

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

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

JUNE 30, 2020

HARSHWAL 
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2020, 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, 2020, 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, 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 January 28, 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
January 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. Please read it in conjunction with the Independent Auditor's Report and the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's operating revenues decreased by \$221,201, or 9.0 percent, mainly due to decrease in rental income.
- The District's operating expenses decreased by \$172,839, or 4.3 percent, mainly due to decreases in utilities, professional and outside services, and other operating expenses.
- General revenues from taxes, interest, and investments accounted for \$1,328,115 in revenue or 30.44% of all revenues.
- The District had total expenditures of \$4,169,234, and total revenue of \$4,363,444. The resulting increase in net position of \$194,210 includes net government grant income of \$695,642, depreciation expense in the amount of \$826,847, and expenses for repair and operations of the Redwood Terminal 2 in the amount of \$219,160.
- Notes payable has decreased by \$442,613 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, 2020**

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 in this section below focuses on comparison of the District's net position (Table 1) and changes in net position (Table 2) of the District's activities with previous fiscal year.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Table 1
Comparative Statement of Net Position

	2020	2019	Increase (Decrease)
Assets			
Cash & cash equivalents	\$ 678,813	\$ 1,318,049	\$ (639,236)
Receivables, net	629,585	300,576	329,009
Other assets	142,506	6,566	135,940
New market loan receivable	5,849,375	5,849,375	-
Capital assets, net	11,141,971	11,294,481	(152,510)
Total assets	18,442,250	18,769,047	(326,797)
Deferred outflows of resources			
Deferred outflows of resources - pension	244,954	266,965	(22,011)
Deferred outflows of resources - OPEB	7,550	1,584	5,966
Deferred outflows of resources - bond refunding	18,294	22,183	(3,889)
Total deferred outflows of resources	270,798	290,732	(19,934)
Total assets and deferred outflows of resources	18,713,048	19,059,779	(346,731)
Liabilities			
Payables and other liabilities	335,024	369,926	(34,902)
Unearned income	4,531,672	4,625,955	(94,283)
Environment remediation liability	66,441	73,147	(6,706)
Current portion of notes payable	663,019	442,626	220,393
Other long-term liabilities	1,376,002	1,316,755	59,247
Long-term portion of notes payable	3,834,518	4,497,524	(663,006)
Total liabilities	10,806,676	11,325,933	(519,257)
Deferred inflows of resources			
Deferred inflows of resources - pension	135,270	106,843	28,427
Deferred inflows of resources - OPEB	2,364	52,475	(50,111)
Total deferred inflows of resources	137,634	159,318	(21,684)
Net position			
Net investment in capital assets	9,187,855	9,134,021	53,834
Restricted	677,533	995,897	(318,364)
Unrestricted	(2,096,650)	(2,555,390)	458,740
Total net position	7,768,738	7,574,528	194,210
Total liabilities, deferred inflows of resources and net position	\$ 18,713,048	\$ 19,059,779	\$ (346,731)

Net position of the District increased by 2.6 percent, or \$194,210 as of June 30, 2020.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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

	2020	2019	Increase (Decrease)
Operating Revenues			
Rents and leases	\$ 1,310,805	\$ 1,409,868	\$ (99,063)
Slip rentals	655,006	786,301	(131,295)
Harbor improvement surcharge	117,557	81,137	36,420
Other revenue	155,162	182,425	(27,263)
Total operating revenues	<u>2,238,530</u>	<u>2,459,731</u>	<u>(221,201)</u>
Operating Expenses			
Salaries, wages and benefits	1,391,420	1,322,195	69,225
Depreciation	826,847	785,273	41,574
Repairs and maintenance	181,132	169,793	11,339
Professional and outside services	241,206	410,751	(169,545)
Redwood terminal 2 expenses	219,160	225,235	(6,075)
Utilities	495,026	530,893	(35,867)
Other operating expenses	446,247	529,737	(83,490)
Total operating expenses	<u>3,801,038</u>	<u>3,973,877</u>	<u>(172,839)</u>
Operating income (loss)	(1,562,508)	(1,514,146)	(48,362)
Nonoperating Revenue (Expense)			
General property taxes	1,157,594	1,105,669	51,925
Investment income (loss)	170,521	183,399	(12,878)
Grants and other income	796,799	313,489	483,310
Grant expenses	(130,223)	(34,907)	(95,316)
Interest expenses	(237,279)	(242,083)	4,804
Other nonoperating expenses	(694)	(14,195)	13,501
Total nonoperating revenues (expenses)	<u>1,756,718</u>	<u>1,311,372</u>	<u>445,346</u>
Increase (decrease) in net position	<u>\$ 194,210</u>	<u>\$ (202,774)</u>	<u>\$ 396,984</u>

Operating revenue decreased by \$221,201 over the prior year, and operating expenses decreased by \$172,839. The decrease in revenue was due to decrease in rental income. Operating expenses were decreased due to decreases in professional and outside services, utilities and other operating expenses.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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**

	2020	2019	% Change
Net Position, June 30,	\$ 7,768,738	\$ 7,574,528	2.56 %

The 2.56 percent increase is due to increased property taxes revenue and grant income and also due to decrease in operating expenses.

