HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

Harshwal & Company LLP
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HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

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JUNE 30, 2017

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, 2017, 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.

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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, 2017, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humboldt Bay Harbor, Recreation and Conservation District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018, 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.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Oakland, California
January 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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 $458,679, or 26.8 percent.
- The District's operating expenses decreased by $6,287, or 0.2 percent, mainly due to decreases in salaries and wages, depreciation expense, and Redwood Terminal 2 expenses.
- General revenues from taxes, interest, and investments accounted for $1,171,834 in revenues or 29 percent of all revenues.
- The District had total expenditures of $3,948,757 and total revenue of $3,994,164. The resulting increase in net position of $45,407 includes net government grant income of $27,302, depreciation expense in the amount of $983,100 and expenses for repair and operations of the Redwood Terminal 2 in the amount of $195,904.
- The balance of long-term debt has decreased $208,400 from the prior fiscal year due to scheduled debt service payments.

USING THIS ANNUAL REPORT

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

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

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

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

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, 2017 and 2016

	2017	2016	Increase (Decrease)
Assets:			
Cash	$ 1,877,789	$ 1,229,676	$ 648,113
Receivable	249,658	334,968	(85,310)
Other Assets	58,906	21,119	37,787
New Market Loan Receivable	5,849,375	5,849,375	
Capital Assets Net	12,518,651	13,361,316	(842,665)
Total Assets	20,554,379	20,796,454	(242,075)
Deferred Outflows of Resources			
Related to Pensions	282,524	108,626	173,898
Total Assets and Deferred Outflows of Resources	20,836,903	20,905,080	(68,177)
Liabilities			
Payables and Other Liabilities	418,148	461,016	(42,868)
Unearned Income	5,196,218	5,002,292	193,926
Environment Remediation Liability	103,562	120,039	(16,477)
Current Portion of Long-Term Debt	1,322,188	313,450	1,008,738
Net Pension Liability	780,795	546,686	234,109
Other Long-term Debt	4,680,198	6,131,445	(1,451,247)
Total Liabilities	12,501,109	12,574,928	(73,819)
Deferred Inflows of Resources			
Related to Pension	90,449	130,214	(39,765)
Total Deferred Inflows of Resources	90,449	130,214	(39,765)
Net Position:			
Net Investment in Capital Assets	10,143,705	10,820,996	(677,291)
Unrestricted	(1,898,360)	(2,621,058)	722,698
Total Net Position	8,245,345	8,199,938	45,407
Total Liabilities, Net Position, and Deferred Inflows of Resources	$ 20,836,903	$ 20,905,080	$ (68,177)

Net position of the District Increased 0.6 percent, or $45,407.

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, 2017 and 2016

	2017	2016	Increase (Decrease)
Operating Revenues:			
Rent and Lease	$ 1,231,738	$ 866,290	$ 365,448
Slip Rentals	738,443	743,045	(4,602)
Harbor Improvement Surcharge	77,438	62,271	15,167
Other Revenue	125,398	42,732	82,666
Total Operating Revenue	2,173,017	1,714,338	458,679
Operating Expenses:			
Salaries, Wages and Benefits	1,253,577	1,312,441	(58,864)
Depreciation	983,100	1,027,610	(44,510)
Field Landing Expenses	56,614	58,476	(1,862)
Professional Services	314,917	228,676	86,241
Redwood Terminal 2 Expenses	195,904	301,199	(105,295)
Utilities	168,164	164,616	3,548
Other	662,548	548,093	114,455
Total Operating Expenses	3,634,824	3,641,111	(6,287)
Operating Income (Loss)	(1,461,807)	(1,926,773)	464,966
Non-Operating Revenue (Expense):			
General Property Taxes	999,051	974,197	24,854
Investment Income (Loss)	172,783	60,790	111,993
Grants and Other Income	649,313	744,325	(95,012)
Grant Expenses	(48,816)	(197,099)	148,283
Interest Expenses	(263,896)	(210,703)	(53,193)
Other Non-Operating Expenses	(1,221)	(2,386)	1,165
Total Non-Operating Revenue (Expense)	1,507,214	1,369,124	138,090
Increase (Decrease) In Net Position	$ 45,407	$ (557,649)	$ 603,056

Operating income increased $458,679 over the prior year, while operating expenses decreased $6,287, including a $105,295 decrease in Redwood Terminal 2 expenses.

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, 2017 and 2016

	2017	2016	% Change
Net Position, June 30	$8,245,345	$ 8,199,938	0.55 %

The 0.55 percent increase is due to increased rent and lease income and decreases in operating expenses

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2017 and the amounts and percentages of increases and decreases in relation to the prior year.

