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

**BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position - Proprietary Fund.....	12 - 13
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	14 - 15
Statement of Cash Flows - Proprietary Fund	16 - 17
Notes to Financial Statements.....	18 - 37
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of the Net OPEB Liability.....	38
Schedule of the District's Proportionate Share of the Net Pension Liability for the Last Ten Years.....	39
Schedule of Contributions for the Last Ten Years.....	40
SUPPLEMENTARY INFORMATION:	
Statement of Revenues and Expenses - Unrestricted and Tidelands Trust.....	41 - 42
Statement of Revenues and Expenses - Marina and General.....	43 - 44
Statement of Revenues and Expenses - Budget to Actual - Marina.....	45 - 46
Statement of Revenues and Expenses - Budget to Actual - General.....	47 - 48
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 <i>Government Auditing Standards</i>	49 - 50
Schedule of Findings and Responses.....	51
Status of Prior Year's Findings and Responses.....	52

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 Humboldt Bay Harbor, Recreation and Conservation District (the District) as of and for the year ended June 30, 2019, 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, 2019, 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 4 through 11 and 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 38 through 40 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 February 21, 2020, 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
February 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019. 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 increased by \$185,914, or 8.2 percent.
- The District's operating expenses increased by \$148,107, or 3.9 percent, mainly due to increases in utilities and other expenses.
- General revenues from taxes, interest, grant and other income accounted for \$1,602,557 in revenues or 39.45% of all revenues.
- The District had total expenditures of \$4,265,062 and total revenue of \$4,062,288. The resulting decrease in net position of \$202,774 includes net government grant income of \$12,441, depreciation expense in the amount of \$785,273 and expenses for repair and operations of the Redwood Terminal 2 in the amount of \$225,235.
- Notes payable has decreased \$284,277 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, 2019**

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 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.

THE DISTRICT AS A WHOLE

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Table 1
Comparative Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018 (Restated)</u>	<u>Increase (Decrease)</u>
Assets:			
Cash	\$ 1,318,049	\$ 1,540,158	\$ (222,109)
Receivable	300,575	314,141	(13,566)
Other Assets	6,566	6,252	314
New Market Loan Receivable	5,849,375	5,849,375	-
Capital Assets Net	<u>11,294,481</u>	<u>11,973,515</u>	<u>(679,034)</u>
Total Assets	<u>18,769,046</u>	<u>19,683,441</u>	<u>(914,395)</u>
Deferred Outflows of Resources			
Pension	266,965	325,335	(58,370)
OPEB	1,584	-	1,584
Bond Refunding	<u>22,183</u>	<u>26,395</u>	<u>(4,212)</u>
Total Deferred Outflow of Resources	<u>290,732</u>	<u>351,730</u>	<u>(60,998)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,059,778</u>	<u>\$ 20,035,171</u>	<u>\$ (975,393)</u>
Liabilities			
Payables and Other Liabilities	\$ 369,926	\$ 398,912	\$ (28,986)
Unearned Income	4,625,955	4,960,451	(334,496)
Environment Remediation Liability	73,147	76,502	(3,355)
Current Portion of Long-Term Debt	442,626	1,299,472	(856,846)
Net Pension Liability	921,868	941,780	(19,912)
Other Long-term Debt	<u>4,892,411</u>	<u>4,477,153</u>	<u>415,258</u>
Total Liabilities	<u>11,325,933</u>	<u>12,154,270</u>	<u>(828,337)</u>
Deferred Inflows of Resources			
Pension	106,843	103,599	3,244
OPEB	<u>52,475</u>	<u>-</u>	<u>52,475</u>
Total Deferred Inflows of Resources	<u>159,318</u>	<u>103,599</u>	<u>55,719</u>
Net Position:			
Net Investment in Capital Assets	9,134,021	9,698,957	(564,936)
Unrestricted	(2,555,390)	(2,879,675)	324,285
Restricted	<u>995,897</u>	<u>958,020</u>	<u>37,877</u>
Total Net Position	<u>7,574,528</u>	<u>7,777,302</u>	<u>(202,774)</u>
Total Liabilities, Net Position, and Deferred Inflows of Resources	<u>\$ 19,059,779</u>	<u>\$ 20,035,171</u>	<u>\$ (975,392)</u>

Net position of the District decreased by 2.6 percent, or \$202,774.

June 30, 2018 has been restated to reflect a correction to reduce workers' compensation insurance payable by \$31,296.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Table 2 presents a comparative statement of revenues, expenses, and changes in net position.

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

	<u>2019</u>	<u>2018 (Restated)</u>	<u>Increase (Decrease)</u>
Operating Revenues:			
Rents and Leases	\$ 1,409,868	\$ 1,311,795	\$ 98,073
Slip Rentals	786,301	695,812	90,489
Harbor Improvement Surcharge	81,137	83,403	(2,266)
Other	182,425	182,807	(382)
Total Operating Revenue	<u>2,459,731</u>	<u>2,273,817</u>	<u>185,914</u>
Operating Expenses:			
Salaries, Wages and Benefits	1,322,195	1,317,774	4,421
Depreciation	785,273	793,087	(7,814)
Field Landing Expenses	639	81,570	(80,931)
Professional Services	306,705	369,024	(62,319)
Redwood Terminal 2 Expenses	225,235	292,025	(66,790)
Utilities	530,893	268,312	262,581
Other	802,937	703,978	98,959
Total Operating Expenses	<u>3,973,877</u>	<u>3,825,770</u>	<u>148,107</u>
Operating Income (Loss)	<u>(1,514,146)</u>	<u>(1,551,953)</u>	<u>37,807</u>
Non-Operating Revenue (Expense):			
General Property Taxes	1,105,669	1,045,047	60,622
Investment Income (Loss)	183,399	182,120	1,279
Grants and Other Income	313,489	332,997	(19,508)
Grant Expenses	(34,907)	(112,082)	77,175
Interest Expenses	(242,083)	(247,987)	5,904
Other Non-Operating Expenses	(14,195)	(2,103)	(12,092)
Total Non-Operating Revenue (Expense)	<u>1,311,372</u>	<u>1,197,992</u>	<u>113,380</u>
Increase (Decrease) In Net Position	<u>\$ (202,774)</u>	<u>\$ (353,961)</u>	<u>\$ 151,187</u>

