

**CRESCENT CITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011**

# **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**

# *Donald R Reynolds*

Certified Public Accountant

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable City Council  
City of Crescent City  
Crescent City, California

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crescent City, California as of June 30, 2011, and for the year then ended, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crescent City, California's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

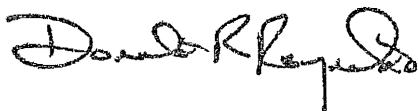
In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Crescent City, California as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 30, 2011 on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, grants, and contracts. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The Honorable City Council  
City of Crescent City

The management's discussion and analysis and budgetary comparison information on pages 3 through 8, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Crescent City, California, basic financial statements. The combining and individual nonmajor fund financial statements as well as the schedule of expenditures of federal awards are not a required part of the basic financial statements, and are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Such information has been subjected to the auditing procedures applied to the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



Donald R. Reynolds,  
Certified Public Accountant  
November 30, 2011

**CITY OF CRESCENT CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2011**

Our discussion and analysis of the City of Crescent City's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Management's Discussion and Analysis (MD&A) presents financial highlights; an overview of the accompanying financial statements; an analysis of financial position and results of operations; a current-to-prior year analysis; a discussion on restrictions, commitments and limitations; a discussion on significant activity involving capital assets and long-term debt. The discussion focuses on the City's primary government and unless otherwise noted, component units reported separately from government are not included.

**Financial Highlights**

- During the year the City reached the 100% completion milestone of a \$45 million dollar multi-year Wastewater Treatment Plant (WWTP) Project. This will be financed with State Revolving Loan Funds (SRF), which will begin payments in August 2011 after completion of construction on June 6, 2011. All existing sewer debt was refinanced at a lower rate to consolidate payments and provide for construction financing between progress payments and SRF loan proceed receipts. This interim financing was paid in full in October 2010 before construction completion.
- Also during the year several street rehabilitations and the Harbor Trail projects were completed along with the city wide slurry seal which was completed in the fall of 2010.

The City's assets exceeded its liabilities by \$30,468,326 (net assets) for the fiscal year reported. This compares to the previous year when assets exceed liabilities by \$29,520,240.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$72,761,529 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$1,580,694 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
- (3) Unrestricted net assets of \$6,119,031 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending net assets of \$2,395,318 this year. This compares to the prior year ending net assets of \$2,476,760 showing a decrease of \$81,442 during the current year. The unrestricted governmental net assets were \$100,499 at year-end. This compares to the prior year ending unrestricted governmental net assets of \$135,699 showing a decrease of \$35,200.

**Overview of the Financial Statements**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.



### *Government-Wide Financial Statements*

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the citywide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, swimming pool, and recreation. Business-type activities include the Shoreline RV Park, water and sewer utilities and Internal Service Funds. Internal Service Funds consist of Information Technology, Building and Equipment Maintenance, along with Insurance and Payroll services. Fiduciary activities such as employer pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of these legally separate organizations operate like City departments, serve as financing vehicles for City services (revenue bond issues), or are governed by a board of trustees wholly comprised of the City's Mayor and Council. These organizations are blended into the primary government for financial reporting purposes. Examples of blended organizations reported as City funds include the Redevelopment Agency, the Housing Authority and the Public Financing Authority.

### *Fund Financial Statements*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report. The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund and major special revenue funds. Budgetary comparison schedules for other special revenue funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer utilities, and RV Park. Internal service funds provide services and charge fees to customers within the City organization such as equipment services (repair and maintenance of City vehicles) and Insurance Reserve Fund. Because the City's internal service funds primarily serve enterprise functions, they are included within the business activities of the government-wide financial statements.

#### *Notes to the financial statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major and internal service funds are presented in a subsequent section of this report.

### Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at fiscal year-end are \$30,468,326. This is a \$948,086 increase over last year's net assets of \$ 29,520,240. The following table provides a summary of the City's net assets at June 30, 2011.