Table 4
Summary of Revenue

	2016/17 Amount	Percent of Total	Increase (Decrease) from 2015/16	Percent Increase (Decrease)
Revenues:				
Rent and Lease	$1,231,738	30.84 %	$ 365,448	42.2 %
Slip Rentals	738,443	18.49 %	(4,602)	(0.6)%
Harbor Improvement Surcharge	77,438	1.94 %	15,167	24.4 %
Other Operating Income	125,398	3.14 %	82,666	193.5 %
General Property Taxes	999,051	25.01 %	24,854	2.6 %
Interest Income	172,783	4.33 %	111,993	184.2 %
Grant and Other Non-Operating Income	649,313	16.26 %	(95,012)	(12.8)%
Total Revenues	$3,994,164	100.00 %	$ 500,514	14.3 %

Rents and leases increased due to increased revenues from Redwood Terminal 2 and Shelter Cove. Grant revenue varies from year to year based on available grant funding. Interest income increased due to interest payments received on the New Market Tax Credit note receivable, which was not in place for the entire 2015/16 fiscal 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, 2017

	Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues:			
Rent and Lease	$ 1,287,682	$ 1,231,738	$ (55,944)
Slip Rentals	769,500	738,443	(31,057)
Harbor Improvement Surcharge	60,000	77,438	17,438
Other Revenue	108,329	125,398	17,069
Total Operating Revenue	2,225,511	2,173,017	(52,494)
Operating Expenses			
Salaries, Wages and Benefits	1,334,564	1,253,577	80,987
Depreciation		983,100	(983,100)
Field Landing Expenses	56,000	56,614	(614)
Professional Services	178,000	314,917	(136,917)
Redwood Terminal 2 Expenses	90,000	195,904	(105,904)
Repairs and Maintenance	107,490	87,447	20,043
Utilities	185,000	168,164	16,836
Other Operating Expenses	432,251	575,101	(142,850)
Total Operating Expenses	2,383,305	3,634,824	(1,251,519)
Operating Income (Loss)	(157,794)	(1,461,807)	(1,304,013)
Non-Operating Revenue (Expense):			
General Property Taxes	932,081	999,051	66,970
Investment Income (Loss)	20,000	172,783	152,783
Grant and Other Non-Operating Income	880,028	649,313	(230,715)
Grant Expenses	(365,528)	(48,816)	316,712
Interest Expenses	(560,619)	(263,896)	296,723
Other Non-Operating Expenses	(726,500)	(1,221)	725,279
Total Non-Operating Revenue (Expense)	179,462	1,507,214	1,327,752
Increase (Decrease) in Net Position	$ 21,668	$ 45,407	$ 23,739

Final Budget versus Actual Results

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

The unfavorable variance of $983,100 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 of $136,917 in professional services was due to increased use of accounting and planning professionals as a result of decreased District staffing, as well as increases due to dredging and eelgrass mitigation planning and engineering services. The unfavorable variance of $105,9040 in Redwood Terminal 2 expenses was due to higher than anticipated costs to repair and renovate the facilities. The unfavorable variance of $142,850 in other operating expenses was due mainly to payments on the ground lease for Redwood Terminal 2. The unfavorable of $230,715 variance in grants and other non-operating income was due to grants that were budgeted but not received. This unfavorable variance is offset by a favorable variance of $316,712 in the grant expense. The favorable variance of $296,723 in interest expense was due to the District including the principal portion of loan payments in the annual budget. The favorable variance of $725,279 in other non-operating expense was due to capital expenditures that were recorded by the District as capital assets on the balance sheet, not as expenses in the financial statements.

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2017 was $12,518,651. The total decrease in net capital assets from the prior year was (6.31) percent. This decrease was due to capital acquisitions being offset by the annual depreciation expense. There were no significant dispositions of capital assets in 2016/17.

Table 6
Comparative Schedule of Capital Assets
June 30, 2017 and 2016

	2017	2016
Land, Building and Improvement	$ 22,789,151	$ 22,680,953
Automotive Equipment	88,316	88,316
Office and Operating Equipment	3,968,695	3,936,458
Dredging Costs	2,690,121	2,690,121
Marina Restaurant Work-in-progress	34,100	34,100
Subtotals	29,570,383	29,429,948
Less: Accumulated Depreciation	17,051,732	16,068,632
Capital Assets, net	$ 12,518,651	$ 13,361,316

Debt Administration

The District incurred no new long-term debt in 2016/17. The increase in net pension liability was a result of State-wide increases in the CalPERS net pension liability. The District is required to report its proportionate share of that liability in its financial statements. The ending balances for June 30, 2017 and 2016 are presented below in Table 7.

Table 7
Debt and Other Long-Term Liabilities
June 30, 2017 and 2016

	2017	2016
2014 Refunding Bond	$ 2,892,276	$ 3,164,519
Notes Payable to BBVA	1,437,325	1,560,000
Capital Lease Payable	9,947	14,535
Note Payable to Coast Seafood's	1,156,375	1,156,375
Notes Payable for Marina Utility Meters	29,165	72,168
Other Long-Term Liabilities:		
Other Postemployment Benefit Obligation	477,298	477,298
Net Pension Liability	780,795	546,686
Total	$ 6,783,181	$ 6,991,581

ECONOMIC FACTORS

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

The District's efforts to improve economic conditions include the acquisition and environmental clean-up of the Freshwater Tissue/Redwood Terminal 2 property beginning in 2013/14 and continuing into 2016/17. Redwood Terminal 2 had significant deferred maintenance to buildings and utilities which needed to be addressed in order to attract new tenants to the facility. The District obtained funding through the New Market Tax Credit program which will result in an estimated $5 million in renovation and improvements to the site. It is estimated that revenues from tenants at the Redwood Terminal 2 property should increase to over $500,000 from new tenant leases over the next two years.

