HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

TABLE OF CONTENTS

Hunter, Hunter & Hunt, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Members of the AICPA

1315 Fourth Street
Eureka, California 95501

Phone 707-476-0674
Fax 707-476-0675
www.hhh-cpa.com

INDEPENDENT AUDITORS' REPORT

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 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which 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. According, 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 financial position of the business-type activities of Humboldt Bay Harbor, Recreation and Conservation

District as of June 30, 2015, and the 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.

Emphasis of Matter

Correction of a Prior Period Error

As discussed in Note 1 to the financial statements, the June 30, 2014 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

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 3 through 11 and the schedules of the District's proportionate share of the net pension liability, pension contributions, and funding progress - other postemployment benefits on pages 34 through 36 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 15, 2016, on our consideration of Humboldt Bay Harbor, Recreation and Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Hunter, Hunter & Hunt

February 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. Please read it in conjunction with the Independent Auditor's Report and the District's basic financial statements. The District's basic financial statements follow this section.

FINANCIAL HIGHLIGHTS

- The District's operating revenues increased by $22,092, or 1.5 percent.
- The District's operating expenses increased by $332,990, or 10.8 percent, mainly due to necessary repairs and services for the Redwood Terminal 2 property.
- General revenues from taxes, interest, and investments accounted for $964,275 in revenues or 28 percent of all revenues. Revenues in the form of grants accounted for $929,839 or 27 percent of all revenues.
- The District had total expenditures of $4,054,302 and total revenue of $3,399,727. The resulting decrease in net position of $654,575 includes net grant income of $621,294, depreciation expense in the amount of $982,395, and expenses for repair of the Redwood Terminal 2 in the amount of $310,191.
- The balance of long-term debt has increased $724,545 from the prior fiscal year due to additional debt incurred to finance the environmental cleanup costs to remove toxic chemicals from the Redwood Terminal 2 property.
- The District's current liabilities exceeded its current assets at June 30, 2015 and 2014. The District does not expect that the liabilities for accrued vacation, accrued sick leave, and unearned grant revenue will require full payment in the subsequent year, and anticipates no problems in paying current liabilities.
- The District refinanced its outstanding bonded debt along with the loans payable to the California Department of Boating and Waterways through a refunding bond, resulting in an estimated net present value savings of $171,421.
- The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, to recognize its proportionate share of the state-wide CalPERS unfunded pension liability. As a result, beginning net position was restated to reflect a reduction of $657,452, and a new long-term liability for net pension liability in the amount of $531,034 at June 30, 2015 was added to the Statement of Net Position.

USING THIS ANNUAL REPORT

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

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

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

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

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net 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.

Table 1
Net Position
June 30, 2015 and 2014

	2015	2014		Increase (Decrease)
Assets:				
Cash, unrestricted	$ 1,043,196	$ 1,420,713		$ (377,517)
Receivables	201,360	273,885		(72,525)
Prepaid expenses	66,324	117,099		(50,775)
Restricted cash	1,067,058	1,746,983		(679,925)
Other assets	623,955	346,368		277,587
Capital assets, net	13,485,638	13,924,961		(439,323)
Total Assets	16,487,531	17,830,009		(1,342,478)
Deferred Outflows of Resources				
Related to pensions	115,905	70,649	*	45,256
Total Assets and Deferred Outflows of Resources	$ 16,603,436	$ 17,900,658		$ (1,297,222)
Liabilities:				
Payables and other liabilities	$ 412,586	$ 657,746	*	$ (245,160)
Unearned income	1,460,155	1,745,485		(285,330)
Environmental remediation liability	168,765	1,198,557		(1,029,792)
Current portion of long-term debt	1,366,236	176,428		1,189,808
Net pension liability	531,034	728,101	*	(197,067)
Other long-term debt	3,713,985	3,982,179	*	(268,194)
Total Liabilities	7,652,761	8,488,496		(835,735)
Net Position:				
Net Investment in Capital Assets	10,807,428	11,320,093		(512,665)
Restricted	-	217,702		(217,702)
Unrestricted	(2,049,841)	(2,125,633)	*	75,792
Total Net Position	8,757,587	9,412,162		(654,575)
Deferred Outflows of Resources				
Related to pensions	193,088	-		193,088
Total Liabilities, Net Position, and Deferred Outflows of Resources	$ 16,603,436	$ 17,900,658		$ (1,297,222)

***** - Balance has been restated, as more fully described in the note regarding restatement of net position in the notes to the financial statements.

Net position of the District decreased 6.95 percent, or $654,575. This decrease was partially due to $310,191 of expenses to repair and clean up the Redwood Terminal 2 property, and $79,641 of one-time issuance costs incurred during the refinancing of the District's long-term debt.

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
For The Years Ended June 30, 2015 and 2014

	2015	2014	Increase (Decrease)
Operating Revenues:			
Rents and leases	$ 635,067	$ 536,424	$ 98,643
Slip rentals	742,512	763,583	(21,071)
Pilotage services	9,436	63,300	(53,864)
Harbor improvement surcharge	74,392	63,162	11,230
Other	44,206	57,052	(12,846)
Total Operating Revenue	1,505,613	1,483,521	22,092
Operating Expenses:			
Salaries, wages, and benefits	1,162,877	1,149,851	13,026
Depreciation	982,395	948,502	33,893
Boat building and repair facility	82,088	71,756	10,332
Professional services	210,488	142,440	68,048
Redwood Terminal 2 expenses	310,191	178,652	131,539
Security services	2,198	35,399	(33,201)
Utilities	141,546	198,450	(56,904)
Other	533,693	367,436	166,257
Total Operating Expenses	3,425,476	3,092,486	332,990
Operating Income (Loss)	(1,919,863)	(1,608,965)	(310,898)
Non-Operating Revenue (Expense):			
Property taxes	932,081	911,862	20,219
Investment income (loss)	32,194	(4,531)	36,725
Grants and other income	929,839	1,186,822	(256,983)
Grant expense	(308,545)	(572,274)	263,729
Interest expense	(224,089)	(181,908)	(42,181)
Loss on disposal of capital asset	(5,000)	-	(5,000)
Other expenses	(91,192)	(11,646)	(79,546)
Total Non-Operating Revenue (Expense)	1,265,288	1,328,325	(63,037)
Increase (Decrease) In Net Position	$ (654,575)	$ (280,640)	$ (373,935)

Operating income increased $22,092 over the prior year. The 2015 decrease in net position includes $982,395 of depreciation expense, $310,191 of costs related to the Redwood Terminal 2 property, and $79,641 of one-time bond issuance costs for the bond refunding completed by the District in 2014/15.