	Governmental Activities	Business-type Activities	Totals
Current & other assets	3,683,130	7,191,246	10,874,376
Capital assets	6,667,829	66,093,700	72,761,529
Total assets	10,350,959	73,284,946	83,635,905
Long-term liabilities	384,407	49,608,521	49,992,928
Other liabilities	1,253,305	1,921,346	3,174,651
Total liabilities	1,637,712	51,529,867	53,167,579
Net assets			
Invested in capital assets			
Net of related debt	6,283,422	16,485,179	22,768,601
Restricted	1,580,694	0	1,580,694
Unrestricted	849,131	5,269,900	6,119,031
Total net assets	8,713,247	21,755,079	30,468,326

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$111,408 for governmental activities and increased \$1,594,494 for business-type activities. The City's overall financial position increased during fiscal year ended 2011. This compares to the previous year as follows.

	Fiscal Year June 30, 2011	Fiscal Year June 30, 2010	Net Difference
Current & other assets	10,874,376	12,961,856	(2,087,480)
Capital assets	72,761,529	67,712,756	5,048,773
Total assets	83,635,905	80,674,612	2,961,293
Long-term liabilities	49,992,928	44,715,844	5,277,084
Other liabilities	3,174,651	6,438,531	(3,263,880)
Total liabilities	53,167,579	51,154,375	2,013,204
Net assets			
Invested in capital assets			
Net of related debt	22,768,601	22,545,442	223,159
Restricted	1,580,694	1,414,064	166,630
Unrestricted	6,119,031	5,560,734	558,297
Total net assets	30,468,326	29,520,240	948,086

## **Financial Analysis of the City's Funds**

### *Governmental funds*

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending net assets of \$2,395,318. Of this year-end total, \$100,499 is unrestricted indicating availability for continuing City service requirements. The major portion of the unrestricted balance is a net deficit of \$ 1,086,487, which arose from Redevelopment Agency (RDA) financing of public works improvements, commercial and residential building rehabilitation and blight reduction expenditures. Future tax increment revenues are expected to reduce and eventually eliminate the deficit.

### *Major Governmental Funds*

The General Fund is one of the City's three primary operating funds and is the largest source of day-to-day service delivery. The fund balance of the General Fund has decreased by \$412,218 from the prior year. This was caused by additional contributions to support the tourism industry, visitor's bureau, economic development and the municipal pool, compounded with economic decline conditions that caused major revenue sources of sales tax and transient occupancy taxes to decrease. The city has continued its recent trend of spending general fund reserves to finance on-going operations, but has attempted to reverse this trend with cuts in the general fund expenditures for the 2011/2012 budget.

### *Proprietary funds*

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

### *Major Proprietary Funds*

Renovation of the Crescent City Wastewater Treatment Plant will have significant impact on the City's Sewer Fund in the coming years. The original facility was constructed in the 1950's with the first major plant expansion occurring in 1973. The last major upgrade to the plant occurred in 1978.

Most of the equipment at the plant was nearly 30 years old and in need of significant repair or replacement. The existing plant also had insufficient hydraulic and organics removal capacity to adequately treat wastewater flows and organic loading. Historically, the plant has exceeded the National Pollutant Discharge Elimination System (NPDES) permit discharge limits and had been operating under a cease and desist order issued by the Regional Water Quality Control Board (RWQCB) since 1997.

Prior to the implementation of a significant repair effort, a large portion of the wastewater collection system was old and the pipe material and construction practices of the time contributed to excessive rain-derived inflow and infiltration (RDII). During the rainy season, excessive RDII caused surcharging in some areas of the system as well as hydraulic overflows at the WWTP; both of which are not permitted under the City's current NPDES permit. Sewer surcharging released raw sewage at some manholes into the community while hydraulic overflows at the WWTP resulted in the discharge of treated (disinfected) wastewater to the Harbor.

Efforts to repair the collection system have significantly reduced the RDII problems, although the new plant will deliver the capacity to meet current needs or to sustain future growth. The requirement to design and construct the new facility that will meet additional capacity needs and future growth included in the initial RWQCB Cease & Desist Order have been rescinded as of June 27, 2011.

#### *General Fund Budgetary Highlights*

The General Fund budget for fiscal year ended 2011 was approximately \$5.0 million. This was a decrease of about \$103,000 over the previous year amended budget.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

#### **Capital Asset and Debt Administration**

##### *Capital assets*

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2011, was \$ 6,667,829 and \$66,093,700 respectively. This represented an increase in this net investment of 1.79 % for governmental and 8.06 % for business-type activities. The overall increase was 7.46 % for the City as a whole.

#### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, 377 J Street, Crescent City, CA 95531, (707) 464-7483.

**CITY OF CRESCENT CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 2,905,060	\$ 5,375,294	\$ 8,280,354
Restricted cash and investments with fiscal agent	250,020	-	250,020
Receivables (net)	457,060	624,696	1,081,756
Due from other governments	540,222	-	540,222
Prepaid items	9,665	-	9,665
Inventory	-	-	-
Notes receivable	712,359	-	712,359
Internal balances	(1,191,256)	1,191,256	-
Capital assets net of accumulated depreciation	<u>6,667,829</u>	<u>66,093,700</u>	<u>72,761,529</u>
Total assets	<u>10,350,959</u>	<u>73,284,946</u>	<u>83,635,905</u>
 <u>LIABILITIES</u>			
Accounts payable	792,552	1,567,816	2,360,368
Accrued expenses	86,318	54,167	140,485
Deposits and deferred revenues	166,153	192,030	358,183
Compensated absences	208,282	107,333	315,615
Long term liabilities:			
Due within one year	105,520	350,000	455,520
Due in more than one year	<u>278,887</u>	<u>49,258,521</u>	<u>49,537,408</u>
Total liabilities	<u>1,637,712</u>	<u>51,529,867</u>	<u>53,167,579</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	6,283,422	16,485,179	22,768,601
Restricted for:			
Capital projects and community development	990,480	-	990,480
Debt service	590,214	-	590,214
Unrestricted	<u>849,131</u>	<u>5,269,900</u>	<u>6,119,031</u>
Total net assets	<u>\$ 8,713,247</u>	<u>\$ 21,755,079</u>	<u>\$ 30,468,326</u>

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

**CITY OF CRESCENT CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Function/Program activities				
Governmental Activities				
General government	\$ 1,000,419	\$ 70,387	\$ 219,391	\$ -
Public safety	2,317,833	672,477	145,646	-
Human services and recreation	4,595,295	207,368	2,968,663	-
Public works	1,522,779	34,084	268,417	-
Administrative overhead allocation	-	-	-	-
Interest on long-term debt	24,975	-	-	-
Total Governmental Activities	<u>9,461,301</u>	<u>984,316</u>	<u>3,602,117</u>	<u>-</u>
Business-type Activities				
Sewer	2,912,940	4,224,824	-	1,440
Swimming pool	-	-	-	-
Water	1,890,803	1,423,877	-	-
RV Park	191,843	239,336	-	-
Total Business-type Activities	<u>4,995,586</u>	<u>5,888,037</u>	<u>-</u>	<u>1,440</u>
Total	<u>14,456,887</u>	<u>6,872,353</u>	<u>3,602,117</u>	<u>1,440</u>
Taxes:				
Property taxes and In Lieu Fees				
Sales and Gas taxes				
Occupancy Taxes				
Licenses and permits				
Motor vehicle in lieu				
Investment Earnings				
Miscellaneous revenue				
Transfers				
Total General revenues and transfers				
Change in Net Assets				
Net Assets - Beginning				
Prior period adjustments				
Net Assets - Beginning restated				
Net Assets - Ending				

Continued on the next page

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

**CITY OF CRESCENT CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Function/Program activities			
Governmental Activities			
General government	\$ (710,641)	\$ -	\$ (710,641)
Public safety	(1,499,710)	-	(1,499,710)
Human services and recreation	(1,419,264)	-	(1,419,264)
Public works	(1,220,278)	-	(1,220,278)
Administrative overhead allocation	-	-	-
Interest on long-term debt	(24,975)	-	(24,975)
Total Governmental Activities	<u>(4,874,868)</u>	<u>-</u>	<u>(4,874,868)</u>
Business-type Activities			
Sewer	-	1,313,324	1,313,324
Swimming pool	-	-	-
Water	-	(466,926)	(466,926)
RV Park	-	47,493	47,493
Total Business-type Activities	<u>-</u>	<u>893,891</u>	<u>893,891</u>
Total	<u>(4,874,868)</u>	<u>893,891</u>	<u>(3,980,977)</u>
Taxes:			
Property taxes and In Lieu Fees	1,201,095	-	1,201,095
Sales and Gas taxes	1,141,695	-	1,141,695
Occupancy Taxes	890,576	-	890,576
Licenses and permits	284,994	-	284,994
Motor vehicle in lieu	546,454	-	546,454
Investment Earnings	19,298	13,696	32,994
Miscellaneous revenue	109,597	-	109,597
Transfers	49,651	(49,651)	-
Total General revenues and transfers	<u>4,243,360</u>	<u>(35,955)</u>	<u>4,207,405</u>
Change in Net Assets	(631,508)	857,936	226,428
Net Assets - Beginning	8,824,655	20,695,585	29,520,240
Prior period adjustments	520,100	201,558	721,658
Net Assets - Beginning restated	<u>9,344,755</u>	<u>20,897,143</u>	<u>30,241,898</u>
Net Assets - Ending	<u>\$ 8,713,247</u>	<u>\$ 21,755,079</u>	<u>\$ 30,468,326</u>