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2020 and the amounts and percentages of increases and decreases of revenues in relation to the prior year.

**Table 4
Summary of Revenues**

	2019-20 Amount	Percent of Total	Increase (Decrease) from 2018-19	Percent Increase (Decrease)
Revenues:				
Rents and leases	\$ 1,310,805	30.04 %	\$ (99,063)	(7.0)%
Slip rentals	655,006	15.01 %	(131,295)	(16.7)%
Harbor improvement surcharge	117,557	2.69 %	36,420	44.9 %
Other operating income	155,162	3.56 %	(27,263)	(14.9)%
General property taxes	1,157,594	26.53 %	51,925	4.7 %
Interest Income	170,521	3.91 %	(12,878)	(7.0)%
Grant and other nonoperating income	796,799	18.26 %	483,310	154.2 %
Total revenues	\$ 4,363,444	100.00 %	\$ 301,156	7.4 %

Rents and leases decreased due to decreased revenues from Fields Landing yard rent and haul-out and launch fees. The Fields Landing Boat Yard was rented out in its entirety beginning May 1, 2020. The decrease in revenue from yard rent and haul-out/launches will accompany a decrease in staff and utility costs at that location. The decrease in slip rentals appears to be due to the impact of the Covid-19 pandemic. Grant revenue varies from year to year based on available grant funding. Interest income decreased due to slight decrease in interest rate.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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

	Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Rents and leases	\$ 1,520,000	\$ 1,310,805	\$ (209,195)
Slip rentals	647,000	501,689	(145,311)
Dredging and float replacement surcharge	215,000	153,317	(61,683)
Harbor improvement surcharge	140,000	117,557	(22,443)
Other revenue	366,513	155,162	(211,351)
Total operating revenues	<u>2,888,513</u>	<u>2,238,530</u>	<u>(649,983)</u>
Operating Expenses			
Salaries, wages and benefits	1,640,518	1,391,420	249,098
Depreciation	-	826,847	(826,847)
Dredging	670,000	-	670,000
Professional and outside services	389,600	241,206	148,394
Redwood terminal 2 expenses	196,000	219,160	(23,160)
Repairs and maintenance	256,600	181,132	75,468
Utilities	473,300	495,026	(21,726)
Other operating expenses	411,108	446,247	(35,139)
Total operating expenses	<u>4,037,126</u>	<u>3,801,038</u>	<u>236,088</u>
Operating income (loss)	(1,148,613)	(1,562,508)	(413,895)
Nonoperating Revenue (Expense)			
General property taxes	1,096,500	1,157,594	61,094
Investment income (loss)	180,450	170,521	(9,929)
Grants and other income	932,681	796,799	(135,882)
Grant expenses	(932,681)	(130,223)	802,458
Interest expenses	(696,308)	(237,279)	459,029
Other nonoperating expenses	(203,500)	(694)	202,806
Total nonoperating revenues (expenses)	<u>377,142</u>	<u>1,756,718</u>	<u>1,379,576</u>
Increase (decrease) in net position	<u>\$ (771,471)</u>	<u>\$ 194,210</u>	<u>\$ 965,681</u>

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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 \$209,195 in rent and lease revenues was due to lower than expected rent from Fields Landing. The unfavorable variance of \$145,311 in slip rentals was due to lower than expected slip rents, assumed to be due to the Covid-19 pandemic. The unfavorable variance of \$211,351 in other revenue is due to lower than expected revenue from utility surcharges and Fields Landing launch and haul-out fees.

The favorable variance of \$249,098 in salaries, wages and benefits is due to lower than anticipated staffing levels. The unfavorable variance of \$826,847 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 \$148,394 in professional and outside services is due to lower than anticipated costs for planning and engineering services. The favorable variance of \$670,000 in dredging expense is due to the capitalization of \$674,337 of dredging expenditures.

The unfavorable variance of \$135,882 in grants and other non-operating income was due to grant reimbursements that were budgeted but not received. This unfavorable variance is offset by a favorable variance of \$802,458 in grant expense. The favorable variance of \$459,029 in interest expense was due to the District including the principal portion of loan payments in the annual budget. The favorable variance of \$202,806 in other non-operating expense was due to budgeted capital expenditures that did not occur in 2019-2020.

Capital Assets

The District's total capital assets, net of accumulated depreciation, as of June 30, 2020 were \$11,141,971. The total decrease in net capital assets from the prior year was 1.4 percent. This decrease was due to capital acquisitions being offset by the annual depreciation expense. During 2019/20, dredging costs of \$2,458,073 and related accumulated depreciation of \$2,458,073 for the prior Marina dredging project were removed from the balance sheet. Capital asset balances for 2019/20 and 2018/19 were as follows:

**Table 6
Comparative Schedule of Capital Assets**

	2020	2019
Land, building and improvement	\$ 23,009,652	\$ 23,004,652
Automotive equipment	95,639	95,639
Office and operating equipment	3,977,194	3,977,194
Dredging costs	1,024,252	2,812,988
Marina restaurant work-in-progress	34,100	34,100
	28,140,837	29,924,573
Subtotals		
Less: accumulated depreciation	16,998,866	18,630,092
Capital assets, net	\$ 11,141,971	\$ 11,294,481

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Debt Administration

The District incurred no new long-term debt in 2019-20. 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 OPEB 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, 2020 and 2019 are presented below in Table 7.