The District also assumed responsibility for the operations of the boat launching facility in Shelter Cove, California, to maintain access to fishing and recreation in the Shelter Cove area. The District is also actively marketing cruise lines and other shippers to make Humboldt Bay a port of call, and helping the oyster industry expand through the District's pre-permitting project.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

ASSETS:	
CURRENT ASSETS:	
Cash & Cash Equivalents	$ 244,238
Restricted Cash & Cash Equivalents	1,633,551
Accounts Receivable, Net	249,658
Grant Receivable	
Interest Receivable	3,787
Prepaid Insurance	55,119
Total Current Assets	2,186,353
NONCURRENT ASSETS:	
Nondepreciable Capital Assets	5,950,936
Depreciable Capital Assets, Net	6,567,715
Notes Receivable	5,849,375
Total Assets	20,554,379
DEFERRED OUTFLOWS OF RESOURCES:	
Pension	251,612
Bond Refunding	30,912
Total Deferred Outflows of Resources	282,524
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts Payable	168,612
Accrued Wages, Payroll Taxes & Benefit	36,902
Unearned Income	1,429,171
Environment Remediation Liability	103,562
Accrued Vacation Payable	63,446
Accrued Sick Leave Payable	76,629
Customer Deposits Payable	72,560
Current Portion of Notes Payable	1,322,188
Total Current Liabilities	3,273,070
LONG-TERM LIABILITIES:	
Other Postemployment Benefit Obligation	477,298
Unearned Income	3,767,047
Pension Liability	780,795
Notes Payable	4,202,900
Total Liabilities	$ 12,501,110

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2017

DEFERRED INFLOWS OF RESOURCES:	
Pension	$ 90,449
Total Deferred Inflows of Resources	90,449
NET POSITION:	
Net Investment in Capital Assets	9,885,839
Unrestricted	(1,640,495)
Total Net Position	$ 8,245,344

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES:		
Sales & Permits	$	70,682
Marina Slip Rentals, Utility & Dredging Surcharges		782,244
Rents, Leases, Project Administration		1,218,858
Harbor Improvement Surcharge		77,437
Other Revenue		21
Total Operating Revenues		2,149,242
OPERATING EXPENSES:		
Payroll & Related Cost		1,234,453
Commissioners' Fees		24,800
Accounting & Auditing		67,524
Advertising & Promotion		6,926
Automobile Expenses		38,245
Bad Debt		20,119
Field Landing Expenses		56,615
Communications		11,613
Conference & Meetings		35,026
Depreciation		983,100
Dues & Subscriptions		43,497
Elections & Property Tax Administration Fee		84,675
Insurance		55,538
Rent and Lease		137,700
Legal & Other Professional Fees		247,393
Office Expenses		39,105
Operating Supplies		19,835
Outside Service		8,675
Redwood Terminal 2 Expenses		195,904
Repairs, Maintenance & Small Tools		100,208
Utilities		168,164
Shelter Cove Expenses		52,913
Other Operating Expenses		2,796
Total Operating Expenses		3,634,824
Operating Income (Loss)	$	(1,485,582)

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

NON-OPERATING REVENUES (EXPENSES):		
General Property Taxes	$	999,051
Investment Income (Loss)		172,782
Other Governmental Grant (see note 1)		76,172
Other Non-Operating Income (see note 1)		596,916
Grant Expenses (see note 1)		(48,816)
Interest Expenses		(263,896)
Other Non-Operating Expenses		(1,221)
Total Nonoperating Revenues (Expenses)		1,530,988
CHANGE IN NET POSITION		45,406
BEGINNING NET POSITION,		8,199,938
ENDING NET POSITION	$	8,245,344

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	$ 2,428,478
Payments to Suppliers	(1,418,892)
Payments to Employees	(1,219,441)
Net Cash Provided (Used) by Operating Activities	(209,855)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Taxes for General Operations	999,051
Receipt of Grant & Contract Funds From Other Governments	76,172
Expenditures of Grant Funds	(48,816)
Other Nonoperating Receipts	596,916
Net Cash Provided (Used) by Noncapital Financing Activities	1,623,323
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Payments to Acquire, Construct & Improve Capital Assets	(140,436)
Principal Payments on Notes Payable & Bonds	(442,509)
Interest Paid	(357,058)
Refunding Bond	4,809
Payments for Other Nonoperating Costs	(1,221)
Net Cash Provided (Used) by Capital & Related Financing Activities	(936,415)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	171,060
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	648,113
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	1,229,676
CASH & CASH EQUIVALENTS AT END OF YEAR	$ 1,877,789

FINANCIAL STATEMENT PRESENTATION RECONCILIATION	
Cash & Cash Equivalents	$ 244,238
Restricted Cash Equivalents, Current	1,633,551
CASH & CASH EQUIVALENTS AT END OF YEAR	$ 1,877,789