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



**CITY OF CRESCENT CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Housing Authority Section 8	Other Governmental Funds	Totals Governmental Funds
<u>ASSETS</u>				
Cash and investments	\$ 363,610	\$ 302,766	\$ 1,962,569	\$ 2,628,945
Restricted cash and investments with fiscal a	-	-	250,020	250,020
Accounts receivable:				
Consumers and others	302,658	154,294	-	456,952
County/State/Federal government	304,494	-	235,728	540,222
Due from other funds	293,055	-	-	293,055
Prepaid items	1,756	-	7,909	9,665
Notes receivable	-	-	712,369	712,369
Total assets	<u>\$ 1,265,573</u>	<u>\$ 457,060</u>	<u>\$ 3,168,595</u>	<u>\$ 4,891,228</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 289,643	\$ 2,039	\$ 467,436	\$ 759,118
Accrued wages	78,024	8,294	-	86,318
Deferred revenue	11,859	154,294	-	166,153
Due to other funds	-	-	1,484,321	1,484,321
Total liabilities	<u>379,526</u>	<u>164,627</u>	<u>1,951,757</u>	<u>2,495,910</u>
Fund Balances:				
Reserved for				
Prepaid items	1,756	-	-	1,756
Debt service	-	-	590,214	590,214
Low and moderate income housing	-	-	990,480	990,480
Section 8 housing	-	-	-	-
Notes and loans receivable	-	-	712,369	712,369
Unreserved	884,291	292,433	(1,076,225)	100,499
Total fund balances	<u>886,047</u>	<u>292,433</u>	<u>1,216,838</u>	<u>2,395,318</u>
Total liabilities and fund balances	<u>\$ 1,265,573</u>	<u>\$ 457,060</u>	<u>\$ 3,168,595</u>	<u>\$ 4,891,228</u>

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



**CITY OF CRESCENT CITY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Housing Authority Section 8	Other Governmental Funds	Totals Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 2,728,431	\$ -	\$ 1,054,045	\$ 3,782,476
Use of money and property:				
Interest	795	-	23,306	24,101
Rental Income	37,608	-	7,980	45,588
Licenses and permits	276,641	-	-	276,641
Fines and permits	22,384	-	-	22,384
Intergovernmental revenues	760,606	2,954,495	407,639	4,122,740
Charges for services	675,154	-	-	675,154
Gifts and donations	69,607	-	-	69,607
Proceeds of long-term debt	-	-	-	-
Other revenue	<u>32,092</u>	<u>24,927</u>	<u>55,141</u>	<u>112,160</u>
Total revenues	<u>4,603,318</u>	<u>2,979,422</u>	<u>1,548,111</u>	<u>9,130,851</u>
<u>Expenditures:</u>				
Current:				
General government	723,356	-	6,233	729,589
Public safety	2,315,610	-	-	2,315,610
Human services and recreation	1,275,799	3,067,603	271,435	4,614,837
Public works	1,201,405	-	570,452	1,771,857
Administrative overhead allocation	-	-	-	0
Capital outlay	-	-	-	0
Debt service:				
Principal	-	-	90,000	90,000
Interest	-	-	24,975	24,975
Total expenditures	<u>5,516,170</u>	<u>3,067,603</u>	<u>963,095</u>	<u>9,546,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(912,852)</u>	<u>(88,181)</u>	<u>585,016</u>	<u>(416,017)</u>
<u>Other Financing Sources (uses):</u>				
Transfers in	270,809	-	505,113	775,922
Transfers out	<u>(69,084)</u>	-	<u>(657,187)</u>	<u>(726,271)</u>
Total other financing sources (uses)	<u>201,725</u>	-	<u>(152,074)</u>	<u>49,651</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(711,127)</u>	<u>(88,181)</u>	<u>432,942</u>	<u>(366,366)</u>
Fund balances, beginning of period	1,589,316	386,738	791,757	2,767,811
Prior period adjustments	7,858	(6,124)	(7,861)	(6,127)
Fund balances, beginning of period restated	<u>1,597,174</u>	<u>380,614</u>	<u>783,896</u>	<u>2,761,684</u>
Fund balances, end of period	<u>\$ 886,047</u>	<u>\$ 292,433</u>	<u>\$ 1,216,838</u>	<u>\$ 2,395,318</u>