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

	2020	2019
Notes Payable:		
Refunding Bonds Series 2014	\$ 2,295,451	\$ 2,502,519
Compass BBVA Bank Loan	1,196,035	1,281,256
Note Payable to Coast Seafood's	1,006,051	1,156,375
Total notes payables	4,497,537	4,940,150
Other Long-Term Liabilities:		
OPEB	342,799	394,887
Net pension liability	1,033,203	921,868
Total debt and other long-term liabilities	\$ 5,873,539	\$ 6,256,905

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

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 2018/19. 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 will result 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, 2020**

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, 2020

ASSETS

CURRENT ASSETS:

Cash & cash equivalents	\$	1,280
Restricted cash & cash equivalents		677,533
Accounts receivable, net		629,585
Interest receivable		2,200
Prepaid insurance		140,306
		1,450,904
Total current assets		1,450,904

NONCURRENT ASSETS:

Nondepreciable capital assets		5,800,028
Depreciable capital assets, net		5,341,943
Notes receivable		5,849,375
		16,991,346
Total noncurrent assets		16,991,346
Total assets		18,442,250

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pension		244,954
Deferred outflows of resources - OPEB		7,550
Deferred outflows of resources - bond refunding		18,294
		270,798
Total deferred outflows of resources		270,798
Total assets and deferred outflows of resources		18,713,048

LIABILITIES

CURRENT LIABILITIES:

Accounts payable		111,633
Accrued wages, payroll taxes & benefit		21,899
Unearned income - current		944,902
Environment remediation liability		66,441
Accrued vacation payable		38,030
Accrued interest payable		27,716
Customer deposits payable		135,746
Current portion of notes payable		663,019
		2,009,386
Total current liabilities		\$ 2,009,386

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, 2020

LIABILITIES - CONT'D

NONCURRENT LIABILITIES:

Net OPEB liabilities	\$	342,799
Unearned income		3,586,770
Net pension liabilities		1,033,203
Notes payable		<u>3,834,518</u>
Total noncurrent liabilities		<u>8,797,290</u>
Total liabilities		<u>10,806,676</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - OPEB		2,364
Deferred inflows of resources - pension		<u>135,270</u>
Total deferred inflows of resources		<u>137,634</u>
Total liabilities and deferred inflows of resources		<u>10,944,310</u>

NET POSITION

Net investment in capital assets		9,187,855
Restricted		677,533
Unrestricted		<u>(2,096,650)</u>
Total net position		<u>7,768,738</u>
Total liabilities, deferred inflows of resources and net position	\$	<u><u>18,713,048</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, 2020

OPERATING REVENUES

Sales & permits	\$ 32,033
Slip rentals	655,006
Rents and leases	1,310,805
Harbor improvement surcharge	117,557
Other revenue	<u>123,129</u>
Total operating revenues	<u>2,238,530</u>

OPERATING EXPENSES

Payroll & related cost	1,366,220
Commissioner's fees	25,200
Accounting & auditing	43,076
Advertising & promotion	2,273
Automobile expenses	29,605
Bad debt	74,152
Communications	25,350
Conference & meetings	18,293
Depreciation	826,847
Dues & subscriptions	63,635
Elections & property tax administration fee	91,851
Insurance	83,564
Legal & other professional fees	128,998
Office expenses	36,044
Operating supplies	19,488
Outside service	69,132
Redwood terminal 2 expenses	219,160
Repairs, maintenance & small tools	181,132
Utilities	495,026
Other operating expenses	<u>1,992</u>
Total operating expenses	<u>3,801,038</u>

Operating income (loss) \$ (1,562,508)

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, 2020

NONOPERATING REVENUES (EXPENSES)	
General property taxes	\$ 1,157,594
Investment income (loss)	170,521
Other governmental grant	695,642
Other nonoperating incomes	101,157
Grant expenses	(130,223)
Interest expenses	(237,279)
Other nonoperating expenses	<u>(694)</u>
Total nonoperating revenues (expenses)	<u>1,756,718</u>
CHANGE IN NET POSITION	194,210
NET POSITION, BEGINNING	<u>7,574,528</u>
NET POSITION, ENDING	<u><u>\$ 7,768,738</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,854,369
Payments to suppliers	(1,801,923)
Payments to employees	<u>(1,310,147)</u>
Net cash provided (used) by operating activities	<u>(1,257,701)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes for general operations	1,157,594
Receipt of grant & contract funds from other governments	695,642
Expenditures of grant funds	(130,223)
Payments for other nonoperating costs	(694)
Other nonoperating receipts	<u>101,157</u>
Net cash provided (used) by noncapital financing activities	<u>1,823,476</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Payments to acquire, construct & improve capital assets	(674,337)
Principal payments on notes payable & bonds	(442,613)
Interest paid	(265,770)
Bond refunding premium	<u>3,889</u>
Net cash provided (used) by capital & related financing activities	<u>(1,378,831)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>173,820</u>
Net cash provided (used) by investing activities	<u>173,820</u>

INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(639,236)
CASH & CASH EQUIVALENTS, BEGINNING	<u>1,318,049</u>
CASH & CASH EQUIVALENTS, ENDING	<u><u>\$ 678,813</u></u>

FINANCIAL STATEMENT PRESENTATION RECONCILIATION

Cash & cash equivalents	\$ 1,280
Restricted cash & cash equivalents	<u>677,533</u>
CASH & CASH EQUIVALENTS, ENDING	<u><u>\$ 678,813</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, 2020

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

Operating income (loss)	\$ (1,562,508)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Bad debts	74,152
Depreciation	826,847
Changes in assets & liabilities:	
Accounts receivable, excluding bad debts	(403,161)
Prepaid expenses	(139,240)
Accounts payable - related to operating activities	(54,712)
Customer deposits payable	39,130
Accrued liabilities	2,465
Pension and OPEB liability and deferred outflows and inflows of resources	53,608
Unearned income	(94,282)
	(1,257,701)
Net cash provided (used) by operating activities	\$ (1,257,701)

NONCASH CAPITAL & RELATED FINANCING ACTIVITIES

Amortization of ground lease	\$ 199,045
Amortization of bond premium	\$ 3,889

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, 2020

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, 2020

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, 2020, the District recorded an allowance for doubtful accounts of \$259,988. 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, 2020

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:

Assets class	Useful life
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* consist 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, 2020

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, 2020. 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, 2020 were classified in the accompanying financial statements as follows:

Cash & cash equivalents	\$	1,280
Restricted cash & cash equivalents		<u>677,533</u>
Total cash and cash equivalents	\$	<u><u>678,813</u></u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - CASH AND CASH EQUIVALENTS - CONT'D

Restricted cash and cash equivalents activity for the year ended June 30, 2020 was as follows:

	Marina Dredging Surcharge	Float Replacement Surcharge	Total
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2019	\$ 633,450	\$ 362,447	\$ 995,897
Additions, 2019/2020	93,624	59,693	153,317
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2020	\$ 727,074	\$ 422,140	1,149,214
Less: Restricted cash in excess of available cash, June 30, 2020			(471,681)
Restricted Cash, June 30, 2020			\$ 677,533

Total cash and cash equivalents at June 30, 2020, consisted of the following:

Cash on hand	\$ 1,280
Deposits held with financial institutions	538,355
Deposits held with the County Treasurer's Investment Pool	139,178
Total cash and cash equivalents	\$ 678,813

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, 2020 was \$139,473

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 \$710,153 as of June 30, 2020. The District had an uninsured balance of 237,982, held with bank as on June 30, 2020.

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, 2020

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, 2020, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Nondepreciable capital assets:					
Land	\$ 5,491,979	\$ -	\$ -	\$ 58,722	\$ 5,550,701
Dredging costs (old harbor)	302,857	-	-	(87,630)	215,227
Capital work-in-progress (Marina)	<u>34,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,100</u>
Total nondepreciable capital assets	<u>5,828,936</u>	<u>-</u>	<u>-</u>	<u>(28,908)</u>	<u>5,800,028</u>
Depreciable capital assets :					
Building and improvement	17,512,673	-	-	(53,722)	17,458,951
Automotive equipment	95,639	-	-	-	95,639
Office and operating equipment	3,977,194	-	-	-	3,977,194
Dredging costs	<u>2,510,131</u>	<u>674,337</u>	<u>(2,458,073)</u>	<u>82,630</u>	<u>809,025</u>
Total depreciable capital assets	<u>24,095,637</u>	<u>674,337</u>	<u>(2,458,073)</u>	<u>28,908</u>	<u>22,340,809</u>
Accumulated depreciation :					
Accumulated depreciation	<u>(18,630,092)</u>	<u>(826,847)</u>	<u>2,458,073</u>	<u>-</u>	<u>(16,998,866)</u>
Total accumulated depreciation	<u>(18,630,092)</u>	<u>(826,847)</u>	<u>2,458,073</u>	<u>-</u>	<u>(16,998,866)</u>
Depreciable capital assets, net	<u>5,465,545</u>	<u>(152,510)</u>	<u>-</u>	<u>28,908</u>	<u>5,341,943</u>
Total capital assets, net	<u>\$ 11,294,481</u>	<u>\$ (152,510)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,141,971</u>

Total depreciation expense charged to operations for the year ended June 30, 2020 was \$826,847.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable for the fiscal year ended June 30, 2020:

	Beginning Balance	Additions	Deletion	Ending Balance	Classification	
					Current Portion	Long-Term Portion
Refunding Bonds Series 2014	\$ 2,502,519	\$ -	\$ (207,068)	\$ 2,295,451	\$ 215,645	\$ 2,079,806
Coast Seafood's Line of Credit	1,156,375	-	(150,324)	1,006,051	356,958	649,093
Compass BBVA Bank Loan	1,281,256	-	(85,221)	1,196,035	90,416	1,105,619
Total	\$ 4,940,150	\$ -	\$ (442,613)	\$ 4,497,537	\$ 663,019	\$ 3,834,518

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, 2020 was as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 215,645	\$ 91,926	\$ 307,571
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 - 2029	1,124,128	106,155	1,230,283
Total	\$ 2,295,451	\$ 472,685	\$ 2,768,136

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 June 30, 2020, 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>
2021	\$ 356,958	\$ 38,996	\$ 395,954
2022	176,453	19,547	196,000
2023	472,640	9,953	482,593
Total	<u>\$ 1,006,051</u>	<u>\$ 68,496</u>	<u>\$ 1,074,547</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, 2020, 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>
2021	\$ 90,416	\$ 70,320	\$ 160,736
2022	95,914	64,823	160,737
2023	101,745	58,992	160,737
2024	107,931	52,806	160,737
2025	114,492	46,244	160,736
2026 - 2030	607,506	117,950	725,456
2031	78,031	6,943	84,974
Total	<u>\$ 1,196,035</u>	<u>\$ 418,078</u>	<u>\$ 1,614,113</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 administers a single-employer defined benefit healthcare plan, which 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.

Following is a table of plan participants:

	Number of Participants
Inactive employees receiving benefits	4
Participating active employees	2
Total number of participants	6

B. Funding Policy

The District funds post-employment health benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2020, the District's contributions for post-employment health benefit costs were \$62,607.

C. Annual OPEB Cost and Net OPEB Obligation

The District's Net OPEB liability was measured as of June 30, 2020 and the Total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT - CONT'D

D. 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	2.20%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	2.20% net of expenses
Mortality Rate (1)	Derived using 2014 CalPERS Active Mortality for Miscellaneous Employees study
Pre-Retirement Turnover (2)	Derived using 2009 CalPERS Turnover for Miscellaneous Employees study
Healthcare Trend Rate	4.00%

E. Information Related to Assumptions and Other Inputs

Following is the table, the assumptions are based upon.

Mortality	<p>2014 CalPERS Active Mortality for Miscellaneous Employees</p> <p>The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous 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>2014 CalPERS Retiree Mortality for Miscellaneous Employees</p> <p>The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous 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>2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees</p> <p>The retirement assumptions are based on the 2009 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>2009 CalPERS Turnover for Miscellaneous Employees</p> <p>The turnover assumptions are based on the 2009 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, 2020

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT - CONT'D

F. 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 2.20%.

G. Changes in Net OPEB Liability

Changes in Net OPEB liability as of June 30, 2020 was as follows:

Determination of Net OPEB Liability	For the Year Ending June 30, 2020
Service cost	\$ 3,771
Interest on total OPEB liability	7,841
Employer contribution as benefit payments	(75,367)
Expected minus actual benefits payments	(5,321)
Changes in assumptions	16,988
Net changes during 2018-19	(52,088)
Net OPEB liability - beginning of year	394,887
Net OPEB liability - end of year	\$ 342,799

H. 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 (2.2 percent) that is 1- percentage point lower (1.2 percent) or 1-percentage-point higher (3.2 percent) than the current discount rate:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	\$ 353,017	\$ 342,799	\$ 333,577

I. 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	\$ 331,307	\$ 342,799	\$ 354,442

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT - CONT'D

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

For the year ended June 30, 2020, the District recognized OPEB expense/(income) of \$(32,798).

At June 30, 2020, 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	\$ -	\$ 2,364
Changes of assumptions	7,550	-
Total	\$ 7,550	\$ 2,364

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
2021	\$ 5,186
2022	-
2023	-
2024	-
Thereafter	-
Total	\$ 5,186

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, 2020

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, 2020 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 the 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, 2020, was \$55,338.

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

As of June 30, 2020, the District reported net pension liability \$1,033,203 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, 2020

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, 2020, the District's reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$1,033,203. The net pension liability was measured as of June 30, 2019. 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, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability determined in the June 30, 2018 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, 2019	0.024460 %
Proportion - June 30, 2020	<u>0.025800 %</u>
Change - increase/(decrease)	<u>0.001340 %</u>

For the year ended June 30, 2020, the District recognized pension expense of \$217,112. At June 30, 2020, 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	\$ 71,760	\$ 5,560
Change in assumptions	49,268	17,465
Differences between projected and actual investment earnings	-	18,064
Change in employer's proportion	68,588	-
Differences between employer's contributions and proportionate share of contributions	-	94,181
Contributions subsequent to measurement date	<u>55,338</u>	<u>-</u>
Total	<u>\$ 244,954</u>	<u>\$ 135,270</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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
2021	\$ 65,313
2022	(16,003)
2023	1,386
2024	3,650
2025	-
Thereafter	-
Total	\$ 54,346

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, 2020

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2019, 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, 2018 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, 2020

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>1,713,889</u>	\$ <u>1,033,203</u>	\$ <u>471,344</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2019, 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, 2020, the balance of the loan receivable was \$5,849,375.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, for a remaining balance of unearned income for an amount of as of \$3,646,862 as long-term deferred income as of June 30, 2020.