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
June 30, 2015 and 2014

	2015	2014	% Change
Net Position as originally reported	$ 8,757,587	$10,004,957	-12.47%
Restatement for:			
Beginning net pension liability due to implementation of GASB 68		(657,452)	
Correction of accrued interest payable		111,011	
Correction of other post-employment benefit liability		(46,354)	
Net Position as restated	$ 8,757,587	$ 9,412,162	-6.95%

The 6.95 percent decrease can be attributed largely to $310,191 of expenses to repair and clean up the Redwood Terminal 2 property, $79,641 of one-time issuance costs incurred during the refinancing of the District's long-term debt and $982,395 in depreciation.

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2015 and the amounts and percentages of increases and decreases in relation to the prior year.

Table 4
Summary of Revenues

	2014/15 Amount	Percent of Total	Increase (Decrease) from 2013/14	Percent Increase (Decrease)
Revenues:				
Rents and leases	$ 635,067	18.68%	$ 98,643	18.4%
Slip rentals	742,512	21.84%	(21,071)	-2.8%
Pilotage services	9,436	0.28%	(53,864)	-85.1%
Harbor improvement surcharge	74,392	2.19%	11,230	17.8%
Other operating income	44,206	1.30%	(12,846)	-22.5%
Property taxes	932,081	27.42%	20,219	2.2%
Interest income	32,194	0.95%	36,725	-810.5%
Grants and other non-operating income	929,839	27.35%	(256,983)	-21.7%
Total Revenues	$ 3,399,727	100.00%	$ (177,947)	-5.0%

Grant revenue varies from year to year based on available grant funding. Total operating, property tax and interest income increased $79,036 over the prior year.

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, 2015

	Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues:			
Rents and leases	$ 701,000	$ 635,067	$ (65,933)
Slip rentals	826,000	742,512	(83,488)
Harbor improvement surcharge	97,028	74,392	(22,636)
Pilotage services	61,294	9,436	(51,858)
Other	37,275	44,206	6,931
Total Operating Revenue	1,722,597	1,505,613	(216,984)
Operating Expenses			
Salaries, wages and benefits	1,090,000	1,162,877	(72,877)
Depreciation	-	982,395	(982,395)
Boat building and repair facility	45,000	82,088	(37,088)
Professional services	275,500	210,488	65,012
Redwood Terminal 2 expense	80,000	310,191	(230,191)
Repairs and maintenance	90,000	120,295	(30,295)
Utilities	220,000	141,546	78,454
Other operating expenses	362,200	415,596	(53,396)
Total Operating Expenses	2,162,700	3,425,476	(1,262,776)
Operating Income (Loss)	(440,103)	(1,919,863)	(1,479,760)
Non-Operating Revenue (Expense):			
Property taxes	880,000	932,081	52,081
Investment income (loss)	20,000	32,194	12,194
Grants and other non-operating income	10,254,400	929,839	(9,324,561)
Grant expense	-	(308,545)	(308,545)
Interest expense	(367,676)	(224,089)	143,587
Other non-operating expense	(8,947,900)	(96,192)	8,851,708
Total Non-Operating Revenue (Expense)	1,838,824	1,265,288	(573,536)
Increase (Decrease) in Net Position	$ 1,398,721	$ (654,575)	$ (2,053,296)

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 in depreciation was due to the District's policy of budgeting for actual capital outlay for the year rather than depreciation expense. The unfavorable variance in Redwood Terminal 2 expense was due to higher than anticipated costs for repairs, as well as costs related to efforts to obtain new market tax credit funding. The unfavorable variance in grants and other non-operating income was due to new market tax credit revenue of $5.1 million being postponed to 2015/16, projected revenue of $2 million for the sale of the boiler at the Redwood Terminal 2 property not occurring in 2014/15, Coast Seafood loan proceeds for $1.25 million being included in the year-end financial statements as long-term debt rather than revenue, and $959,400 budgeted for a governmental grant that was not obtained in 2014/15. This unfavorable variance was offset by a favorable variance in other non-operating expenses, reflecting postponement of capital projects budgeted to be funded by the grant and other income. The unfavorable variance in grant expense is due to operating expenses incurred for projects funded by grants.

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2015 was $13,485,638. The total decrease in net capital assets from the prior year was 3.2 percent. This decrease was due to capital acquisitions being offset by the annual depreciation expense. There were no significant dispositions of capital assets in 2014/15.