June 30, 2018 has been restated to reflect a correction to reduce workers' compensation insurance payable by \$31,296.

Operating income increased by \$185,914 over the prior year, and operating expenses increased by \$148,107. The increase in utilities was largely due to a change in classification of some expenses that were previously included in rent and lease expense and in Redwood Terminal 2 expenses.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

	<u>2019</u>	<u>2018 (Restated)</u>	<u>% Change</u>
Net Position, June 30,	\$ 7,574,528	\$ 7,777,302	(2.61)%

The 2.61 percent decrease is due to increased utilities, and other operating expenses.

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2019 and the amounts and percentages of increases and decreases in relation to the prior year.

Table 4
Summary of Revenues

	<u>2018/19 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2017/18</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Rents, Leases, Project Administration	\$ 1,409,868	34.71 %	\$ 98,073	7.5 %
Slip Rentals	786,301	19.36 %	90,489	13.0 %
Harbor Improvement Surcharge	81,137	2.00 %	(2,266)	(2.7)%
Other Operating Income	182,425	4.49 %	(382)	(0.2)%
General Property Taxes	1,105,669	27.22 %	60,622	5.8 %
Interest Income	183,399	4.51 %	1,279	0.7 %
Grant and Other Non-Operating Income	313,489	7.72 %	(19,508)	(5.9)%
Total Revenues	\$ 4,062,288	100.00 %	\$ 228,307	6.0 %

Rents and leases increased due to increased revenues from Tidelands leases and Upland rent. Grant revenue varies from year to year based on available grant funding. Interest income increased due to slight increase in interest rate.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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

Table 5
Final Budget versus Actual Results
For the Year Ended June 30, 2019

	Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues:			
Rents and Leases	\$ 1,591,300	\$ 1,409,868	\$ (181,432)
Slip Rentals	910,000	786,301	(123,699)
Harbor Improvement Surcharge	100,000	81,137	(18,863)
Other	233,128	182,425	(50,703)
Total Operating Revenue	<u>2,834,428</u>	<u>2,459,731</u>	<u>(374,697)</u>
Operating Expenses			
Salaries, Wages and Benefits	1,419,508	1,322,195	97,313
Depreciation	-	785,273	(785,273)
Field Landing Expenses	-	639	(639)
Professional Services	360,000	306,705	53,295
Redwood Terminal 2 Expenses	190,000	225,235	(35,235)
Repairs and Maintenance	98,772	169,793	(71,021)
Utilities	347,300	530,893	(183,593)
Other Operating Expenses	263,650	633,144	(369,494)
Total Operating Expenses	<u>2,679,230</u>	<u>3,973,877</u>	<u>(1,294,647)</u>
Operating Income (Loss)	<u>155,198</u>	<u>(1,514,146)</u>	<u>(1,669,344)</u>
Non-Operating Revenue (Expense):			
General Property Taxes	975,000	1,105,669	130,669
Investment Income (Loss)	170,000	183,399	13,399
Grant and Other Non-Operating Income	932,681	313,489	(619,192)
Grant Expenses	(932,681)	(34,907)	897,774
Interest Expenses	(778,987)	(242,083)	536,904
Other Non-Operating Expenses	(278,500)	(14,195)	264,305
Total Non-Operating Revenue (Expense)	<u>87,513</u>	<u>1,311,372</u>	<u>1,223,859</u>
Increase (Decrease) in Net Position	<u>\$ 242,711</u>	<u>\$ (202,774)</u>	<u>\$ (445,485)</u>

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Final Budget versus Actual Results

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

The unfavorable variance of \$181,432 in rent and lease revenues was due to lower than expected rent revenue from Redwood Terminal 2, Redwood Dock, and Shelter Cove. The unfavorable variance of \$123,699 in slip rentals was due to lower than anticipated slip rents.

The unfavorable variance of \$785,273 in depreciation expense was due to the District's policy of budgeting for actual capital outlay for the year rather than depreciation expense. The unfavorable variance of \$183,593 in utilities expense was due to higher than anticipated expense for water and sewer as well as a change in classifying some expenses to utilities that were previously included in other expenses. The unfavorable variance of \$369,494 in other operating expenses was due to the write off of \$105,521 of uncollectable rents and fees, higher than anticipated costs for elections and county admin fees, higher than anticipated costs for automotive expenses, and higher than anticipated costs for repairs and maintenance.

The favorable variance in property taxes of \$130,669 was due to larger than anticipated increases in property taxes for the year. The unfavorable variance of \$619,192 in grants and other non-operating income was due to grants that were budgeted but not received. This unfavorable variance is offset by a favorable variance of \$897,774 in grant expense. The favorable variance of \$536,904 in interest expense was due to the District including the principal portion of loan payments in the annual budget. The favorable variance of \$264,305 in other non-operating expense was due to capital expenditures that were recorded by the District as capital assets on the balance sheet, not as expenses in the financial statements.