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, 2020, 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>161,286</u>
Total unearned income - current	<u>944,902</u>
Unearned HBDA ground lease income - long-term	<u>3,586,770</u>
Total unearned income	<u><u>\$ 4,531,672</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, 2020, \$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, 2020

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

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

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, 2020

<u>Measurement Period, June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 3,771	\$ 20,986	\$ 19,877
Interest on total OPEB liability	7,841	19,794	21,313
Employer contribution as benefit payments	-	(83,586)	(80,371)
Experience gains/losses	(118,069)	(118,069)	-
Changes in assumptions	<u>3,564</u>	<u>3,564</u>	<u>-</u>
Net change in net OPEB liability	(102,893)	(157,311)	(39,181)
Net OPEB liability - beginning of year	<u>552,198</u>	<u>552,198</u>	<u>591,379</u>
Net OPEB liability - end of year	<u>\$ 449,305</u>	<u>\$ 394,887</u>	<u>\$ 552,198</u>
Covered Employee Payroll	\$ 60,367	\$ 276,928	\$ 376,937
Total OPEB Liability as a Percentage of Covered Employee Payroll	744.29 %	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 3.50% to 2.20%.
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 3 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, 2020

	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)	0.010080 %	0.009570 %	0.009500 %	0.009023 %	0.007965 %	0.008534 %
Plan's Proportionate Share of the Net Pension Liability /(Asset)	\$ 1,033,203	\$ 921,868	\$ 941,780	\$ 780,795	\$ 546,685	\$ 531,034
Plan's Covered-Employee Payroll	\$ 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	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	79.58 %	78.81 %	77.50 %	80.01 %	83.38 %	83.19 %

* Fiscal Year 2015 was the first year of implementation, therefore only 6 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, 2020

	<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	\$ 55,338	\$ 54,414	\$ 53,870	\$ 83,233	\$ 75,091	\$ 68,939
Actual Contributions During the Measurement Period	<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>
Covered-Employee Payroll	\$ 764,169	\$ 889,228	\$ 794,364	\$ 863,258	\$ 871,775	\$ 730,490
Contributions as a Percentage of Covered Employee Payroll	7.24 %	6.12 %	6.78 %	9.64 %	8.61 %	9.44 %

* Fiscal Year 2015 was the first year of implementation, therefore only 6 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, 2020

