<u>\$ 8,290,190</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Marina</u>	<u>General</u>	<u>Total</u>
OPERATING REVENUES			
Sales & permits	\$ 10,635	\$ 500	\$ 11,135
Rents and concessions	32,845	60,067	92,912
Slip rentals	476,434	6,736	483,170
Rents - tideland leases	-	362,456	362,456
Upland rent	149,342	638,627	787,969
Late fees and interest	9,185	2,100	11,285
Fields landing fees and rents	4,645	14,425	19,070
Harbor improvement surcharge	-	189,916	189,916
Dredging surcharge	143,125	10,200	153,325
Marina float replacement surcharge	62,920	-	62,920
Transient rentals	34,194	154	34,348
Utility charges	51,189	66,692	117,881
Other revenue	46	32,926	32,972
	<u>974,560</u>	<u>1,384,799</u>	<u>2,359,359</u>
Total operating revenues			
OPERATING EXPENSES			
Payroll and related cost	409,061	931,076	1,340,137
Commissioner's fees	-	25,200	25,200
Advertising & promotion	901	3,460	4,361
Automobile expenses	3,032	16,031	19,063
Bad debt	30,210	60,005	90,215
Communications	14,399	18,368	32,767
Conference & meetings	40	4,606	4,646
Dues & subscriptions	-	49,974	49,974
Elections	-	84,741	84,741
Insurance	43,535	63,878	107,413
Rent expenses	-	882	882
Office expenses	320	32,051	32,371
Operating supplies	8,622	5,185	13,807
Outside services	3,713	57,940	61,653
Engineering fees	-	91,492	91,492
Legal fees	-	31,940	31,940
Accounting fees	-	46,691	46,691
Planning services	-	33,949	33,949
Repairs and maintenance	38,096	182,315	220,411
Utilities	131,250	253,058	384,308
Redwood terminal 2 expenses	-	221,005	221,005
Small Tools	2,206	2,038	4,244
Depreciation	378,963	478,029	856,992
	<u>1,064,348</u>	<u>2,693,914</u>	<u>3,758,262</u>
Total operating expenses			
Operating income (loss)	<u>\$ (89,788)</u>	<u>\$ (1,309,115)</u>	<u>\$ (1,398,903)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Marina</u>	<u>General</u>	<u>Total</u>
NONOPERATING REVENUES			
Investment income	\$ -	\$ 163,664	\$ 163,664
General property taxes	-	1,146,344	1,146,344
Other government grants	377,680	381,839	759,519
Other nonoperating incomes	816	319,553	320,369
	<u>378,496</u>	<u>2,011,400</u>	<u>2,389,896</u>
Total nonoperating revenues			
NONOPERATING EXPENSES			
Interest expenses	35,948	170,644	206,592
Grant expenses	500	142,380	142,880
Other nonoperating expenses	-	2,234	2,234
	<u>36,448</u>	<u>315,258</u>	<u>351,706</u>
Total nonoperating expenses			
Net nonoperating revenues and expenses	<u>342,048</u>	<u>1,696,142</u>	<u>2,038,190</u>
CHANGE IN NET POSITION	<u>\$ 252,260</u>	<u>\$ 387,027</u>	<u>\$ 639,287</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2021

	Marina		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sales & permits	\$ 13,500	\$ 10,635	\$ (2,865)
Rents and concessions	41,500	32,845	(8,655)
Slip rentals	500,000	476,434	(23,566)
Upland rent	140,000	149,342	9,342
Transient rentals	120,000	34,194	(85,806)
Marina dredging surcharge	125,000	143,125	18,125
Marina float replacement surcharge	63,000	62,920	(80)
Utility charges	56,471	51,189	(5,282)
Fees and rents	8,500	4,645	(3,855)
Late fees and interest	13,000	9,185	(3,815)
Other revenues	30	46	16
	<u>1,081,001</u>	<u>974,560</u>	<u>(106,441)</u>
Total operating revenues			
OPERATING EXPENSES			
Payroll and related cost	573,909	409,061	164,848
Advertising & promotion	-	901	(901)
Bad debt	-	30,210	(30,210)
Communications	7,000	14,399	(7,399)
Conference & meetings	-	40	(40)
Dredging expense	150,000	-	150,000
Dues & subscriptions	500	-	500
Insurance	33,700	43,535	(9,835)
Automotive expenses	5,100	3,032	2,068
Office expenses	4,000	320	3,680
Operating supplies	14,000	8,622	5,378
Outside service	8,000	3,713	4,287
Engineering fees	1,000	-	1,000
Accounting fees	8,300	-	8,300
Repairs and maintenance	41,300	38,096	3,204
Utilities	220,000	131,250	88,750
Small tools	2,000	2,206	(206)
Other operating expense	45,000	-	45,000
Depreciation	-	378,963	(378,963)
	<u>1,113,809</u>	<u>1,064,348</u>	<u>49,461</u>
Total Operating Expenses			
Operating income (loss)	\$ (32,808)	\$ (89,788)	\$ (56,980)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2021