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2019 was \$11,294,481. The total decrease in net capital assets from the prior year was 5.7 percent. This decrease was due to capital acquisitions being offset by the annual depreciation expense. There were no dispositions of capital assets in fiscal year ended June 30, 2019.

Table 6
Comparative Schedule of Capital Assets

	June 30, 2019	June 30, 2018
Land, Building and Improvement	\$ 23,004,652	\$ 22,933,649
Automotive Equipment	95,639	95,639
Office and Operating Equipment	3,977,194	3,977,194
Dredging Costs	2,812,988	2,777,752
Marina Restaurant Work-in-progress	34,100	34,100
Subtotals	29,924,573	29,818,334
Less: Accumulated Depreciation	18,630,092	17,844,819
Capital Assets, Net	\$ 11,294,481	\$ 11,973,515

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Debt Administration

The District incurred no new long-term debt in 2018/19, except for the refinancing of note payable of Coast Seafoods's. The decrease in net pension liability was a result of a decrease in the District's share of the State-wide CalPERS net pension liability. The District is required to report its proportionate share of that liability in its financial statements. The decrease in Other post-employment benefits was due changes in staff eligible for other post-employment benefits. The ending balances for debts and other long-term liabilities, as of June 30, 2019 and 2018 are presented below in Table 7.

Table 7
Debt and Other Long-Term Liabilities

	<u>June 30, 2019</u>	<u>June 30, 2018</u> <u>(Restated)</u>
2014 Refunding Bond	\$ 2,502,519	\$ 2,701,352
Notes Payable to BBVA	1,281,256	1,361,593
Capital Lease Payable	-	5,107
Note Payable to Coast Seafood's	1,156,375	1,156,375
Total Notes payables	4,940,150	5,224,427
Other Long-Term Liabilities:		
OPEB	394,887	552,198
Net Pension Liability	921,868	941,780
Total	<u>\$ 11,197,055</u>	<u>\$ 11,942,832</u>

ECONOMIC FACTORS

Nation-wide and State-wide economic trends that affect the financial condition of the District appear to be slowly improving.

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 resulted in an estimated \$5 million in renovation and improvements to the site. It is estimated that revenues from tenants at the Redwood Terminal 2 property should increase to over \$500,000 from new tenant leases over the next two years.

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

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, 2019

ASSETS:

CURRENT ASSETS:

Cash & Cash Equivalents	\$ 322,152
Restricted Cash & Cash Equivalents	995,897
Accounts Receivable, Net	300,575
Interest Receivable	5,500
Prepaid Insurance	<u>1,066</u>
Total Current Assets	<u>1,625,190</u>

NONCURRENT ASSETS:

Nondepreciable Capital Assets	5,828,936
Depreciable Capital Assets, Net	5,465,545
Notes Receivable	<u>5,849,375</u>
Total Noncurrent Assets	<u>17,143,856</u>
Total Assets	<u>18,769,046</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension	266,965
OPEB	1,584
Bond Refunding	<u>22,183</u>
Total Deferred Outflows of Resources	<u>290,732</u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	159,639
Accrued Wages, Payroll Taxes & Benefit	19,997
Unearned Income	979,093
Environment Remediation Liability	73,147
Accrued Vacation Payable	30,671
Accrued Sick Leave Payable	6,796
Accrued Interest Payable	56,207
Customer Deposits Payable	96,616
Current Portion of Notes Payable	<u>442,626</u>
Total Current Liabilities	<u>1,864,792</u>

LONG-TERM LIABILITIES:

Net OPEB Liabilities	394,887
Unearned Income	3,646,862
Net Pension Liabilities	921,868
Notes Payable	<u>4,497,524</u>
Total Noncurrent Liabilities	<u>9,461,141</u>
Total Liabilities	<u>\$ 11,325,933</u>

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, 2019

DEFERRED INFLOWS OF RESOURCES:

OPEB	\$ 52,475
Pension	<u>106,843</u>
Total Deferred Inflows of Resources	<u>159,318</u>

NET POSITION:

Net Investment in Capital Assets	9,134,021
Unrestricted	(2,555,390)
Restricted	<u>995,897</u>
Total Net Position	<u><u>\$ 7,574,528</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, 2019

OPERATING REVENUES:

Sales & Permits	\$	29,493
Slip Rentals		786,301
Rents and Leases		1,409,868
Harbor Improvement Surcharge		81,137
Other Revenue		<u>152,932</u>
Total Operating Revenues		<u>2,459,731</u>

OPERATING EXPENSES:

Payroll & Related Cost		1,296,995
Commissioners' Fees		25,200
Accounting & Auditing		50,830
Advertising & Promotion		1,836
Automobile Expenses		49,024
Bad Debt		105,521
Field Landing Expenses		639
Communications		18,431
Conference & Meetings		33,082
Depreciation		785,273
Dues & Subscriptions		67,436
Elections & Property Tax Administration Fee		50,831
Insurance		73,961
Rent and Lease		18,888
Legal & Other Professional Fees		255,875
Office Expenses		40,232
Operating Supplies		51,687
Outside Service		104,046
Redwood Terminal 2 Expenses		225,235
Repairs, Maintenance & Small Tools		169,793
Utilities		530,893
Shelter Cove Expenses		12,542
Other Operating Expenses		<u>5,627</u>
Total Operating Expenses		<u>3,973,877</u>