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
OPERATING REVENUES			
Sales & permits	\$ 28,533	\$ 3,500	\$ 32,033
Slip rentals	-	655,006	655,006
Utility charges	62,510	58,260	120,770
Rents and concessions	70,148	7,287	77,435
Rents - tideland leases	-	358,128	358,128
Rents - redwood terminal 2	709,644	-	709,644
Late fees and interest	23,338	9,164	32,502
Fields landing fees and rents	103,088	-	103,088
Harbor improvement surcharge	-	117,557	117,557
Other revenue	17	32,350	32,367
	<u>997,278</u>	<u>1,241,252</u>	<u>2,238,530</u>
OPERATING EXPENSES			
Salaries and wages	201,819	575,585	777,404
Commissioner's fees	3,528	21,672	25,200
Imputed auto value	265	754	1,019
Payroll benefits	73,281	514,516	587,797
Advertising & promotion	641	1,632	2,273
Bad debt	61,006	13,145	74,151
Communications	10,451	14,899	25,350
Conference & meetings	8,650	9,643	18,293
Dues & subscriptions	19,051	44,584	63,635
Elections	45,926	45,926	91,852
Insurance	33,811	49,754	83,565
Automotive expenses	11,806	17,799	29,605
Office expenses	10,950	25,093	36,043
Operating supplies	3,870	15,618	19,488
Outside services	6,312	62,820	69,132
Professional services	24,622	67,718	92,340
Legal fees	13,770	22,886	36,656
Accounting fees	15,591	27,485	43,076
Repairs and maintenance	57,317	123,815	181,132
Small tools	1,227	767	1,994
Utilities	304,766	190,260	495,026
Redwood dock expenses	-	340	340
Redwood terminal 2 expenses	-	219,160	219,160
Sheltor cove operating expenses	(340)	-	(340)
Depreciation	826,847	-	826,847
	<u>1,735,167</u>	<u>2,065,871</u>	<u>3,801,038</u>
Total operating expenses			
Operating income (loss)	<u>\$ (737,889)</u>	<u>\$ (824,619)</u>	<u>(1,562,508)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
NONOPERATING REVENUES			
Investment income	\$ 164,103	\$ 6,418	\$ 170,521
General property taxes	1,157,594	-	1,157,594
Federal revenues	50	-	50
Other government grants	-	695,592	695,592
Other nonoperating incomes	42,464	58,693	101,157
	<u>1,364,211</u>	<u>760,703</u>	<u>2,124,914</u>
Total nonoperating revenues			
NONOPERATING EXPENSES			
Interest expenses	117,915	119,364	237,279
Grant expenses	-	130,223	130,223
Other nonoperating expenses	694	-	694
	<u>118,609</u>	<u>249,587</u>	<u>368,196</u>
Total nonoperating expenses			
Net nonoperating revenues and expenses	<u>1,245,602</u>	<u>511,116</u>	<u>1,756,718</u>
CHANGE IN NET POSITION	507,713	(313,503)	194,210
NET POSITION, BEGINNING	<u>9,889,426</u>	<u>(2,314,898)</u>	<u>7,574,528</u>
NET POSITION, ENDING	<u>\$ 10,397,139</u>	<u>\$ (2,628,401)</u>	<u>\$ 7,768,738</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Marina</u>	<u>General</u>	<u>Total</u>
OPERATING REVENUES			
Sales & permits	\$ 50,564	\$ -	\$ 50,564
Rents and concessions	145,025	-	145,025
Slip rentals	451,486	6,673	458,159
Rents - tideland leases	-	358,128	358,128
Rents - redwood terminal 2	-	716,290	716,290
Late fees and interest	9,139	23,163	32,302
Harbor improvement surcharge	-	117,557	117,557
Dredging surcharge	92,124	1,500	93,624
Marina float replacement surcharge	59,693	-	59,693
Transient rentals	42,601	-	42,601
Utility charges	54,800	65,970	120,770
Fees and rents	-	43,817	43,817
	<u>905,432</u>	<u>1,333,098</u>	<u>2,238,530</u>
Total operating revenues			
OPERATING EXPENSES			
Salaries and wages	151,965	625,439	777,404
Commissioner's fees	-	25,200	25,200
Permits	449	24,967	25,416
Payroll benefits	160,058	427,739	587,797
Advertising & promotion	945	1,328	2,273
Bad debt	9,329	64,823	74,152
Communications	7,963	17,387	25,350
Conference & meetings	1,095	17,199	18,294
Dues & subscriptions	-	38,219	38,219
Elections	-	91,851	91,851
Insurance	19,006	64,558	83,564
Automotive expenses	2,994	17,400	20,394
Office expenses	2,078	33,981	36,059
Operating supplies	6,999	12,473	19,472
Outside services	12,115	57,002	69,117
Engineering fees	110	39,374	39,484
Legal fees	-	36,657	36,657
Accounting fees	140	42,936	43,076
Planning services	1,544	51,312	52,856
Repairs and maintenance	40,060	151,301	191,361
Utilities	238,830	256,196	495,026
Redwood terminal 2 expenses	-	219,160	219,160
Small Tools	925	1,084	2,009
Depreciation	273,012	553,835	826,847
	<u>929,617</u>	<u>2,871,421</u>	<u>3,801,038</u>
Total operating expenses			
Operating income (loss)	<u>\$ (24,185)</u>	<u>\$ (1,538,323)</u>	<u>\$ (1,562,508)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Marina</u>	<u>General</u>	<u>Total</u>
NONOPERATING REVENUES			
Investment income	\$ -	\$ 170,521	\$ 170,521
General property taxes	-	1,157,594	1,157,594
Other government grants	616,160	79,482	695,642
Other nonoperating incomes	<u>6,226</u>	<u>94,931</u>	<u>101,157</u>
Total nonoperating revenues	<u>622,386</u>	<u>1,502,528</u>	<u>2,124,914</u>
NONOPERATING EXPENSES			
Interest expenses	37,386	199,893	237,279
Grant expenses	-	130,223	130,223
Other nonoperating expenses	<u>-</u>	<u>694</u>	<u>694</u>
Total nonoperating expenses	<u>37,386</u>	<u>330,810</u>	<u>368,196</u>
Net nonoperating revenues and expenses	<u>585,000</u>	<u>1,171,718</u>	<u>1,756,718</u>
CHANGE IN NET POSITION	<u>\$ 560,815</u>	<u>\$ (366,605)</u>	<u>\$ 194,210</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2020