Table 6
Comparative Schedule of Capital Assets
June 30, 2015 and 2014

	2015	2014
Land, buildings and improvements	$ 21,902,595	$ 20,208,271
Automotive equipment	88,316	88,316
Office and operating equipment	3,812,658	2,829,748
Dredging costs	2,690,121	2,690,121
Construction in progress	-	2,134,163
Marina restaurant work-in-progress	34,100	34,100
Subtotals	$ 28,527,790	$ 27,984,719
Less: Accumulated Depreciation	$ (15,042,152)	$ (14,059,758)
Capital Assets, net	$ 13,485,638	$ 13,924,961

Debt Administration

During 2014/15, the District refinanced its outstanding bonded debt along with the loans payable to the California Department of Boating and Waterways through a refunding bond, resulting in an estimated net present value savings of $171,421. The District incurred new debt of $1,156,375 through a loan from Coast Seafoods, Inc. to fund the cost of removal of toxic chemicals from the Redwood Terminal 2 site. In addition, due to implementation of GASB 68, the District recorded its proportionate share of the CalPERS state-wide unfunded net pension liability, resulting in a new long-term debt of $531,034. As part of the implementation of GASB 68, beginning net position was restated to include the previously unrecorded balance for the net pension liability. That previously unrecorded balance is reflected below in the 2014 column. The ending balances for June 30, 2015 and 2014 are presented below in Table 7.

Table 7
Debt And Other Long-Term Liabilities
June 30, 2015 and 2014

	2015	2014	
2014 refunding bond	$ 3,333,674	$ -	
2008 refunding bond	-	2,275,000	
Notes payable to CDBW	-	1,254,903	
Note payable to Coast Seafoods	1,156,375	-	
Note payable for Marina utility meters	112,874	151,408	
Other long-term liabilities:			
Other post-employment benefits	477,298	477,298	*
Net pension liability	531,034	728,101	*
Total	$ 5,611,255	$ 4,886,710	

* - Reflects restated balance. Previously reported $430,943 for other post-employment benefits, and zero for net pension liability.

ECONOMIC FACTORS

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

Local economic conditions for the fishing and shipping industries in Humboldt Bay have improved over the last two years, due to improved international markets for raw logs, investment by California Redwood Company in a new chip export facility, and improved commercial and sport fishing conditions. The District's efforts to improve economic conditions include acquisition and environmental clean-up of the Freshwater Tissue/Redwood Terminal 2 property beginning in 2013/14 and continuing into 2014/15, development of additional revenue sources at the Fields Landing boat repair facility, and the installation of utility pedestals to monitor and separately bill marina tenants for utility usage 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, which will increase oyster farming by adding 600 acres of tideland leases, creating over 50 jobs and increasing District annual revenues by over $265,000.

The Redwood Terminal 2 property acquired by the District in 2013/14 has been appraised at $3.8 million, for land and buildings only, after completion of the environmental clean-up. The capitalized amount in the District's financial statements is based on estimated total costs incurred and to be incurred by the District for the environmental remediation, plus 2013/14 building and land improvements on the site. The total capitalized amount at June 30, 2015 was $1,694,322. In addition, the site includes a large industrial boiler, generator, a water treatment plant, other equipment such as a 1.5 mile ocean outfall line, and air emission credits, that have non-appraised total estimated values in the range of $3 to $10 million. Due to an agreement with the Environmental Protection Agency (EPA) for potential recovery by the EPA of their costs incurred during their environmental cleanup of the site, any net proceeds from the sale of fixtures, improvements, or property from the Redwood Terminal 2 site prior to August 26, 2022 would be payable to the EPA, up to $13.28 million. The District is not obligated to pay the EPA from any other funding sources. Recently the District negotiated a new 20 year use agreement with DG Fairhaven Power for use of the District's ocean outfall line at $82,000/year with annual CPI increases of 2.5%. The power company's usage represents only 1.5% of the outfall line's capacity. The District is currently negotiating with potential new tenants at Redwood Terminal 2 property. Redwood Terminal 2 has significant deferred maintenance to buildings and utilities which need to be addressed in order to attract new tenants to the facility. The District anticipates using New Market Tax Credits and leverage loan to pay for an estimated $3 million in costs. Current revenues with two tenants are $154,000, which should increase to over $500,000 from new tenant leases over the next two years.

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, 2015

ASSETS:	
CURRENT ASSETS:	
Cash & cash equivalents	$ 1,043,196
Restricted cash & cash equivalents	1,067,058
Accounts receivable, net	115,959
Grants receivable	85,401
Interest receivable	3,587
Prepaid expenses	66,327
TOTAL CURRENT ASSETS	2,381,528
NONCURRENT ASSETS:	
Nondepreciable capital assets	4,952,628
Depreciable capital assets, net	8,533,007
Deposits (See Note 9)	620,368
TOTAL ASSETS	16,487,531
DEFERRED OUTFLOWS OF RESOURCES:	
Pension	75,091
Bond refunding	40,814
TOTAL DEFERRED OUTFLOWS OF RESOURCES	115,905
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	84,245
Accrued wages, payroll taxes & benefits	49,801
Unearned income	1,460,155
Environmental remediation liability	168,765
Accrued interest payable	91,469
Accrued vacation payable	71,162
Accrued sick leave payable	53,602
Customer deposits payable	62,307
Current portion of notes payable	1,366,236
TOTAL CURRENT LIABILITIES	3,407,742
LONG-TERM LIABILITIES:	
Other postemployment benefits obligation	477,298
Pension liability	531,034
Notes payables, net	3,236,687
TOTAL LIABILITIES	7,652,761
DEFERRED INFLOWS OF RESOURCES:	
Pension	193,088
NET POSITION:	
Net investment in capital assets	10,807,428
Restricted	-
Unrestricted	(2,049,841)
TOTAL NET POSITION	$ 8,757,587