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

**CITY OF CRESCENT CITY  
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL  
GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (366,366)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**CAPITAL ASSETS TRANSACTIONS**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance (645,763)

Depreciation expense is deducted from the fund balance 408,854

**LONG TERM DEBT PROCEEDS AND PAYMENT**

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment and adjustment of debt principle is added back to fund balance 319,727

**ACCRUAL OF NON-CURRENT ITEMS**

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change):

Interest payable on long-term debt -  
Long-term compensated absences (57,265)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities. (290,695)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (631,508)

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

**CITY OF CRESCENT CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	Business-type Activities Enterprise Funds		
	Sewer	Water	RV Park
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 3,682,873	\$ 1,600,180	\$ 92,241
Accounts receivable	504,932	119,764	-
Inventory	-	-	-
Due from other funds	-	1,191,256	-
Total Current Assets	<u>4,187,805</u>	<u>2,911,200</u>	<u>92,241</u>
Non Current Assets:			
Capital assets, net of accumulated depreciation	<u>57,072,141</u>	<u>9,021,559</u>	<u>-</u>
Total assets	<u>\$ 61,259,946</u>	<u>\$ 11,932,759</u>	<u>\$ 92,241</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 1,492,629	\$ 68,363	\$ 6,824
Accrued expenses	30,538	21,784	1,845
Deposits and deferred revenue	-	192,030	-
Due to Other Funds	-	-	-
Short term loan payable	-	-	-
Compensated absences payable	64,090	43,243	-
Current maturities of long term debts:	-	-	-
Fire truck capital lease	-	-	-
State Safe Drinking Water Loan	-	350,000	-
FMHA loan - Series A	-	-	-
FMHA loan - Series B	-	-	-
Re-dip loan	-	-	-
Total Current Liabilities	<u>1,587,257</u>	<u>675,420</u>	<u>8,669</u>
Long-term Liabilities:			
Fire truck capital lease	-	-	-
FMHA loan - Series A	-	-	-
FMHA loan - Series B	-	-	-
State of California loan	<u>45,233,521</u>	<u>4,025,000</u>	<u>-</u>
Total Liabilities	<u>46,820,778</u>	<u>4,700,420</u>	<u>8,669</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	11,838,620	4,646,559	-
Unrestricted	<u>2,600,548</u>	<u>2,585,780</u>	<u>83,572</u>
Total Net Assets	<u>\$ 14,439,168</u>	<u>\$ 7,232,339</u>	<u>\$ 83,572</u>

Continued on the following page

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

**CITY OF CRESCENT CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<u>Totals</u>	Business-type Activities - <u>Internal Service Funds</u>
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 5,375,294	\$ 276,114
Accounts receivable	624,696	108
Inventory	-	-
Due from other funds	1,191,256	-
Total Current Assets	<u>7,191,246</u>	<u>276,222</u>
Non Current Assets:		
Capital assets, net of accumulated depreciation	<u>66,093,700</u>	<u>1,110,911</u>
Total assets	<u>\$ 73,284,946</u>	<u>\$ 1,387,133</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,567,816	\$ 33,434
Accrued expenses	54,167	-
Deposits and deferred revenue	192,030	-
Due to Other Funds	-	-
Short term loan payable	-	-
Compensated absences payable	107,333	11,552
Current maturities of long term debts:	-	-
Fire truck capital lease	-	33,847
State Safe Drinking Water Loan	350,000	-
FMHA loan - Series A	-	-
FMHA loan - Series B	-	-
Re-dip loan	-	-
Total Current Liabilities	<u>2,271,346</u>	<u>78,833</u>
Long-term Liabilities:		
Fire truck capital lease	-	119,170
FMHA loan - Series A	-	-
FMHA loan - Series B	-	-
State of California loan	<u>49,258,521</u>	-
Total Liabilities	<u>51,529,867</u>	<u>198,003</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	16,485,179	957,894
Unrestricted	<u>5,269,900</u>	<u>231,236</u>
Total Net Assets	<u>\$ 21,755,079</u>	<u>\$ 1,189,130</u>