	Marina		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sales & permits	\$ 62,200	\$ 50,564	\$ (11,636)
Rents and concessions	187,500	145,025	(42,475)
Slip rentals	640,000	451,486	(188,514)
Transient rentals	65,000	42,601	(22,399)
Marina dredging surcharge	135,000	92,124	(42,876)
Marina float replacement surcharge	65,000	59,693	(5,307)
Utility charges	130,000	54,800	(75,200)
Late fees and interest	15,500	9,139	(6,361)
Total operating revenues	<u>1,300,200</u>	<u>905,432</u>	<u>(394,768)</u>
OPERATING EXPENSES			
Salaries and wages	213,093	151,965	61,128
Payroll benefits	140,667	160,058	(19,391)
Advertising & promotion	1,000	945	55
Bad debt	-	9,329	(9,329)
Communications	3,600	7,963	(4,363)
Conference & meetings	6,000	1,095	4,905
Insurance	18,000	19,006	(1,006)
Automotive expenses	3,800	2,994	806
Office expenses	4,000	2,078	1,922
Operating supplies	14,000	6,999	7,001
Outside service	8,000	12,115	(4,115)
Professional services	10,000	110	9,890
Accounting fees	8,300	140	8,160
Repairs and maintenance	57,100	40,060	17,040
Utilities	221,500	238,830	(17,330)
Planning Services	-	1,544	(1,544)
Dredging	620,000	-	620,000
Permits	-	449	(449)
Small tools	2,000	925	1,075
Depreciation	-	273,012	(273,012)
Total Operating Expenses	<u>1,331,060</u>	<u>929,617</u>	<u>401,443</u>
Operating income (loss)	<u>\$ (30,860)</u>	<u>\$ (24,185)</u>	<u>\$ 6,675</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2020

	Marina		
	Budget	Actual	Variance Favorable (Unfavorable)
NONOPERATING REVENUES:			
Other government grants	\$ -	\$ 616,160	\$ 616,160
Other nonoperating incomes	5,800	6,226	426
Total nonoperating revenues	<u>5,800</u>	<u>622,386</u>	<u>616,586</u>
NONOPERATING EXPENSES:			
Interest expenses	100,000	37,386	62,614
Capital Expenditure	40,000	-	40,000
Other nonoperating expenses	500	-	500
Total nonoperating expenses	<u>140,500</u>	<u>37,386</u>	<u>103,114</u>
Net nonoperating revenues and expenses	<u>(134,700)</u>	<u>585,000</u>	<u>(719,700)</u>
CHANGE IN NET POSITION	<u>\$ (165,560)</u>	<u>\$ 560,815</u>	<u>\$ 726,375</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2020

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Slip rentals	7,000	6,673	(327)
Rents - tideland leases	340,000	358,128	18,128
Rents - redwood terminal 2	927,500	716,290	(211,210)
Late fees and interest on past due accounts	-	23,163	23,163
Fees and rents	66,713	43,817	(22,896)
Harbor improvement surcharge	140,000	117,557	(22,443)
Utility charges	91,300	65,970	(25,330)
Dredging surcharge	15,000	1,500	(13,500)
Total operating revenues	<u>1,587,513</u>	<u>1,333,098</u>	<u>(254,415)</u>
OPERATING EXPENSES:			
Salaries and wages	724,895	625,439	99,456
Commissioner's fees	24,000	25,200	(1,200)
Permits	27,000	24,967	2,033
Payroll benefits	537,863	427,739	110,124
Advertising and promotion	1,300	1,328	(28)
Bad debt	-	64,823	(64,823)
Communications	11,250	17,387	(6,137)
Conference & meetings	19,200	17,199	2,001
Dues & subscriptions	36,120	38,219	(2,099)
Elections	125,000	91,851	33,149
Insurance	35,888	64,558	(28,670)
Automotive expenses	18,600	17,400	1,200
Office expenses	19,000	33,981	(14,981)
Operating supplies	32,250	12,473	19,777
Outside services	107,300	57,002	50,298
Engineering fees	77,000	39,374	37,626
Legal fees	38,000	36,657	1,343
Accounting fees	41,000	42,936	(1,936)
Planning services	100,000	51,312	48,688
Repairs and maintenance	195,900	151,301	44,599
Utilities	251,800	256,196	(4,396)
Redwood terminal 2 expenses	196,000	219,160	(23,160)
Small tools	1,600	1,084	516
Dredging expense	50,000	-	50,000
Depreciation	-	553,835	(553,835)
Total operating expenses	<u>2,670,966</u>	<u>2,871,421</u>	<u>200,455</u>
Operating income (loss)	<u>\$ (1,083,453)</u>	<u>\$ (1,538,323)</u>	<u>\$ (454,870)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2020

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
NONOPERATING REVENUES			
Investment income	\$ 175,450	\$ 170,521	\$ (4,929)
General property taxes	1,096,500	1,157,644	61,144
Federal revenues	-	-	-
Other government grants	932,681	79,432	(853,249)
Other nonoperating incomes	-	94,931	94,931
Total nonoperating revenues	<u>2,204,631</u>	<u>1,502,528</u>	<u>(702,103)</u>
NONOPERATING EXPENSES			
Interest expenses	596,308	199,893	396,415
Grant Expenses	932,681	130,223	802,458
Capital Expenditure	163,500	-	163,500
Other nonoperating expenses	<u>34,600</u>	<u>694</u>	<u>33,906</u>
Total nonoperating expenses	<u>1,727,089</u>	<u>330,810</u>	<u>1,396,279</u>
Net nonoperating revenues and expenses	<u>477,542</u>	<u>1,171,718</u>	<u>694,176</u>
CHANGE IN NET POSITION	<u>\$ (605,911)</u>	<u>\$ (366,605)</u>	<u>\$ 239,306</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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
January 28, 2021

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020**

No matters were reported in prior years.