See accompanying notes.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2015

OPERATING REVENUES:	
Sales & permits	$ 22,235
Marina slip rentals, utility, & dredging surcharges	742,512
Pilotage services	9,436
Rents & leases	635,067
Harbor improvement surcharge	74,392
Other revenue	21,971
TOTAL OPERATING REVENUES	1,505,613
OPERATING EXPENSES:	
Payroll & related costs	1,162,877
Commissioners' fees	25,200
Accounting & auditing	49,821
Advertising & promotion	7,104
Automobile expense	51,854
Bad debt	19,539
Boat building & repair facility	82,088
Communications	13,498
Conferences & meetings	30,678
Depreciation	982,395
Dues & subscriptions	36,253
Elections & property tax administration fee	25,191
Insurance	65,520
Legal & other professional fees	160,667
Office expense	53,268
Operating supplies	9,586
Outside services	2,198
Redwood Terminal 2 expenses	310,191
Repairs, maintenance, & small tools	159,873
Utilities	141,546
Other operating expenses	36,129
TOTAL OPERATING EXPENSES	3,425,476
OPERATING INCOME (LOSS)	(1,919,863)
NONOPERATING REVENUES (EXPENSES):	
General property taxes	932,081
Investment income (loss)	32,194
Other government grants (see note 1)	368,908
Grant expenses (see note 1)	(308,545)
Other nonoperating income (see note 1)	560,931
Interest expense	(224,089)
Cost of issuance	(79,641)
Harbor deepening project	(2,830)
Loss on disposal of capital asset	(5,000)
Other nonoperating expenses	(8,721)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,265,288
CHANGE IN NET POSITION	(654,575)
BEGINNING NET POSITION, AS RESTATED (SEE NOTE 1)	9,412,162
ENDING NET POSITION	$ 8,757,587

See accompanying notes.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$	1,236,178
Payments to suppliers		(1,387,441)
Payments to employees		(1,206,319)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(1,357,582)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes for general operations		932,081
Receipt of grant & contract funds from other governments		431,068
Expenditures of grant funds		(324,399)
Other nonoperating receipts		530,931
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		1,569,681
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Payments to acquire, construct & improve capital assets		(1,577,861)
Proceeds on line of credit		1,156,375
Principal payments on notes payable and 2004 bonds		(386,115)
Interest paid		(209,957)
Deposits		(274,000)
Other payments made on harbor projects		(2,830)
Payments for other nonoperating costs		(8,721)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES		(1,303,109)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		33,568
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		(1,057,442)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		3,167,696
CASH & CASH EQUIVALENTS AT END OF YEAR	$	2,110,254
FINANCIAL STATEMENT PRESENTATION RECONCILIATION:		
Cash & cash equivalents	$	1,043,196
Restricted cash equivalents, current		1,067,058
CASH & CASH EQUIVALENTS AT END OF YEAR	$	2,110,254
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (loss)	$	(1,919,863)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation		982,395
Bad debt		19,539
Changes in assets & liabilities:		
Accounts receivable		15,866
Prepaid expenses		50,772
Accounts payable - related to operating activities		(202,748)
Accrued liabilities		(9,820)
Pension liability		(8,422)
Deposits & other		29
Unearned income		(285,330)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	(1,357,582)
NONCASH CAPITAL & RELATED FINANCING ACTIVITIES		
Proceeds on 2014 refunding bonds	$	3,333,674
Repayment of 2004 bonds principal redemption		(2,180,000)
Payment for 2004 bond call premium		(43,600)
Redemption of California Department of Boating and Waterways loans		(1,241,382)
Payments for bond issuance costs		(79,641)

See accompanying notes.

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.

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.

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.

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.

Change in Accounting Principle

During the year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB No. 68). The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with pensions. The impact of adoption of GASB No. 68 on the District is to retroactively restate the net position is detailed below.

Prior Period Error Correction

During the year ended June 30, 2015, the District determined accrued interest payable accrued in prior years to be overstated by $111,100. During the year ended June 20, 2015, the District determined the treatment of the other postemployment benefit liability to be understated by $46,355. The impact of recording these prior period error corrections on the District is to District is to retroactively restate the net position is detailed below.

Net position as of July 1, 2014, as previously stated:	$ 10,004,957
Decrease due to retroactive application of GASB No. 68 requiring the initial pension liability to be recorded June 1, 2013	(728,101)
Contributions for the year ending June 30, 2014 reported as deferred ouflows	70,649
Prior period adjustment to correct overstatement of accrued interest payable	111,012
Prior period adjustment to correct the misstatement to other postemployment benefits obligation	(46,355)
Net position as of July 1, 2014, as restated:	$ 9,412,162

Accrued interest payable as of June 30, 2014, as previously stated:	$ 219,247
Decrease to reverse the overstatement of accrued interest related to the Department of Boating and Waterways notes payable	(111,012)
Accrued interest payable as of June 30, 2014, as restated:	$ 108,235

Other postemployment benefits obligation as of June 30, 2014, as previously stated:	$ 430,943
Increase to reverse the impact of the negative adjustment recorded in the prior year	46,355
Accrued postemployment benefits obligation as of June 30, 2014, as restated:	$ 477,298

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.

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 nonoperating 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.

Budget and Budgetary Accounting

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

Allowance for Doubtful Accounts

The District evaluates the collectability of receivables in order to determine the allowance for doubtful accounts. As of June 30, 2015, the District recorded an allowance for doubtful accounts of $90,271. Based on historical experience, the District does not expect additional amounts to become uncollectible, 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.

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.

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:

Equipment	3 - 10 Years
Dredging projects	7 Years
Buildings and improvements	20 - 40 Years

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.

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

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.

Property Taxes

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

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.

Postemployment Benefits other than Pensions

The District accounts for postemployment benefits other than pensions in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB No. 45). The District records a liability on the Statement of Net Position for the difference between the amount the District contributes for retirees and the actuarially required contribution for funding postemployment benefits other than pension benefits. An actuarial computation of the required contribution was made for the year ended June 30, 2013 and rolled forward for the years ending June 30, 2014 and 2015 (see Note 6).

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.

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, 2015. 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, 2015 is classified in the accompanying financial statements as follows:

Cash and cash equivalents - current assets	$ 1,043,196
Cash and cash equivalents - restricted assets - current	1,067,058
Total cash and cash equivalents	$ 2,110,254

Cash and cash equivalents - restricted assets - current includes $1.0 million of the PG&E funding which has not been used and is recorded within unearned income on the statement of net position as of June 30, 2015.