Operating Income (Loss)		\$ <u>(1,514,146)</u>
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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, 2019

NON-OPERATING REVENUES (EXPENSES):

General Property Taxes	\$ 1,105,669
Investment Income (Loss)	183,399
Other Governmental Grant	12,441
Other Non-Operating Income	301,048
Grant Expenses	(34,907)
Interest Expenses	(242,083)
Other Non-Operating Expenses	<u>(14,195)</u>
Total Nonoperating Revenues (Expenses)	<u>1,311,372</u>
CHANGE IN NET POSITION	(202,774)
NET POSITION, BEGINNING	<u>7,746,006</u>
RESTATEMENT	<u>31,296</u>
NET POSITION, BEGINNING, <i>AS RESTATED</i>	<u>7,777,302</u>
NET POSITION, ENDING	<u><u>\$ 7,574,528</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers	\$ 2,145,344
Payments to Suppliers	(1,899,827)
Payments to Employees	<u>(1,438,831)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,193,314)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Taxes for General Operations	1,105,669
Receipt of Grant & Contract Funds from Other Governments	12,441
Expenditures of Grant Funds	(34,907)
Other Nonoperating Receipts	<u>301,048</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,384,251</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:

Payments to Acquire, Construct & Improve Capital Assets	(106,239)
Principal Payments on Notes Payable & Bonds	(284,277)
Interest Paid	(195,645)
Refunding Bond	4,212
Payments for Other Nonoperating Costs	<u>(14,195)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(596,144)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Received	<u>183,099</u>
Net Cash Provided (Used) by Investing Activities	<u>183,099</u>

INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS (222,108)

CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR 1,540,158

CASH & CASH EQUIVALENTS AT END OF YEAR \$ 1,318,050

FINANCIAL STATEMENT PRESENTATION RECONCILIATION

Cash & Cash Equivalents	\$ 322,152
Restricted Cash & Cash Equivalents	<u>995,897</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,318,049</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, 2019

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

Operating Income (Loss)	\$ (1,514,146)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Bad Debts	105,521
Depreciation	785,273
Changes in Assets & Liabilities:	
Accounts Receivable	(85,412)
Prepaid Expenses	(14)
Accounts Payable - Related to Operating Activities	(8,204)
Accrued Liabilities	(108,414)
Pension Liability and Deferred Outflows and Inflows of Resources	(33,422)
Unearned Income	<u>(334,496)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,193,314)</u>

NONCASH CAPITAL & RELATED FINANCING ACTIVITIES:

Amortization of Ground Lease	\$ 199,045
Amortization of Bond Premium	\$ 4,212

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 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 FINANCIAL STATEMENTS
JUNE 30, 2019

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 non-operating 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, 2019, the District recorded an allowance for doubtful accounts of \$303,889. 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 FINANCIAL STATEMENTS
JUNE 30, 2019

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

H. Capital Assets

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

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

The estimated useful lives are as follows:

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

I. Estimates

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

J. Net Position

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

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - 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 FINANCIAL STATEMENTS
JUNE 30, 2019

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 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 Authority'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, 2019. 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, 2019 is classified in the accompanying financial statements as follows:

Cash & cash equivalents	\$ 322,152
Restricted cash & cash equivalents	<u>995,897</u>
Total cash and cash equivalents	<u><u>\$ 1,318,049</u></u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - CASH AND CASH EQUIVALENTS (CONT'D)

Restricted cash and cash equivalents - restricted assets includes accumulated marina dredging surcharge of \$633,450, marina float replacement of \$362,447.

Total cash and cash equivalents at June 30, 2019, consisted of the following:

Cash on hand	\$ 555
Deposits held with financial institutions	72,501
Deposits held with the County Treasurer's Investment Pool	<u>1,244,993</u>
Total cash and cash equivalents	<u>\$ 1,318,049</u>

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.

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 \$379,033 as of June 30, 2019. The District had no custodial credit risk exposure since its deposits were insured as required by State law.

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.

Interest Rate Risk

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

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the external investment pool with the County Treasury is not rated.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2019, are as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Adjustments</u>	<u>June 30, 2019</u>
Nondepreciable Capital Assets :				
Land	\$ 5,701,609	\$ 52,596	\$ (262,226)	\$ 5,491,979
Dredging Costs (Old Harbor)	215,227	-	87,630	302,857
Capital Work-in-progress (Marina)	34,100	-	-	34,100
Total Nondepreciable Capital Assets	<u>5,950,936</u>	<u>52,596</u>	<u>(174,596)</u>	<u>5,828,936</u>
Depreciable Capital Assets :				
Building and Improvement	17,232,040	18,407	262,226	17,512,673
Automotive Equipment	95,639	-	-	95,639
Office and Operating Equipment	3,977,194	-	-	3,977,194
Dredging Costs	2,562,525	35,236	(87,630)	2,510,131
Total Depreciable Capital Assets	<u>23,867,398</u>	<u>53,643</u>	<u>174,596</u>	<u>24,095,637</u>
Accumulated Depreciation :				
Accumulated Depreciation	(17,844,819)	(785,273)	-	(18,630,092)
Total Accumulated Depreciation	<u>(17,844,819)</u>	<u>(785,273)</u>	<u>-</u>	<u>(18,630,092)</u>
Net Depreciable Capital Assets	<u>6,022,579</u>	<u>(731,630)</u>	<u>174,596</u>	<u>5,465,545</u>
Total Capital Assets, Net	<u>\$ 11,973,515</u>	<u>\$ (679,034)</u>	<u>\$ -</u>	<u>\$ 11,294,481</u>