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

**CITY OF CRESCENT CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Business-type Activities Enterprise Funds		
	Sewer	Water	RV Park
Operating revenues:			
Charges for services	\$ 4,224,824	\$ 1,423,877	\$ 239,336
Grant and Other Revenue	1,440	-	-
Total operating revenues	<u>4,226,264</u>	<u>1,423,877</u>	<u>239,336</u>
Operating expenses:			
Personnel services	1,280,869	761,155	69,326
Materials, supplies, rent and services	696,791	249,693	73,083
Repair and maintenance	264,252	260,711	18,282
Administrative Overhead	408,609	354,519	31,152
Depreciation	254,002	264,725	-
Total operating expenses	<u>2,904,523</u>	<u>1,890,803</u>	<u>191,843</u>
Operating income (loss)	<u>1,321,741</u>	<u>(466,926)</u>	<u>47,493</u>
Non-operating revenues (expenses):			
Interest income	7,377	6,224	94
Interest expense	(8,417)	-	-
Total non-operating revenues (expenses)	<u>(1,040)</u>	<u>6,224</u>	<u>94</u>
Transfers:			
Transfers in	1,959,107	80,315	350
Transfers out	(1,959,107)	(80,315)	(50,000)
Change in net assets	<u>1,320,701</u>	<u>(460,702)</u>	<u>(2,063)</u>
Net assets, beginning of period	13,118,467	7,491,483	85,635
Prior period adjustments	-	201,558	-
Net assets, beginning of period restated	<u>13,118,467</u>	<u>7,693,041</u>	<u>85,635</u>
Net assets, end of period	<u>\$ 14,439,168</u>	<u>\$ 7,232,339</u>	<u>\$ 83,572</u>

Continued on the following page

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

**CITY OF CRESCENT CITY**  
**STATEMENT OF REVENUES, EXPENSES**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Totals	Business-type Activities - Internal Service Funds
Operating revenues:		
Charges for services	\$ 5,888,037	\$ -
Grant and Other Revenue	1,440	229,134
Total operating revenues	<u>5,889,477</u>	<u>229,134</u>
Operating expenses:		
Personnel services	2,111,350	425,670
Materials, supplies, rent and services	1,019,567	616,173
Repair and maintenance	543,245	-
Administrative Overhead	794,280	(693,637)
Depreciation	518,727	171,945
Total operating expenses	<u>4,987,169</u>	<u>520,151</u>
Operating income (loss)	<u>902,308</u>	<u>(291,017)</u>
Non-operating revenues (expenses):		
Interest income	13,695	322
Interest expense	(8,417)	-
Total non-operating revenues (expenses)	<u>5,278</u>	<u>322</u>
Transfers:		
Transfers in	2,039,772	-
Transfers out	(2,089,422)	-
Change in net assets	<u>857,936</u>	<u>(290,695)</u>
Net assets, beginning of period	20,695,585	953,598
Prior period adjustments	201,558	526,227
Net assets, beginning of period restated	<u>20,897,143</u>	<u>1,479,825</u>
Net assets, end of period	<u>\$ 21,755,079</u>	<u>\$ 1,189,130</u>