Cash, cash equivalents, and investment at June 30, 2015, consists of the following:

Cash on hand	$ 405
Deposits held with financial institutions	359,063
Deposits held with the County Treasurer's Investment Pool	1,750,786
Total cash and cash equivalents	$ 2,110,254

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

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 $416,658 as of June 30, 2015. The District had no custodial credit risk exposure since its deposits were either insured or collateralized 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 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 is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the external investment pool with the County Treasury is not rated.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2015, are as follows:

	06/30/14	Additions	Retirements and Transfers	06/30/15
Nondepreciable capital assets:				
Marina	$ 2,556,121	$ -	$ -	$ 2,556,121
Fields Landing	1,038,099	-	-	1,038,099
King Salmon	14,716	-	-	14,716
Redwood Dock	859,000	-	-	859,000
Marina restaurant complex	34,100	-	-	34,100
Shelter Cove breakwater projects	235,365	-	-	235,365
Dredging costs	215,227	-	-	215,227
Construction in progress	2,134,163	543,069	(2,677,232)	-
Total nondepreciable capital assets	7,086,791	543,069	(2,677,232)	4,952,628

Included in construction in progress as of June 30, 2014 is $1,606,178 related to Redwood Terminal 2 and $527,985 of components of a new dredge. Construction in progress as of June 30, 2015 is related to Redwood Terminal 2.

	06/30/14	Additions	Retirements and Transfers	06/30/15
Depreciable capital assets:				
Automotive equipment	88,316	-	-	88,316
Dredge	-	-	982,910	982,910
Office equipment	193,303	-	-	193,303
Operating equipment	286,039	5,000	(5,000)	286,039
Marina facilities	7,946,214	-	-	7,946,214
Aquaponics pilot facility	96,037	-	-	96,037
Fields Landing facilities	3,264,161	-	-	3,264,161
Shelter Cove facilities	2,142,972	-	-	2,142,972
King Salmon improvements	428	-	-	428
Marina dredging 2005	2,474,894	-	-	2,474,894
Redwood Dock facilities	2,151,195	-	-	2,151,195
Redwood Terminal 2	-	-	1,694,322	1,694,322
Homeland security equipment	2,254,008	-	-	2,254,008
Table Bluff equipment	361	-	-	361
Total depreciable capital assets	20,897,928	5,000	2,672,232	23,575,160
Accumulated depreciation	(14,059,758)	(982,395)	-	(15,042,153)
Net depreciable capital assets	6,838,170	(977,395)	2,672,232	8,533,007
Total capital assets, net	$ 13,924,961	$ (434,326)	$ (5,000)	$ 13,485,635

Total depreciation expense charged to operations for the year ended June 30, 2015 was $982,395.

Loss on disposal of capital assets for the year ended June 30, 2015 was $5,000.

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable for the fiscal year ended June 30, 2015:

	Balance 06/30/14	Principal Additions	Principal Reductions	Balance 06/30/15	Classification Current Portion	Classification Long-Term Portion
California Department of Boating and Waterways:						
Note 2	$ 520,815	$ -	$ (520,815)	$ -	$ -	$ -
Note 3	673,190	-	(673,190)	-	-	-
Note 4	60,897	-	(60,897)	-	-	-
Refunding Bonds:						
Series 2004	2,275,000	-	(2,275,000)	-	-	-
Series 2014	-	3,333,674	-	3,333,674	169,154	3,164,520
Coast Seafoods:						
Line of Credit	-	1,156,375	-	1,156,375	1,156,375	-
Tri Counties Bank						
Note	151,408	-	(38,534)	112,874	40,707	72,167
	$3,681,310	$4,490,049	$(3,568,436)	$4,602,923	$1,366,236	$ 3,236,687

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 5.417 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 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 District completed the refunding to reduce its total debt service. The refunding resulted in a total reduction in debt service payments over the next 17 years by $340,503. The present value of this amount is $171,421, using a discount rate of 3.1 percent.

The bond debt service is as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ 169,154	$ 138,416	$ 307,570
2017	179,648	127,922	307,570
2018	187,089	120,481	307,570
2019	194,838	112,732	307,570
2020	202,909	104,661	307,570
2021 to 2025	1,147,793	390,057	1,537,850
2026 to 2030	1,252,243	131,831	1,384,074
Total	$ 3,333,674	$ 1,126,100	$ 4,459,774

Coast Seafoods Line of Credit:
The District has a letter of credit agreement with Coast Seafoods Company for up to $1.25 million. As of June 30, 2015, the District has borrowed $1.16 million from Coast Seafoods Company, at 3.5% annual interest. The loan maturity date is May 31, 2016. The primary purpose of this letter of credit was to finance the trucking of the hazardous materials from the Humboldt Bay Region to a pulp mill in the state of Washington, which began in April 2014 and completed in September 2014.

Tri Counties Bank Note Payable:
In February 2013, the District obtained a loan from Tri Counties Bank (was North Valley Bank) for $200,000, at a fixed interest rate of 5.5%, due February 2018. The District pledged collateral in the form of utility power pedestals for the Marina.

Year Ending June 30	Principal	Interest	Total
2016	$ 40,706	$ 5,214	$ 45,920
2017	43,003	2,918	45,921
2018	29,166	1,051	30,217
Total	$ 112,875	$ 9,183	$ 122,058

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 5 years of service. Currently, two retirees meet the retirement or the disability retirement eligibility criteria.

Plan Description
The District administers a single-employer defined benefit healthcare plan which provides healthcare insurance for eligible retirees and their 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.

Funding Policy

The District funds post-employment health benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2015, the District's contributions for post-employment health benefit costs were $0.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated on the annual required contribution to the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's OPEB obligation to the plan.