Total depreciation expense charged to operations for the year ended June 30, 2019 was \$785,273.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletion	Classification		
				Balance June 30, 2019	Current Portion	Long-Term Portion
Refunding Bonds Series 2014	\$ 2,701,352	\$ -	\$ (198,833)	\$ 2,502,519	\$ 207,068	\$2,295,451
Coast Seafood's Line of Credit	1,156,375	-	-	1,156,375	150,324	1,006,051
Compass BBVA Bank Loan	1,361,593	-	(80,337)	1,281,256	85,234	1,196,022
Capital Lease Obligation	5,107	-	(5,107)	-	-	-
Total	\$ 5,224,427	\$ -	\$ (284,277)	\$ 4,940,150	\$ 442,626	\$ 4,497,524

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, 2019 are as follows:

Year Ending June 30	Principal	Interest	Total
2020	207,068	100,502	307,570
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 - 2029	1,377,783	160,070	1,537,853
Total	\$ 2,502,519	\$ 573,186	\$ 3,075,705

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, future debt service related to this loan are as follow:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 150,324	\$ 47,272	\$ 197,596
2021	100,600	42,837	143,437
2022	105,221	38,198	143,419
2023	110,055	33,346	143,401
2024	115,110	28,271	143,381
2025-2029	575,065	57,956	633,021
Total	<u>\$ 1,156,375</u>	<u>\$ 247,880</u>	<u>\$ 1,404,255</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, 2019, future debt service related to this loan are as follow:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	85,234	75,502	160,736
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 - 2029	646,432	157,251	803,683
2030 - 2031	153,584	6,943	160,527
Total	<u>\$ 1,281,256</u>	<u>\$ 486,637</u>	<u>\$ 1,767,893</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - NOTES PAYABLE (CONT'D)

Capital Lease:

During the year ended June 30, 2016, the District entered into a tractor equipment lease, requiring four annual payments of \$5,387. Interest is imputed at a 5.5% annual rate. As of June 30, 2019 the lease obligation had been completely paid off and settled.

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.

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:

	<u>Number of Participants</u>
Inactive Employees Receiving Benefits	4
Participating Active Employees	2
Total Number of participants	6

Funding Policy

The District funds post-employment health benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2019, the District's contributions for post-employment health benefit costs were \$80,688.

Annual OPEB Cost and Net OPEB Obligation

The District's Net OPEB Liability was measured as of June 30, 2019 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 FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (CONT'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	3.50%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.80%
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 stud
Healthcare Trend Rate	4.00%

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. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.</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. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.</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 FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (CONT'D)

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.

Changes in Net OPEB Liability

Changes in Net OPEB Liability as of June 30, 2019 was as follows:

<u>Determination of Net OPEB Liability</u>	<u>For the Year Ending June 30, 2019</u>
Service Cost	\$ 20,986
Interest on Total OPEB Liability	19,794
Employer Contribution as Benefit Payments	(83,586)
Experience Gains/Losses	(118,069)
Changes in Assumptions	<u>3,564</u>
Net Changes during 2018-19	(157,311)
Net OPEB Liability - beginning of year	<u>552,198</u>
Net OPEB Liability - end of year	<u><u>\$ 394,887</u></u>

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 were calculated using a discount rate that is 1-percentage point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>Discount Rate 1% Lower</u>	<u>Valuation Discount Rate</u>	<u>Discount Rate 1% Higher</u>
Net OPEB Liability	<u>\$ 407,057</u>	<u>\$ 394,887</u>	<u>\$ 383,191</u>

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 that are 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rates.

	<u>Trend 1% Lower</u>	<u>Valuation Trend</u>	<u>Trend 1% Higher</u>
Net OPEB Liability	<u>\$ 384,175</u>	<u>\$ 394,887</u>	<u>\$ 405,153</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (CONT'D)

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

For the year ended the District recognized OPEB expense/(income) of \$(22,834).

At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Experience gains and Losses	-	52,475
Changes of assumptions	1,584	-
Total	1,584	52,475

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

<u>Year ended June 30</u>	<u>Deferred Outflow/ (Inflows) of Resources</u>
2020	\$ (50,891)
2021	-
2022	-
2023	-
2024	-
Thereafter	-
Total	\$ (50,891)

NOTE 6 - PENSION PLAN

A. General Information about the Pension Plan

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 Humboldt Bay Harbor Recreation and Conservation 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 FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - PENSION PLAN (CONT'D)

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, 2019 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%

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 Humboldt Bay Harbor Recreation and Conservation District's contributions to Miscellaneous Risk Pool plan for the year ended June 30, 2019, was \$54,414.

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

As of June 30, 2019, Humboldt Bay Harbor Recreation and Conservation District reported net pension liability \$921,868 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 FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - PENSION PLAN (CONT'D)

The Humboldt Bay Harbor Recreation and Conservation 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, 2019, Humboldt Bay Harbor Recreation and Conservation District's reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$921,868. The net pension liability was measured as of June 30, 2018. 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, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation.