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

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (1,485,582)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	983,100
Changes in Assets & Liabilities:	
Accounts Receivable	85,310
Prepaid Expenses	(36,065)
Accounts Payable - Related to Operating Activities	34,444
Accrued Liabilities	(625)
Pension Liability and Deferred Outflows and Inflows of Resources	15,637
Unearned Income	193,926
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (209,855)
NONCASH CAPITAL & RELATED FINANCING ACTIVITIES	
Amortization of Ground Lease	$ 78,861
Amortization of Bond Premium	4,809

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Nature of Activities

The District is a special district created in 1970 by the State of California. The District was formed for the development of Humboldt County's harbors and ports, for the promotion of commerce, navigation, fisheries, and recreation thereon, as well as the protection of the County's natural resources.

C. Basis of Presentation

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

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

D. Measurement Focus/Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for rents and tidelands leases and harbor improvement surcharges. Operating expenses include the cost of maintaining the marina and tidelands, general and administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Other government grants represent non-operating revenues received from other agencies related to harbor projects, including Spartina eradication, homeland security, port access, aquaponics expansion and other initiatives. Other nonoperating income includes the portion of the PG&E funding (see Note 9) that has been recognized. Grant expenses primarily represent nonoperating expenses related to the other government grants nonoperative revenues.

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

E. Budget and Budgetary Accounting

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

F. Allowance for Doubtful Accounts

The District evaluates the collectability of receivables in order to determine the allowance for doubtful accounts. As of June 30, 2017, the District recorded an allowance for doubtful accounts of $119,554. 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.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be all cash on hand, demand deposits, and pooled cash and investments. The pooled cash and investments consists of cash pooled with the Humboldt County Treasurer's Investment Pool and is used as a demand deposit account.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. Capital Assets

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

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

The estimated useful lives are as follows:

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

I. Estimates

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

J. Net Position

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

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

Restricted net position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by creditors, grantors, contributors, laws, or regulations. 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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, 2014 and rolled forward for the years ending June 30, 2017 (see Note 5).

M. Pensions

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

N. Compensated Absences

All vested vacation is recognized as an expense and as a liability at the anniversary date of hire during the year ended June 30, 2017. 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, 2017 is classified in the accompanying financial statements as follows:

Cash and cash equivalents - current assets	$ 244,238
Cash and cash equivalents - restricted assets - current	1,633,551
Total cash and cash equivalents	$ 1,877,789

Cash and cash equivalents - restricted assets - current includes $1,086,013 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, 2017.

Cash, cash equivalents, and investment at June 30, 2017, consists of the following:

Cash on hand	$ 405
Deposits held with financial institutions	257,972
Deposits held with the County Treasurer's Investment Pool	1,619,412
Total cash and cash equivalents	$ 1,877,789

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 $275,316 as of June 30, 2017. 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, 2017, are as follows:

	06/30/16	Additions	Retirements and Transfers	06/30/17
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
Redwood Terminal 2	998,308			998,308
Total nondepreciable capital assets	5,950,936	-	-	5,950,936
Depreciable capital assets:				
Automotive equipment	88,316			88,316
Dredge	1,183,185	32,238		1,215,423
Office equipment	193,303			193,303
Operating equipment	305,961			305,961
Marina facilities	7,962,342	10,541		7,972,883
Aquaponics pilot facility	96,037			96,037
Fields Landing facilities	3,264,161			3,264,161
Shelter Cove facilities	2,150,882			2,150,882
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	1,353,938	97,657		1,451,595
Homeland security equipment	2,254,008			2,254,008
Table Bluff equipment	361			361
Total depreciable capital assets	23,479,011	140,436	-	23,619,447
Accumulated depreciation	(16,068,632)	(983,100)		(17,051,732)
Net depreciable capital assets	7,410,379	(842,664)	-	6,567,715
Total capital assets, net	$ 13,361,315	$ (842,664)	$ -	$ 12,518,651

Total depreciation expense charged to operations for the year ended June 30, 2017 was $983,100.

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable for the fiscal year ended June 30, 2017:

				Classification		
	Balance 06/30/16	Principal Additions	Principal Reductions	Balance 06/30/17	Current Portion	Long-Term Portion
Refunding Bonds: Series 2014	$ 3,164,519	$	$ (272,243)	$2,892,276	$ 94,494	$ 2,797,782
Coast Seafood's: Line of Credit	1,156,375			1,156,375	1,156,375	
Compass BBVA Bank Note	1,560,000		(122,675)	1,437,325	37,314	1,400,011
Capital Lease Obligation Capital Lease	14,535		(4,588)	9,947	4,840	5,107
Tri Counties Bank Note	72,168		(43,003)	29,165	29,165	
	$ 5,967,597	$	$ (442,509)	$5,525,088	$1,322,188	$ 4,202,900

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.