Annual required contribution	$ 29,567
Interest on net OPEB obligation	19,393
Adjustment to annual required contribution	(48,960)
Annual OPEB cost	-
Contributions made:	
Premiums paid	-
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	477,298
Net OPEB obligation - end of year	$ 477,298

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ -	$ -	0.0%	$ 477,298
June 30, 2014	$ -	$ -	0.0%	$ 477,298
June 30, 2013	$ 169,997	$ 7,000	4.2%	$ 477,298
June 30, 2012	$ 111,988	$ 7,618	6.8%	$ 314,301
June 30, 2011	$ 105,341	$ 6,200	5.9%	$ 209,931

As of June 30, 2015, the actuarial accrued liability for benefits was $222,811, all of which was unfunded.

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

Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 61, or at the first subsequent year in which the member would qualify for benefits.

Marital Status – 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

Mortality - Life expectancies at the calculation date are based on the mortality tables provided by CalPERS.

Turnover - The probability that an employee will remain employed until the assumed retirement age was determined using miscellaneous employee turnover data provided by CalPERS.

Healthcare cost trend rate - Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 4%.

Payroll increase - Payroll for current employees is expected to increase at the rate of approximately 3.0% annually.

Discount rate - The calculation uses an annual discount rate of 5.0%. This is based on the assumed long-term return on employer assets.

Actuarial cost method - The entry age normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was five years.

NOTE 6 - PENSION PLAN

A. General Information about the Pension Plan

Plan Description - All qualified full-time and part-time employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information. These reports can be obtained at CalPERS' website under "Forms and Publications".

Benefits Provided - CalPERS 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. Members hired prior to January 1, 2013 with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013 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 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2015 are summarized as follows:

Hire Date	Prior to January 15, 2011	January 15, 2011 through December 31, 2012	On or After January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
"Monthly benefits, as a % of eligible compensation"	1.10% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
"Required employee contribution rates"	6.891%	6.891%	6.891%
"Required employer contribution rates"	9.875%	9.875%	9.875%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate is 6.891 percent of annual pay, and the employer's contribution rate is 9.875 percent of annual payroll. It is the responsibility of the District to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$ 68,939
Contributions - employee (paid by employer)	-
Total	$ 68,939

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability in the amount of $531,034.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 Plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 was as follows:

Portion at June 30, 2013	0.0222%
Portion at June 30, 2014	0.0215%
Increase	$ 0.0007%

For the year ended June 30, 2015, the District recognized pension expense of $67,092. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outlows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 75,091	$ -
Differences between the employer's contributions and the employer's proportionate share of contributions:		
Change in employer's proportion	-	12,634
Net differences between projected and actual earnings on plan investments	-	180,454
Total	$ 75,091	$ 193,088

$75,091 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year Ending June 30	Pension Expense (Decrease)
2016	$ (49,626)
2017	(49,626)
2018	(48,723)
2019	(45,112)
Total	$ (193,087)

Actuarial Assumptions - For the measurement period ended June 30, 2014 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities for the Plan were based on the following actuarial assumptions:

Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5% (a)
Mortality	Derived using CalPERS's membership data for all funds
"Post Retirement Benefit Increase"	Contract COLA up to 2.75% until purchasing power protection allowance floor applies, 2.75% thereafter

(a) Net of pension plan investment expense, including inflation.

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can found on the CalPERS website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a 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. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS deemed this difference to be immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS changes its methodology.

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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

	Discount Rate Less 1% (6.5%)	Current Discount (7.5%)	Discount Rate plus 1% (8.5%)
Net pension liability	$ 950,006	$ 531,034	$ 183,327

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports available on CalPERS' website under Forms and Publications.

C. Payable to the Pension Plan

At June 30, 2015, the District reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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 - JOINT VENTURES

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

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

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Pulp Mill Property

In August 2013, the District entered into a purchase and sale agreement to purchase a 72-acre parcel (Parcel A) on the Samoa peninsula from the Freshwater Tissue Company at no cost. The District assumed responsibility for everything that remains on the parcel which includes: a power plant, water treatment plant, buildings and stored hazardous materials. In June 2014, the District entered into a purchase agreement for Parcels B and C, paying $320,000 to obtain the right to purchase these parcels. In April 2015, the District paid $274,000 for the right to purchase an additional portion of Parcel B. These payments are recorded within deposits as of June 30, 2015.

The District estimates the clean-up costs associated with Parcel A to range from $8.5 million to $14.0 million, of which the District is expected to be responsible for $1.5 million to $2.0 million. The District estimates the fair value of the assets acquired to range from $8.0 million to $21.0 million. On June 30, 2014, the District recorded an environmental remediation liability of $1.2 million, representing the $1.5 million cost estimate, reduced by $300,000 in costs paid during the year ended June 30, 2014. The District has paid $1,029,792 of these costs during the year ended June 30, 2015.

The above costs represent significant management estimates and actual results could differ.

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, 2015, approximately $1 million 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.

Litigation

In October 2015, a case was filed in the Humboldt County Superior Court alleging a conflict of interest. The District has not recorded a liability related to this litigation as the District believes the likelihood of a material adverse effect on the District's financial statements as a result of this litigation is remote.

NOTE 10 - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through February 15, 2016, 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, 2015.

Subsequent to June 30, 2015, the District is in the process of applying for New Market Tax Credits to pay for an estimated $3.0 million Redwood Terminal 2 improvements.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2015

	June 30, 2015
Plan's proportion of the net pension liability	0.008530%
Plan's proportionate share of the net pension liability	$ 531,034
Plan's covered-employee payroll	$ 730,490
Plan's proportionate share of the net pension liability as percentage of covered-employee payroll	72.70%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.19%

NOTES TO SCHEDULE:
Benefit changes: There were no changes to benefit terms.

Changes in assumptions:. There were no changes in assumptions.