The Humboldt Bay Harbor Recreation and Conservation District's proportionate share percentage of the net pension liability for each risk pool was as follows:

Proportion - June 30, 2018	0.023890 %
Proportion - June 30, 2019	<u>0.024460 %</u>
Change - Increase/(Decrease)	<u>0.000570 %</u>

For the year ended June 30, 2019, the District recognized pension expense of \$96,115. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 35,370	\$ 12,036
Change in Assumptions	105,096	25,758
Differences Between Projected and Actual Investment Earnings	4,557	-
Change in Employer's Proportion	67,528	-
Differences Between Employer's Contributions and Proportionate Share of Contributions	-	69,049
Contributions Subsequent to Measurement Date	54,414	-
Total	<u>\$ 266,965</u>	<u>\$ 106,843</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - PENSION PLAN (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
2020	\$ 89,563
2021	50,688
2022	(26,249)
2023	(8,292)
2024	-
Thereafter	-
Total	\$ 105,710

Subsequent Events

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

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 FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - PENSION PLAN (CONT'D)

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, 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, 2017 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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 percent 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 percent 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 FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - PENSION PLAN (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.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
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.

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:

	<u>Discount Rate Less 1% (6.15%)</u>	<u>Current Discount (7.15%)</u>	<u>Discount Rate plus 1% (8.15%)</u>
Proportionate share of the Miscellaneous Risk Pool's net pension liability	\$ <u>1,551,582</u>	\$ <u>921,868</u>	\$ <u>402,049</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - PENSION PLAN (CONT'D)

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, 2018, 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, 2019, the balance of the loan receivable was \$5,849,375.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, for a remaining balance of unearned income as of June 30, 2019 of \$3,706,955.

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, 2019, unearned income consisted of:

Unearned HBDA ground lease income - current	\$ 60,092
Unearned PG&E dredge-related income (Note 9)	732,324
Unearned lease income (outfall pipe, tidelands, slip rentals and warehouse)	186,677
Total unearned income - current	979,093
Unearned HBDA ground lease income - long-term	3,646,862
Total unearned income	\$ 4,625,955

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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.

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 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, 2019, \$732,324 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 FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through February 21, 2020, which is the date the financial statements were available to be issued, and concluded that no additional adjustments to the financial statements or disclosures, except as subsequently noted, are required for the year ending June 30, 2019.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

Net position previously reported, June 30, 2018	\$ 7,746,006
Restatement for the effects of Payroll liabilities:	
Correct Prepaid Worker's Compensation	<u>31,296</u>
Net position, as restated, June 30, 2018	<u><u>\$ 7,777,302</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2019

Measurement Period, June 30	2019	2018
Service Cost	\$ 20,986	\$ 19,877
Interest on Total OPEB Liability	19,794	21,313
Employer Contribution as Benefit Payments	(83,586)	(80,371)
Experience Gains/Losses	(118,069)	-
Changes in Assumptions	3,564	-
Change in net OPEB Liability	(157,311)	(39,181)
Net OPEB Liability - Beginning of Year, As Restated	552,198	591,379
Net OPEB Liability - End of Year	\$ 394,887	\$ 552,198
Covered Employee Payroll	\$ 276,928	\$ 376,937
Total OPEB Liability as a Percentage of Covered Employee Payroll	142.60 %	146.50 %

NOTE TO SCHEDULE

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.

Changes in assumptions - There were no changes in assumptions for the measurement period ended June 30, 2019.

There are no statutorily or contractually established contribution requirements.

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.

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, 2019

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

* Fiscal Year 2015 was the first year of implementation, therefore only 5 years are shown.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS*
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019

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

* Fiscal Year 2015 was the first year of implementation, therefore only 5 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, 2019