NOTE 4 - NOTES PAYABLE (Continued)

The bond debt service is as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 94,494	$ 59,292	$ 153,786
2019	194,838	112,732	307,570
2020	202,909	104,661	307,570
2021	211,313	96,257	307,570
2022	220,066	87,505	307,571
2023 to 2027	1,244,846	293,007	1,537,853
2028 to 2030	723,810	45,116	768,926
Total	$ 2,892,276	$ 798,570	$ 3,690,846

Coast Seafood's Line of Credit:

The District has a letter of credit agreement with Coast Seafood's Company for up to $1.25 million. As of June 30, 2016, the District has borrowed $1.16 million from Coast Seafood's Company, at 3.5% annual interest. The loan maturity date is June 2018. 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. The District pledged collateral of income received or receivable from operations at the Fields Landing Boat Yard, Woodley Island Marina, sale of District's interest in Samoa pulp mill equipment and grants for the removal and disposal of pulp liquors.

Compass BBVA Bank Loan:

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

Year Ending June 30	Principal	Interest	Total
2018	$ 37,314	$ 43,055	$ 80,369
2019	78,012	82,724	160,736
2020	82,759	77,981	160,740
2021	87,787	72,950	160,737
2022	93,124	67,612	160,736
2023 to 2027	557,753	245,930	803,683
2028 to 2031	500,576	62,002	562,578
Total	$ 1,437,325	$ 652,254	$ 2,089,579

NOTE 4 - NOTES PAYABLE (Continued)

Capital Lease:

During the year ended June 30, 2016, the District entered into a tractor equipment lease, requiring four annual payments of $5,387. Interest is imputed at a 5.5% annual rate.

Year Ending June 30	Principal	Interest	Total
2018	4,840	547	5,387
2019	5,107	281	5,388
Total	$ 9,947	$ 828	$ 10,775

Tri Counties Bank Note Payable:

In February 2013, the District obtained a loan from Tri Counties Bank (formerly 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 furniture, fixtures and equipment.

Year Ending June 30	Principal	Interest	Total
2018	29,165	1,051	30,217
Total	$ 29,165	$ 1,051	$ 30,217

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS

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

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (Continued)

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, 2017, 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 determined in accordance with the alternative measurement method 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	$	27,111
Interest on net OPEB obligation		21,479
Adjustment to annual required contribution		(48,590)
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

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (Continued)

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, 2017	$ -	$ -	0 %	$ 477,298
June 30, 2016	$ -	$ -	0 %	$ 477,298
June 30, 2015	$ -	$ -	0 %	$ 477,298

As of June 30, 2017, the actuarial accrued liability for benefits was $218,226, 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 tables provided in GASB Statement No. 45.

Turnover - The probability that an employee will remain employed until the assumed retirement age was determined using tables provided in GASB Statement No. 45.

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%.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (Continued)

Payroll increase - Payroll for current employees is expected to increase at the rate of approximately 2.75% annually.

Discount rate - The calculation uses an annual discount rate of 4.5%. This is based on the assumed long-term return on employer assets.

*Use of Health Insurance Premium*s - The plan's current premium structure was used as the initial per capita healthcare rates for the purpose of projecting future healthcare benefit payments.

Coverage Options - The plan has only one coverage option.

Grouping techniques - No participant grouping techniques were utilized in the computation of actuarial amounts.

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, 2017, was three years.

NOTE 6 - PENSION PLAN

A. General Information about the Pension Plan

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

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

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

NOTE 6 - PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

Employer Rate Plans in the Miscellaneous Risk Pool

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

Contributions - 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 CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Humboldt Bay Harbor Recreation and Conservation District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Humboldt Bay Harbor Recreation and Conservation District's contributions to the risk pools in the Plan for the year ended June 30, 2017, were as follows:

Miscellaneous Risk Pool	$	83,233
Safety Risk Pool		-
Total	$	83,233

NOTE 6 - PENSION PLAN (Continued)

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

As of June 30, 2017, Humboldt Bay Harbor Recreation and Conservation District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Risk Pool	780,795
Safety Risk Pool	-
Total net pension liability	$ 780,795

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

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

The Humboldt Bay Harbor Recreation and Conservation District's proportionate share of the net pension liability as of June 30, 2015, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2015. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The Humboldt Bay Harbor Recreation and Conservation District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Humboldt Bay Harbor Recreation and Conservation District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

NOTE 6 - PENSION PLAN (Continued)

The Humboldt Bay Harbor Recreation and Conservation District's proportionate share of the net pension liability as of June 30, 2016, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2016, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2016, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2016, was calculated by applying Humboldt Bay Harbor Recreation and Conservation District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2016, to obtain the total pension liability and fiduciary net position as of June 30, 2016. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The Humboldt Bay Harbor Recreation and Conservation District's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2015, and June 30, 2016, was as follows:

Proportion at measurement date – June 30, 2015	0.019927 %
Proportion at measurement date – June 30, 2016	0.022476 %
Change - Increase/(Decrease)	0.002549 %

For the year ended June 30, 2017, the District recognized pension expense of $72,376. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,095	$ (753)
Change in assumptions		(29,287)
Net differences between projected and actual earnings on plan	171,042	
Adjustment due to Differences in	20,736	(24,782)
Differences between Actual and Required Contributions		(35,627)
Contributions subsequent to measurement date	56,739	
Total	$ 251,612	$ (90,449)