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
June 30, 2015

	June 30, 2015
Contractually required contribution (actuarially determined)	$ 68,939
Contribution in relation to the actuarially determined contribution	(68,939)
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 730,490
Contributions as a percentage of covered-employee payroll	9.44%

NOTES TO SCHEDULE:

Actuarial valuation date June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial funding method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years (a)
Asset valuation method	Smoothed value
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5%, net of pension plan investment expense
Retirement age	60 years
Mortality	CalPERS Mortality Experience Study

(a) Actuarial Policy ACT-96-0SE specifies that all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and the net unamortized gain or loss is amortized as a rolling 30-year amortization with the exception of gains and losses in fiscal years 2008-09, 2009-10 and 2010-11 in which each years' gains or losses will be isolated and amortized over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization). Also, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. Finally, all plans are subject to a minimum employer contribution rate equal to the employer normal cost plus a 30-year amortization of surplus, if any.

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
June 30, 2015

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) - Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of Payroll ([a-b]/c)
June 30, 2013	$ 1,081,824	$ -	$ 1,081,824	0.00%	$ 715,336	151.20%
June 30, 2010	716,234	-	716,234	0.00%	695,704	103.00%

Note (1) The District sponsors and administers a single-employer defined benefit postemployment healthcare plan (the Plan) to provide healthcare benefits to eligible retired employees and their dependents. The above schedule presents information about the funded status for the Plan's two actuarial valuations (in thousands).

Note (2) Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Information regarding the actuarial methods and assumptions for the above actuarial valuation can be found in Note 5 to the basic financial statements. The next actuarial valuation will be performed during fiscal year ended June 30, 2016.

SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
For the Year Ended June 30, 2015

	Unrestricted	Tidelands Trust	Total
OPERATING REVENUES:			
Sales & permits	$ 9,159	$ 13,076	$ 22,235
Marina slip rentals, utility, & dredging surcharges	-	742,512	742,512
Pilotage services	-	9,436	9,436
Rents & leases	336,651	298,416	635,067
Harbor improvement surcharge	-	74,392	74,392
Other revenue	7,080	14,891	21,971
TOTAL OPERATING REVENUES	352,890	1,152,723	1,505,613
OPERATING EXPENSES:			
Payroll & related costs	350,925	811,952	1,162,877
Commissioners' fees	5,040	20,160	25,200
Accounting & auditing	49,552	269	49,821
Advertising & promotion	2,945	4,159	7,104
Automobile expense	6,798	45,056	51,854
Bad debt	-	19,539	19,539
Boat building & repair facility	82,088	-	82,088
Communications	5,451	8,047	13,498
Conferences & meetings	12,026	18,652	30,678
Depreciation	982,395	-	982,395
Dues & subscriptions	19,025	17,228	36,253
Elections & property tax administration fee	12,595	12,596	25,191
Insurance	27,400	38,120	65,520
Legal & other professional fees	40,219	120,448	160,667
Office expense	18,760	34,508	53,268
Operating supplies	3,085	6,501	9,586
Outside services	440	1,758	2,198
Redwood Terminal 2 expenses	310,191	-	310,191
Repairs, maintenance, & small tools	50,483	109,390	159,873
Utilities	47,521	94,025	141,546
Other operating expenses	36,129	-	36,129
TOTAL OPERATING EXPENSES	2,063,068	1,362,408	3,425,476
OPERATING INCOME (LOSS)	(1,710,178)	(209,685)	(1,919,863)
NONOPERATING REVENUES (EXPENSES):			
General property taxes	932,081	-	932,081
Investment income	9,925	22,269	32,194
Other government grants	162	368,746	368,908
Grant expenses	(460)	(308,085)	(308,545)
Other nonoperating income	42,791	518,140	560,931
Interest expense	(95,408)	(128,681)	(224,089)
Cost of issuance	(79,641)	-	(79,641)
Harbor deepening project	-	(2,830)	(2,830)
Loss on disposal of capital asset	-	(5,000)	(5,000)
Other nonoperating expenses	(8,721)	-	(8,721)
TOTAL NONOPERATING REVENUES (EXPENSES)	800,729	464,559	1,265,288
CHANGE IN NET POSITION	$ (909,449)	$ 254,874	$ (654,575)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES -
MARINA AND GENERAL
For the Year Ended June 30, 2015

	Marina	General	Total
OPERATING REVENUES:			
Sales & permits	$ 12,894	$ 9,341	$ 22,235
Marina slip rentals, utility, & dredging surcharges	742,512	-	742,512
Pilotage services	-	9,436	9,436
Rents & leases	102,286	532,781	635,067
Harbor improvement surcharge	-	74,392	74,392
Other revenue	15,264	6,707	21,971
TOTAL OPERATING REVENUES	872,956	632,657	1,505,613
OPERATING EXPENSES:			
Payroll & related costs	319,885	842,992	1,162,877
Commissioners' fees	7,560	17,640	25,200
Accounting & auditing	23,741	26,080	49,821
Advertising & promotion	855	6,249	7,104
Automobile expense	9,397	42,457	51,854
Bad debt	19,539	-	19,539
Boat building & repair facility	-	82,088	82,088
Communications	3,009	10,489	13,498
Conferences & meetings	390	30,288	30,678
Depreciation	462,996	519,399	982,395
Dues & subscriptions	8	36,245	36,253
Elections & property tax administration fee	-	25,191	25,191
Insurance	36,876	28,644	65,520
Legal & other professional fees	3,348	157,319	160,667
Office expense	23,563	29,705	53,268
Operating supplies	9,586	-	9,586
Outside services	2,104	94	2,198
Redwood Terminal 2 expenses	-	310,191	310,191
Repairs, maintenance, & small tools	69,408	90,465	159,873
Utilities	130,741	10,805	141,546
Other operating expenses	-	36,129	36,129
TOTAL OPERATING EXPENSES	1,123,006	2,302,470	3,425,476
OPERATING INCOME (LOSS)	(250,050)	(1,669,813)	(1,919,863)
NONOPERATING REVENUES (EXPENSES):			
General property taxes	88,000	844,081	932,081
Investment income	-	32,194	32,194
Other government grants	-	368,908	368,908
Other nonoperating income	2,097	558,834	560,931
Grant expenses	-	(308,545)	(308,545)
Interest expense	(61,475)	(162,614)	(224,089)
Cost of issuance	-	(79,641)	(79,641)
Harbor deepening project	-	(2,830)	(2,830)
Loss on disposal of capital asset	-	(5,000)	(5,000)
Other nonoperating expenses	(112)	(8,609)	(8,721)
TOTAL NONOPERATING REVENUES (EXPENSES)	28,510	1,236,778	1,265,288
CHANGE IN NET POSITION	$ (221,540)	$ (433,035)	$ (654,575)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
For the Year Ended June 30, 2015