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
OPERATING REVENUES:			
Sales and Permits	\$ 28,197	\$ 1,296	\$ 29,493
Slip Rentals	-	786,301	786,301
Utility Charges	-	70,154	70,154
Rents and Concessions	142,555	88,948	231,503
Rents - Tidelands Leases	-	394,772	394,772
Rents - Redwood Terminal 2	582,552	-	582,552
Late Fees and Interest on Past Due Accounts	30,414	18,647	49,061
Fields Landing Fees and Rents	201,041	-	201,041
Harbor Improvement Surcharge	-	81,137	81,137
Other Revenue	6	33,711	33,717
	<u>984,765</u>	<u>1,474,966</u>	<u>2,459,731</u>
OPERATING EXPENSES:			
Salaries and Wages	215,679	637,486	853,165
Commissioners' Fees	5,040	20,160	25,200
Imputed Auto Value	265	754	1,019
Payroll Benefits	93,477	349,334	442,811
Advertising & Promotion	451	1,385	1,836
Bad Debt	4,161	101,360	105,521
Communications	6,262	12,169	18,431
Conference & Meetings	15,402	17,680	33,082
Dues & Subscriptions	25,397	42,039	67,436
Elections	25,416	25,415	50,831
Insurance	29,524	44,437	73,961
Automotive Expenses	17,157	31,867	49,024
Office Expenses	12,613	27,619	40,232
Operating Supplies	9,916	41,771	51,687
Outside Services	13,930	90,116	104,046
Professional Services	71,391	145,621	217,012
Legal Fees	13,535	25,328	38,863
Accounting Fees	16,167	34,663	50,830
Rents and Leases	18,888	-	18,888
Repairs and Maintenance	83,346	86,447	169,793
Small Tools	1,138	4,333	5,471
Utilities	344,411	186,482	530,893
Redwood Dock Expenses	-	156	156
Redwood Terminal 2 Expenses	7,075	218,160	225,235
Fields landing Operating Expenses	639	-	639
Sheltor Cove Operating Expenses	8,011	4,531	12,542
Depreciation	785,273	-	785,273
	<u>1,824,564</u>	<u>2,149,313</u>	<u>3,973,877</u>
Total Operating Expenses			
Operating Income (Loss)	<u>\$ (839,799)</u>	<u>\$ (674,347)</u>	<u>(1,514,146)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
NONOPERATING REVENUES:			
Investment Income	\$ 169,640	\$ 13,759	\$ 183,399
General Property Taxes	1,105,669	-	1,105,669
Federal Revenues	57	-	57
Other Government Grants	-	12,384	12,384
Other	88,817	212,231	301,048
	<u>1,364,183</u>	<u>238,374</u>	<u>1,602,557</u>
Total Nonoperating Revenues:			
NONOPERATING EXPENSES:			
Interest	173,758	68,325	242,083
Grant Expenses	-	34,907	34,907
Other	10,807	3,388	14,195
	<u>184,565</u>	<u>106,620</u>	<u>291,185</u>
Total Nonoperating Expenses:			
Net Nonoperating Revenues and Expenses	<u>1,179,618</u>	<u>131,754</u>	<u>1,311,372</u>
CHANGE IN NET POSITION	339,819	(542,593)	(202,774)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>9,549,607</u>	<u>(1,772,305)</u>	<u>7,777,302</u>
NET POSITION, END OF YEAR	<u>\$ 9,889,426</u>	<u>\$ (2,314,898)</u>	<u>\$ 7,574,528</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Marina</u>	<u>General</u>	<u>Total</u>
OPERATING REVENUES:			
Sales & Permits	\$ 8,037	\$ 21,456	\$ 29,493
Rents and Concessions	61,095	170,408	231,503
Slip Rentals	499,302	24,137	523,439
Rents - Tidelands Leases	-	394,773	394,773
Rents - Redwood Terminal 2	-	582,551	582,551
Late Fees and Interest	15,212	33,850	49,062
Fields Landing Fees and Rents	-	201,040	201,040
Harbor Improvement Surcharge	-	81,137	81,137
Dredging Surcharge	104,892	-	104,892
Float Replacement Surcharge	69,573	-	69,573
Transient Rentals	87,008	1,390	88,398
Utility Charges	63,005	7,149	70,154
Other Revenues	10,434	23,282	33,716
	<u>918,558</u>	<u>1,541,173</u>	<u>2,459,731</u>
Total Operating Revenues			
OPERATING EXPENSES:			
Salaries and Wages	289,624	563,541	853,165
Commissioners' Fees	4,410	20,790	25,200
Imputed Auto Value	-	1,019	1,019
Payroll Benefits	149,732	293,079	442,811
Advertising & Promotion	678	1,157	1,835
Bad Debt	-	105,521	105,521
Communications	2,892	15,539	18,431
Conference & Meetings	1,397	31,684	33,081
Dues & Subscriptions	-	67,436	67,436
Elections	-	50,831	50,831
Insurance	29,241	44,721	73,962
Automotive Expenses	4,887	44,137	49,024
Office Expenses	3,798	36,433	40,231
Operating Supplies	12,251	39,436	51,687
Outside Services	6,669	97,377	104,046
Professional Services	1,119	215,893	217,012
Legal Fees	20,064	18,799	38,863
Accounting Fees	10,886	39,944	50,830
Rents and Leases	-	18,888	18,888
Repairs, Maintenance & Small Tools	51,915	117,878	169,793
Utilities	243,603	287,291	530,894
Redwood Dock Expenses	-	156	156
Redwood Terminal 2 Expenses	-	225,235	225,235
Small Tools	2,387	3,085	5,472
Fields landing Operating Expenses	-	639	639
Sheltor Cove Operating Expenses	-	12,542	12,542
Depreciation	214,790	570,483	785,273
	<u>1,050,343</u>	<u>2,923,534</u>	<u>3,973,877</u>
Total Operating Expenses			
Operating Income (Loss)	\$ <u>(131,785)</u>	\$ <u>(1,382,361)</u>	\$ <u>(1,514,146)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2019