NOTE 6 - PENSION PLAN (Continued)

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30	Deferred Outflows/ (Inflows) of Resources
2017	$ (10,954)
2018	(598)
2019	71,755
2020	44,221
2021	-
2022	-
Total	$ 104,424

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase (1)	Varies By Age & Length of Service
Investment Rate of Return (2)	7.50% (a)
Mortality Rate Table (3)	Derived using CalPERS's membership data

(1) Depending on age, service and type of employment
(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation
(3) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries

NOTE 6 - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan 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 employer rate plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2016 based on June 30, 2015 Valuations,* that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.65% 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%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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 year ended 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their 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 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 Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 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 the Plan. 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 geometric rates of return are net of administrative expenses.

NOTE 6 - PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.0 %	5.25 %	5.71 %
Global Fixed Income	20.0 %	0.99 %	2.43 %
Inflation Sensitive	6.0 %	0.45 %	3.36 %
Private Equity	10.0 %	6.83 %	6.95 %
Real Estate	10.0 %	4.50 %	5.13 %
Infrastructure and Forestland	2.0 %	4.50 %	5.09 %
Liquidity	1.0 %	(0.55)%	(1.05)%
Total	100 %		

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

	Discount Rate Less 1% (6.65%)	Current Discount (7.65%)	Discount Rate plus 1% (8.65%)
Proportionate share of the Miscellaneous Risk Pool's net pension liability	$ 1,306,665	$ 780,795	$ 346,190

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial coverage covering each of those risks of loss. There have been no significant reductions in insurance coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 8 - NEW MARKET TAX CREDIT TRANSACTION

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

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

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

The District's leveraged loan receivable from Chase NMTC Samoa Investment Fund, LLC bears interest of 2.7481% and is receivable in quarterly interest-only payments from June 10, 2016 through March 10, 2023; thereafter principal and interest payments are due until March 10, 2046. As of June 30, 2017, the balance of the loan receivable was $5,849,375.

The District recorded the ground lease as unearned revenue in the liabilities section of its balance sheet, and will recognize operating income over the course of the lease. The District recognized $78,861 of operating revenue during the year ended June 30, 2017, for a remaining balance of unearned income as of June 30, 2017 of $3,827,139.

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

As of June 30, 2017, unearned income consisted of:

Unearned HBDA ground lease income - current	$ 60,092
Unearned PG&E dredge-related income (see NOTE 9 -)	1,086,013
Unearned lease income (outfall pipe, tidelands, slip rentals and warehouse)	283,066
Total unearned income - current	1,429,171
Unearned HBDA ground lease income – long-term	3,767,047
Total unearned income	$ 5,196,218

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Environmental Protection Agency (EPA) Settlement Agreement

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

PG&E Agreement

During 2014, Pacific Gas and Electric (PG&E) paid the District $2.0 million for the specific purpose of procuring dredging equipment, financing initial start-up and training of District personnel, and reuse or disposal of dredged material. As part of the agreement, the District has committed to perform a one-time dredging of certain real property owned by PG&E and located near King Salmon known as Fisherman's Channel. The District assumes responsibility for the dredging activities and repair work of Fisherman's Channel, and upon completion of these contract terms, the District will obtain ownership of the Fisherman's Channel. As of June 30, 2017, $1,086,013 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 January 18, 2018, 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, 2017.

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, 2017

	CalPERS Fiscal Year June 30, 2014	CalPERS Fiscal Year June 30, 2015	CalPERS Fiscal Year June 30, 2016
Plan's proportion of the PERF C net pension liability/(Asset)	0.008534 %	0.007965 %	0.009023 %
Plan's proportionate share of the net pension liability /(Asset)	$ 531,034	$ 546,685	$ 780,795
Plan's covered-employee payroll	730,490	871,775	863,258
Plan's proportionate share of the net pension liability/(Asset) as percentage of covered-employee payroll	72.70 %	62.70 %	90.45 %
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.19 %	83.38 %	80.01 %

NOTES TO SCHEDULE:

Changes of benefit terms – In 2017, there were no changes to the benefit terms.
Changes in assumptions – In 2017, there were no changes in assumptions.

* Fiscal Year 2015 was the first year of implementation, therefore only 3 years are shown.
** Valuation year payroll increased by assumed 3% increase.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2017

	CalPERS Fiscal Year 2014-15	CalPERS Fiscal Year 2015-16	CalPERS Fiscal Year 2016-17
Actuarially Determined Contributions	$ 68,939	$ 75,091	$ 83,233
Actual Contributions During the Measurement Period	(68,939)	(75,091)	(83,233)
Contribution deficiency (excess)	-	-	-
Covered-employee payroll	$ 846,539	$ 871,775	$ 738,213
Contributions as a percentage of covered employee payroll	8.14 %	8.61 %	11.27 %

NOTES TO SCHEDULE:

Actuarial valuation date	June 30, 2012	June 30, 2013	June 30, 2014

* Fiscal Year 2015 was the first year of implementation, therefore only 3 years are shown.