	Marina		
	Budget	Actual	Variance Favorable (Unfavorable)
NONOPERATING REVENUES:			
Other government grants	\$ -	\$ 377,680	\$ 377,680
Other nonoperating incomes	-	816	816
Total nonoperating revenues	-	378,496	378,496
NONOPERATING EXPENSES:			
Grant Expenses	-	500	(500)
Interest expenses	100,000	35,948	64,052
Other nonoperating expenses	1,000	-	1,000
Total nonoperating expenses	101,000	36,448	64,552
Net nonoperating revenues and expenses	(101,000)	342,048	443,048
CHANGE IN NET POSITION	\$ (133,808)	\$ 252,260	\$ 386,068

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2021

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sales & permits	\$ 2,000	\$ 500	\$ (1,500)
Slip rentals	-	6,736	6,736
Rents and concessions	24,000	60,067	36,067
Rents - tideland leases	307,000	362,456	55,456
Upland rent	671,500	638,627	(32,873)
Late fees and interest on past due accounts	2,200	2,100	(100)
Fees and rents	46,200	14,425	(31,775)
Harbor improvement surcharge	150,000	189,916	39,916
Transient rentals	-	154	154
Utility charges	66,836	66,692	(144)
Cable landing fees	-	-	-
Other revenues	32,350	32,926	576
Dredging surcharge	15,000	10,200	(4,800)
	<u>1,317,086</u>	<u>1,384,799</u>	<u>67,713</u>
Total operating revenues			
OPERATING EXPENSES:			
Payroll and related cost	826,206	931,076	(104,870)
Commissioner's fees	25,200	25,200	-
Advertising and promotion	-	3,460	(3,460)
Bad debt	-	60,005	(60,005)
Communications	17,200	18,368	(1,168)
Conference & meetings	7,000	4,606	2,394
Dues & subscriptions	62,500	49,974	12,526
Elections	50,000	84,741	(34,741)
Insurance	58,800	63,878	(5,078)
Automotive expenses	22,100	16,031	6,069
Office expenses	14,000	32,051	(18,051)
Operating supplies	2,750	5,185	(2,435)
Outside services	47,850	57,940	(10,090)
Engineering fees	29,000	91,492	(62,492)
Legal fees	35,000	31,940	3,060
Accounting fees	41,000	46,691	(5,691)
Planning services	30,000	33,949	(3,949)
Repairs and maintenance	165,800	182,315	(16,515)
Utilities	247,500	253,058	(5,558)
Rent expense	-	882	(882)
Redwood terminal 2 expenses	205,632	221,005	(15,373)
Small tools	1,750	2,038	(288)
Depreciation	-	478,029	(478,029)
Other expenses	78,727	-	78,727
	<u>1,968,015</u>	<u>2,693,914</u>	<u>(725,899)</u>
Total operating expenses			
Operating income (loss)	\$ (650,929)	\$ (1,309,115)	\$ (658,186)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2021

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
NONOPERATING REVENUES			
Investment income	\$ 173,950	\$ 163,664	\$ (10,286)
General property taxes	1,107,465	1,146,344	38,879
Federal revenues	-	-	-
Other government grants	71,274	381,839	310,565
Other nonoperating incomes	121,000	319,553	198,553
Total nonoperating revenues	<u>1,473,689</u>	<u>2,011,400</u>	<u>537,711</u>
NONOPERATING EXPENSES			
Interest expenses	638,071	170,644	467,427
Grant expenses	25,273	142,380	(117,107)
Capital Expenditure	-	-	-
Other nonoperating expenses	5,000	2,234	2,766
Total nonoperating expenses	<u>668,344</u>	<u>315,258</u>	<u>353,086</u>
Net nonoperating revenues and expenses	<u>805,345</u>	<u>1,696,142</u>	<u>890,797</u>
CHANGE IN NET POSITION	<u>\$ 154,416</u>	<u>\$ 387,027</u>	<u>\$ 232,611</u>

COMPLIANCE SECTION

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

To the Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District
Eureka, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Humboldt Bay Harbor, Recreation and Conservation District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

Purpose of this Report

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

Harshwal & Company LLP

Oakland, California
December 21, 2021

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENTS FINDINGS

There are no findings in the current year report.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

No matters were reported in prior years.