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



**CITY OF CRESCENT CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Sewer	Water	RV Park
Cash flows from operating activities:			
Receipts from customers	\$ 4,074,029	\$ 1,498,072	\$ 239,336
Payments to suppliers	(1,988,849)	(1,089,014)	(126,758)
Payments to employees	(1,278,247)	(758,804)	(69,326)
Net cash provided (used) by operating activities	<u>806,933</u>	<u>(349,746)</u>	<u>43,252</u>
Cash flows from noncapital financing activities:			
Due from other funds	-	-	-
Due to other funds	-	-	-
Transfers	-	-	(49,650)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(49,650)</u>
Cash flows from capital and related financing activities:			
Principal payments on capital debt	(1,988,342)	(350,000)	-
Interest paid on capital debt	(8,417)	-	-
Proceeds from debt	14,539,729	-	-
Acquisition of capital assets	(9,335,128)	-	-
Disposal of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>3,207,842</u>	<u>(350,000)</u>	<u>-</u>
Cash flows from investing activities:			
Interest earned	7,377	6,224	94
Net cash provided by investing activities	<u>7,377</u>	<u>6,224</u>	<u>94</u>
Net increase (decrease) in cash and cash equivalents	4,022,152	(693,522)	(6,304)
Cash and cash equivalents - beginning of period	<u>4,887,305</u>	<u>2,293,703</u>	<u>98,545</u>
Cash and cash equivalents - end of period	<u>\$ 8,909,457</u>	<u>\$ 1,600,181</u>	<u>\$ 92,241</u>

Continued on the following page

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

**CITY OF CRESCENT CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Total	Internal Service
Cash flows from operating activities:		
Receipts from customers	\$ 5,811,437	\$ -
Payments to suppliers	(3,204,621)	44,978
Payments to employees	(2,106,377)	(414,118)
Net cash provided (used) by operating activities	<u>500,439</u>	<u>(369,140)</u>
Cash flows from noncapital financing activities:		
Due from other funds	-	-
Due to other funds	-	-
Transfers	(49,650)	-
Net cash provided (used) by noncapital financing activities	<u>(49,650)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal payments on capital debt	(2,338,342)	(33,847)
Interest paid on capital debt	(8,417)	-
Proceeds from debt	14,539,729	-
Acquisition of capital assets	(9,335,128)	-
Disposal of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>2,857,842</u>	<u>(33,847)</u>
Cash flows from investing activities:		
Interest earned	13,695	322
Net cash provided by investing activities	<u>13,695</u>	<u>322</u>
Net increase (decrease) in cash and cash equivalents	3,322,326	(402,665)
Cash and cash equivalents - beginning of period	<u>7,279,553</u>	<u>449,645</u>
Cash and cash equivalents - end of period	<u>\$ 10,601,879</u>	<u>\$ 46,980</u>

Continued on the following page

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

**CITY OF CRESCENT CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Sewer	Water	RV Park
	<u>          </u>	<u>          </u>	<u>          </u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:			
Operating income (loss)	\$ 1,321,741	\$ (466,926)	\$ 47,493
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	254,002	264,725	-
Changes in certain assets and liabilities:			
Accounts receivable	(152,238)	72,641	-
Inventory	-	-	-
Accounts payable	(619,097)	(167,405)	(3,751)
Accrued expenses	(97)	(56,686)	(490)
Deposits and deferred revenue	-	1,554	-
Compensated absences	2,622	2,351	-
Total adjustments	<u>(514,808)</u>	<u>117,180</u>	<u>(4,241)</u>
Net cash provided (used) by operating activities	<u>\$ 806,933</u>	<u>\$ (349,746)</u>	<u>\$ 43,252</u>

Continued on the following page

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

**CITY OF CRESCENT CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Total</u>	<u>Internal Service</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	\$ 902,308	\$ (291,017)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	518,727	171,945
Changes in certain assets and liabilities:		
Accounts receivable	(79,597)	(108)
Inventory	-	-
Accounts payable	(790,253)	(32,378)
Accrued expenses	(57,273)	-
Deposits and deferred revenue	1,554	-
Compensated absences	<u>4,973</u>	<u>11,552</u>
Total adjustments	<u>(401,869)</u>	<u>151,011</u>
Net cash provided (used) by operating activities	<u>\$ 500,439</u>	<u>\$ (140,006)</u>

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

# CITY OF CRESCENT CITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Crescent City (City) 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. The significant accounting policies of the City are discussed below.