	Marina	General	Total
NONOPERATING REVENUES:			
Interest	\$ -	\$ 183,400	\$ 183,400
General Property Taxes	-	1,105,669	1,105,669
Federal Revenues	-	57	57
Other Governmental Grants	-	12,384	12,384
Other	6,814	294,233	301,047
Total Nonoperating Revenues:	6,814	1,595,743	1,602,557
NONOPERATING EXPENSES:			
Interest	40,535	201,548	242,083
Grant Expenses	231	34,675	34,906
Other	150	14,046	14,196
Total Nonoperating Expenses:	40,916	250,269	291,185
Net Nonoperating Revenues and Expenses	(34,102)	1,345,474	1,311,372
CHANGE IN NET POSITION	\$ (165,887)	\$ (36,887)	\$ (202,774)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Marina</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
OPERATING REVENUES:			
Sales & Permits	\$ 21,200	\$ 8,037	\$ (13,163)
Rents and Concessions	168,000	61,095	(106,905)
Slip Rentals	650,000	499,302	(150,698)
Rents - Redwood Terminal 2	-	-	-
Transient Rentals	100,000	87,008	(12,992)
Dredging Surcharge	95,000	104,892	9,892
Float Replacement Surcharge	65,000	69,573	4,573
Utility Charges	100,000	63,005	(36,995)
Late fees and Interest	10,000	15,212	5,212
Other Revenues	-	10,434	10,434
	<u>1,209,200</u>	<u>918,558</u>	<u>(290,642)</u>
OPERATING EXPENSES:			
Salaries and Wages	193,158	289,624	(96,466)
Commissioners' Fees	-	4,410	(4,410)
Payroll Benefits	118,473	149,732	(31,259)
Advertising & Promotion	3,000	678	2,322
Bad Debt	-	-	-
Communications	6,000	2,892	3,108
Conference & Meetings	3,000	1,397	1,603
Dues & Subscriptions	10,000	-	10,000
Elections	5,000	-	5,000
Insurance	30,000	29,241	759
Automotive Expenses	-	4,887	(4,887)
Office Expenses	16,000	3,798	12,202
Operating Supplies	6,000	12,251	(6,251)
Outside Service	-	6,669	(6,669)
Professional Services	-	1,119	(1,119)
Legal Fees	5,000	20,064	(15,064)
Accounting Fees	10,000	10,886	(886)
Repairs, Maintenance & Small Tools	25,772	51,915	(26,143)
Utilities	160,000	243,603	(83,603)
Small Tools	-	2,387	(2,387)
Depreciation	-	214,790	(214,790)
	<u>591,403</u>	<u>1,050,343</u>	<u>(458,940)</u>
Operating Income (Loss)	<u>\$ 617,797</u>	<u>\$ (131,785)</u>	<u>\$ (749,582)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Marina</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
NONOPERATING REVENUES:			
General Property Taxes	\$ -	\$ -	\$ -
Other	-	6,814	6,814
Total Nonoperating Revenues:	<u>-</u>	<u>6,814</u>	<u>6,814</u>
NONOPERATING EXPENSES:			
Grant Expenses	-	231	(231)
Interest	262,200	40,535	221,665
Capital Expenditure	119,500	-	119,500
Other	-	150	(150)
Total Nonoperating Expenses:	<u>381,700</u>	<u>40,916</u>	<u>340,784</u>
Net Nonoperating Revenues and Expenses	<u>(381,700)</u>	<u>(34,102)</u>	<u>(347,598)</u>
CHANGE IN NET POSITION	<u>\$ 236,097</u>	<u>\$ (165,887)</u>	<u>\$ (401,984)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2019

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
OPERATING REVENUES:			
Sales & Permits	\$ 138,600	\$ 21,456	\$ (117,144)
Slip Rentals	-	24,137	24,137
Rents and Concessions	182,000	170,408	(11,592)
Rents - Tidelands Leases	273,000	394,773	121,773
Rents - Redwood Terminal 2	710,228	582,551	(127,677)
Late Fees and Interest	10,000	33,850	23,850
Fields Landing Fees and Rents	178,900	201,040	22,140
Harbor Improvement Surcharge	100,000	81,137	(18,863)
Transient Rentals	-	1,390	1,390
Utility Charges	-	7,149	7,149
Other Revenues	-	23,282	23,282
Total Operating Revenues	<u>1,592,728</u>	<u>1,541,173</u>	<u>(51,555)</u>
OPERATING EXPENSES:			
Salaries and Wages	642,826	563,541	79,285
Commissioners' Fees	24,000	20,790	3,210
Imputed Auto Value	-	1,019	(1,019)
Payroll Benefits	441,051	293,079	147,972
Advertising & Promotion	6,000	1,157	4,843
Bad Debt	-	105,521	(105,521)
Communications	7,000	15,539	(8,539)
Conference & Meetings	25,000	31,684	(6,684)
Dues & Subscriptions	40,000	67,436	(27,436)
Elections	20,000	50,831	(30,831)
Insurance	30,000	44,721	(14,721)
Automotive Expenses	6,500	44,137	(37,637)
Office Expenses	25,150	36,433	(11,283)
Operating Supplies	25,000	39,436	(14,436)
Outside Services	-	97,377	(97,377)
Professional Services	250,000	215,893	34,107
Legal Fees	55,000	18,799	36,201
Accounting Fees	40,000	39,944	56
Rents and Leases	190,000	18,888	171,112
Repairs, Maintenance & Small Tools	73,000	117,878	(44,878)
Utilities	187,300	287,291	(99,991)
Redwood Dock Expenses	-	156	(156)
Redwood Terminal 2 Expenses	-	225,235	(225,235)
King Salmon Operating Expenses	-	3,085	(3,085)
Fields landing Operating Expenses	-	639	(639)
Sheltor Cove Operating Expenses	-	12,542	(12,542)
Depreciation	-	570,483	(570,483)
Total Operating Expenses	<u>2,087,827</u>	<u>2,923,534</u>	<u>835,707</u>
Operating Income (Loss)	<u>\$ (495,099)</u>	<u>\$ (1,382,361)</u>	<u>\$ (887,262)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
NONOPERATING REVENUES:			
Interest	\$ 170,000	\$ 183,400	\$ 13,400
General Property Taxes	975,000	1,105,669	130,669
Federal Revenues	-	57	57
Other Governmental Grants	932,681	12,384	(920,297)
Other	-	294,233	294,233
Total Nonoperating Revenues:	<u>2,077,681</u>	<u>1,595,743</u>	<u>(481,938)</u>
NONOPERATING EXPENSES:			
Interest	-	201,548	(201,548)
Grant Expenses	932,681	34,675	898,006
Capital Expenditure	159,000	-	159,000
Other	-	14,046	(14,046)
Total Nonoperating Expenses:	<u>1,091,681</u>	<u>250,269</u>	<u>841,412</u>
Net Nonoperating Revenues and Expenses	<u>986,000</u>	<u>1,345,474</u>	<u>359,474</u>
CHANGE IN NET POSITION	<u>\$ 490,901</u>	<u>\$ (36,887)</u>	<u>\$ (527,788)</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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2020.

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
February 21, 2020

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019**

No matters were reported in prior years.