** We did not have sufficient information to determine actual contributions toward the actuarially determined employer contributions. Humboldt Bay Harbor Recreation and Conservation District should enter the appropriate amounts and make any resulting adjustment to the expen

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2017

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, 2017	$ 218,226	$	$ 218,226	0.00%	$ 558,417	39.08 %
June 30, 2016	223,143		223,143	0.00%	523,676	42.61 %
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, 2018.

Note (3) The District's June 30, 2017 valuation was computed using the alternative measurement method allowed by GASB Statement No. 45, rather than through a formal actuarial valuation. This alternative method includes the same broad measurement steps as an actuarial valuation (projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits to periods using an actuarial cost method). However, it permits simplification of certain assumptions to make the method potentially usable by nonspecialists.

SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Tidelands Trust	Total
OPERATING REVENUES:			
Sales & Permits	$ 7,057	$ 63,625	$ 70,682
Marina Slip Rentals, Utility & Dredging Surcharges	43,761	738,483	782,244
Rents, Leases, Project Administration	754,268	464,590	1,218,858
Harbor Improvement Surcharge		77,437	77,437
Other Revenue	21		21
Total Operating Revenues	805,107	1,344,135	2,149,242
OPERATING EXPENSES:			
Payroll & Related Cost	325,505	908,948	1,234,453
Commissioners' Fees	4,960	19,840	24,800
Accounting & Auditing	65,924	1,600	67,524
Advertising & Promotion	2,680	4,246	6,926
Automobile Expenses	8,048	30,197	38,245
Bad Debt		20,119	20,119
Field Landing Expenses	56,615		56,615
Communications	4,701	6,912	11,613
Conference & Meetings	15,665	19,361	35,026
Depreciation	983,100		983,100
Dues & Subscriptions	20,516	22,981	43,497
Elections & Property Tax Administration Fee	42,338	42,337	84,675
Insurance	22,798	32,740	55,538
Rent and Lease	137,700		137,700
Legal & Other Professional Fees	113,836	133,557	247,393
Office Expenses	15,223	23,882	39,105
Operating Supplies	4,231	15,604	19,835
Outside Service	5,400	3,275	8,675
Redwood Terminal 2 Expenses	195,755	149	195,904
Repairs, Maintenance & Small Tools	26,528	73,680	100,208
Utilities	58,082	110,082	168,164
Shelter Cove Expenses	25,550	27,363	52,913
Other Operating Expenses	2,796		2,796
Total Operating Expenses	2,137,951	1,496,873	3,634,824
Operating Income (Loss)	(1,332,844)	(152,738)	(1,485,582)
NONOPERATING REVENUES (EXPENSES):			
General Property Taxes	999,051		999,051
Investment Income (Loss)	163,556	9,226	172,782
Other Governmental Grant	54	76,118	76,172
Other Non-Operating Income	402,415	194,501	596,916
Grant Expenses		(48,816)	(48,816)
Interest Expenses	(179,934)	(83,962)	(263,896)
Other Non-Operating Expenses	(1,164)	(57)	(1,221)
Total Nonoperating Revenues (Expenses)	1,383,978	147,010	1,530,988
CHANGE IN NET POSITION	$ 51,134	$ (5,728)	$ 45,406

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES - MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2017

	Marina	General	Total
OPERATING REVENUES:			
Sales & Permits	$ 11,222	$ 59,460	$ 70,682
Marina Slip Rentals, Utility & Dredging Surcharges	738,443	43,801	782,244
Rents, Leases, Project Administration	25,147	1,193,711	1,218,858
Harbor Improvement Surcharge		77,437	77,437
Other Revenue	21		21
Total Operating Revenues	774,833	1,374,409	2,149,242
OPERATING EXPENSES:			
Payroll & Related Cost	305,425	929,028	1,234,453
Commissioners' Fees	7,440	17,360	24,800
Accounting & Auditing	15,250	52,276	67,526
Advertising & Promotion	523	6,402	6,924
Automobile Expenses	5,855	32,390	38,245
Bad Debt	20,119		20,119
Field Landing Expenses		56,615	56,615
Communications	3,111	8,502	11,613
Conference & Meetings		35,026	35,026
Depreciation	413,423	569,677	983,100
Dues & Subscriptions		43,497	43,497
Elections & Property Tax Administration Fee		84,675	84,675
Insurance	30,628	24,910	55,538
Rent and Lease		137,700	137,700
Legal & Other Professional Fees	7,601	239,792	247,393
Office Expenses	16,218	22,887	39,105
Operating Supplies	6,354	13,481	19,835
Outside Service	1,770	6,905	8,675
Redwood Terminal 2 Expenses		195,904	195,904
Utilities	147,078	21,086	168,164
Shelter Cove Expenses		52,913	52,913
Other Operating Expenses		2,796	2,796
Repairs, Maintenance & Small Tools	37,663	62,545	100,208
Total Operating Expenses	1,018,458	2,616,367	3,634,824
Operating Income (Loss)	(243,625)	(1,241,958)	(1,485,582)
NONOPERATING REVENUES (EXPENSES):			
General Property Taxes	93,204	905,847	999,051
Investment Income (Loss)		172,782	172,782
Other Governmental Grant		76,172	76,172
Other Non-Operating Income	9,268	587,648	596,916
Grant Expenses		(48,816)	(48,816)
Interest Expenses	(51,514)	(212,382)	(263,896)
Other Non-Operating Expenses	(1,057)	(164)	(1,221)
Total Nonoperating Revenues (Expenses)	49,901	1,481,087	1,530,988
CHANGE IN NET POSITION	$ (193,724)	$ 239,129	$ 45,406