	Marina		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Sales & permits	$ 15,100	$ 12,894	$ (2,206)
Marina slip rentals, utility, & dredging surcharges	826,000	742,512	(83,488)
Rents & leases	35,000	102,286	67,286
Other revenue	17,600	15,264	(2,336)
TOTAL OPERATING REVENUES	893,700	872,956	(20,744)
OPERATING EXPENSES:			
Payroll & related costs	166,500	319,885	(153,385)
Commissioners' fees	-	7,560	(7,560)
Accounting & auditing	6,000	23,741	(17,741)
Advertising & promotion	3,500	855	2,645
Automobile expense	7,000	9,397	(2,397)
Bad debt	-	19,539	(19,539)
Communications	8,540	3,009	5,531
Conferences & meetings	3,000	390	2,610
Depreciation	-	462,996	(462,996)
Dues & subscriptions	5,000	8	4,992
Elections	5,000	-	5,000
Insurance	12,500	36,876	(24,376)
Legal & other professional fees	23,750	3,348	20,402
Office expense	16,000	23,563	(7,563)
Operating supplies	5,500	9,586	(4,086)
Outside services	-	2,104	(2,104)
Redwood Terminal 2 expenses	-	-	-
Repairs, maintenance, & small tools	60,000	69,408	(9,408)
Utilities	190,000	130,741	59,259
TOTAL OPERATING EXPENSES	512,290	1,123,006	(610,716)
OPERATING INCOME (LOSS)	381,410	(250,050)	(631,460)
NONOPERATING REVENUES (EXPENSES):			
General property taxes	88,000	88,000	-
Other nonoperating income	-	2,097	2,097
Interest expense	-	(61,475)	(61,475)
Other nonoperating expenses	-	(112)	(112)
TOTAL NONOPERATING REVENUES (EXPENSES)	88,000	28,510	(59,490)
CHANGE IN NET POSITION	$ 469,410	$ (221,540)	$ (690,950)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENTS OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
For the Year Ended June 30, 2015

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Sales & permits	$ 1,500	$ 9,341	$ 7,841
Pilotage services	61,294	9,436	(51,858)
Rents & leases	666,000	532,781	(133,219)
Harbor improvement surcharge	97,028	74,392	(22,636)
Other revenue	3,075	6,707	3,631
TOTAL OPERATING REVENUES	828,897	632,657	(196,241)
OPERATING EXPENSES:			
Payroll & related costs	926,500	842,992	83,508
Commissioners' fees	25,200	17,640	7,560
Accounting & auditing	25,000	26,080	(1,080)
Advertising & promotion	3,500	6,249	(2,749)
Automobile expense	24,000	42,457	(18,457)
Boat building & repair facility	45,000	82,088	(37,088)
Communications	5,460	10,489	(5,029)
Conferences & meetings	25,000	30,288	(5,288)
Depreciation	-	519,399	(519,399)
Dues & subscriptions	29,000	36,245	(7,245)
Elections & property tax administration fee	20,000	25,191	(5,191)
Insurance	72,500	28,644	43,856
Legal & other professional fees	220,750	157,319	63,431
Office expense	25,000	29,705	(4,705)
Operating supplies	1,500	-	1,500
Outside services	-	94	(94)
Redwood Terminal 2 expenses	80,000	310,191	230,191
Repairs, maintenance, & small tools	65,000	90,465	(25,465)
Utilities	30,000	10,805	19,195
Other operating expenses	27,000	36,129	(9,129)
TOTAL OPERATING EXPENSES	1,650,410	2,302,470	(191,678)
OPERATING INCOME (LOSS)	(821,513)	(1,669,813)	(387,919)
NONOPERATING REVENUES (EXPENSES):			
General property taxes	792,000	844,081	52,081
Investment income	20,000	32,194	12,194
Other government grants	6,604,400	368,908	(6,235,492)
Other nonoperating income	3,650,000	558,834	(3,091,166)
Grant expenses	-	(308,545)	(308,545)
Interest expense	(221,990)	(162,614)	59,376
Cost of issuance	-	(79,641)	(79,641)
Harbor deepening project	-	(2,830)	(2,830)
Loss on disposal of capital asset	-	(5,000)	(5,000)
Other nonoperating expenses	(16,000)	(8,609)	7,391
TOTAL NONOPERATING REVENUES (EXPENSES	10,828,410	1,236,778	(9,591,632)
CHANGE IN NET POSITION	$ 10,006,897	$ (433,035)	$ (9,979,551)

REPORT ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

Hunter, Hunter & Hunt, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Members of the AICPA

1315 Fourth Street
Eureka, California 95501

Phone 707-476-0674
Fax 707-476-0675
www.hhh-cpa.com

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, 2015, and the related notes to the financial statements, which comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2016.

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.

Hunter, Hunter & Hunt

February 15, 2016