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2017

	Marina		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Sales & Permits	$ 70,854	$ 11,222	$ (59,632)
Marina Slip Rentals, Utility & Dredging Surcharges	769,500	738,443	(31,057)
Rents, Leases, Project Administration	30,600	25,147	(5,453)
Other Revenue		21	21
Total Operating Revenues	870,954	774,833	(96,121)
OPERATING EXPENSES:			
Payroll & Related Cost	273,306	305,425	(32,119)
Commissioners' Fees		7,440	(7,440)
Accounting & Auditing	18,000	15,250	2,750
Advertising & Promotion	3,500	523	2,977
Automobile Expenses	7,000	5,855	1,145
Bad Debt		20,119	(20,119)
Communications	7,000	3,111	3,889
Conference & Meetings	3,000		3,000
Depreciation		413,423	(413,423)
Dues & Subscriptions	5,000		5,000
Elections & Property Tax Administration Fee	5,000		5,000
Insurance	12,500	30,628	(18,128)
Legal & Other Professional Fees	5,000	7,601	(2,601)
Office Expenses	16,000	16,218	(218)
Operating Supplies	5,500	6,354	(854)
Outside Service		1,770	(1,770)
Utilities	125,000	147,078	(22,078)
Repairs, Maintenance & Small Tools	43,490	37,663	5,827
Total Operating Expenses	529,296	1,018,458	(489,162)
Operating Income (Loss)	341,658	(243,625)	(585,283)
NONOPERATING REVENUES (EXPENSES):			
General Property Taxes	93,208	93,204	(4)
Other Non-Operating Income		9,268	9,268
Interest Expenses	(144,920)	(51,514)	93,406
Other Non-Operating Expenses	(103,000)	(1,057)	101,943
Total Nonoperating Revenues (Expenses)	(154,712)	49,901	204,613
CHANGE IN NET POSITION	$ 186,946	$ (193,724)	$ (380,670)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2017

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Sales & Permits	$ 20,000	$ 59,460	$ 39,460
Marina Slip Rentals, Utility & Dredging	7,000	43,801	36,801
Rents, Leases, Project Administration	1,285,757	1,193,711	(92,046)
Harbor Improvement Surcharge	60,000	77,437	17,437
Other Revenue	266,300		(266,300)
Total Operating Revenues	1,639,057	1,374,409	(264,648)
OPERATING EXPENSES:			
Payroll & Related Cost	1,056,058	929,028	127,030
Commissioners' Fees	25,200	17,360	7,840
Accounting & Auditing	30,000	52,276	(22,276)
Advertising & Promotion	3,500	6,402	(2,902)
Automobile Expenses	54,000	32,390	21,610
Field Landing Expenses	56,000	56,615	(615)
Communications	7,000	8,502	(1,502)
Conference & Meetings	25,000	35,026	(10,026)
Depreciation		569,677	(569,677)
Dues & Subscriptions	29,000	43,497	(14,497)
Elections & Property Tax Administration Fee	20,000	84,675	(64,675)
Insurance	50,000	24,910	25,090
Rent and Lease	19,751	137,700	(117,949)
Legal & Other Professional Fees	85,000	239,792	(154,792)
Office Expenses	25,000	22,887	2,113
Operating Supplies	1,500	13,481	(11,981)
Outside Service	40,000	6,905	33,095
Redwood Terminal 2 Expenses	135,000	195,904	(60,904)
Utilities	60,000	21,086	38,914
Shelter Cove Expenses	61,000	52,913	8,087
Other Operating Expenses	7,000	2,796	4,204
Repairs, Maintenance & Small Tools	64,000	62,545	1,455
Total Operating Expenses	1,854,009	2,616,367	(762,358)
Operating Income (Loss)	(214,952)	(1,241,958)	(1,027,006)
NONOPERATING REVENUES (EXPENSES):			
General Property Taxes	838,873	905,847	66,974
Investment Income (Loss)		172,782	172,782
Other Governmental Grant	365,528	76,172	(289,356)
Other Non-Operating Income	250,000	587,648	337,648
Grant Expenses	(365,528)	(48,816)	316,712
Interest Expenses	(415,699)	(212,382)	203,317
Other Non-Operating Expenses	(623,500)	(164)	623,336
Total Nonoperating Revenues (Expenses)	49,674	1,481,087	1,431,413
CHANGE IN NET POSITION	$ (165,278)	$ 239,129	$ 404,407

REPORT ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

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, 2017, and the related notes to the financial statements, which comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2018.

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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Oakland, California
January 18, 2018