#### A. FINANCIAL REPORTING ENTITY

The City of Crescent City was incorporated on April 13, 1854 following voter approval of a city charter. On May 4, 1885, following voter approval of a ballot measure, the City was reorganized as a General Law City of the State of California. The City operates under a five-member council-manager plan of government. Council members are elected at large to a four-year term, with the City Council appointing one of its members as Mayor for a one-year term. The City provides the following services: police, fire protection, code enforcement, street maintenance (including lighting and sweeping), planning and zoning, parks and recreation, cultural and community centers, water and sewer utility service, housing assistance, redevelopment, and general administrative services.

##### *Description of Blended Component Unit*

The following component unit, although a legally separate entity, is reported as if it were part of the primary government because the City Council of the City is that component unit's governing body, or appoints the majority of representatives to the unit's governing board, or the unit provides services entirely to the City. Under the blended method of inclusion, the component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City itself.

As a result, the basic financial statements of the City include the Crescent City Redevelopment Agency (the Agency) of the City. The Agency is a separate legal entity established to provide redevelopment activities within the incorporated area. The financial operations of the Agency are closely related, and members of the City Council have continuing oversight responsibility. The Agency was established in 1964.

Copies of the audited financial statements may be obtained by writing to the City of Crescent City Redevelopment Agency, 377 J Street, Crescent City, CA 95531.

##### *Crescent City Housing Authority*

The Housing Authority was established to provide housing for the City's low and moderate-income residents.

##### *Crescent City Public Financing Authority*

The Crescent City Public Financing Authority exists under and pursuant to a Joint Exercise of Powers Agreement dated November 5, 1990 between the City and the Agency. The intent of this joint powers agreement is to obtain financing for capital improvements to be owned by the City or Agency.

#### B. BASIS OF PRESENTATION

##### *Description of Funds*

The accounts of the City are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, and revenues and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

##### *Government-wide Financial Statements:*

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, accompanied by a total column. These financial statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. Governmental activities are financed generally through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed generally through user fees.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF PRESENTATION (Continued)**

Certain eliminations have been made as prescribed by GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments (GASB No. 34) in regards to inter-fund activities, payables and receivables.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund:* The General Fund is the primary fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds:* Special Revenue Funds are used to account for the Proceeds of specific revenue sources that are legally restricted to expenditure for Certain Purposes.

*Capital Project Fund:* The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes thirteen Capital Project Funds and they are used to account for the acquisition or construction of major capital facilities.

**Proprietary Funds**

*Enterprise Fund:* Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed primarily through user charges, or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public police, management control, accountability, or other purposes.

**Fiduciary Funds**

*Trust and Agency Funds:* Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Pension Trust, and Agency Funds. Expendable Trusts are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets Equal liabilities) and do not involve measurement of results of operations.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF PRESENTATION (Continued)**

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Trust and Agency Funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both the governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurement means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**D. ASSETS, LIABILITIES, AND EQUITY**

***Cash and Investments***

For the purpose of the Statement of Net Assets, "cash, includes time deposits" includes all demand, savings, accounts, and certificates of deposits of the City. For the Purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalent" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalent.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

The City's investments are carried at fair value instead of cost, as required by U.S. generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end if material, and it includes the effects of these adjustments in income for that fiscal year.

The City places certain funds with the State of California's Local Agency Investment Fund (LAIF). The City is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the City's investment in this pool is reported in the accompanying financial statements based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The management of the State of California Pooled Money Investment Account has indicated to the City that as of June 30, 2011 the carrying amount of the pool was \$63,337,959,989 and the estimated market value of the pool (including accrued interest) was \$63,616,592,927. The City's proportionate share of that value is \$17,013. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$225,000,000 and asset-backed securities totaling \$1,400,919,000. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and

(Continued on the following page)

# CITY OF CRESCENT CITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

transferable to the master account with twenty-four hours notice. Financial statements for LAIF can be obtained from the California State Treasurer's Office: State Treasurer's Office, 915 Capitol Mall, Suite 110, Sacramento, CA 95814.

Cash and investments are used in preparing Proprietary and Internal Service Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets

#### *Receivables*

In the Government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, and police fines. Business-type activities report utilities as their major receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of the proprietary fund receivables.

#### *Inventory*

Inventories in governmental funds consist of expendable supplies held for consumption. The City does not record and maintain inventory records of unused materials and supplies for various funds. Inventories are considered immaterial and materials and supplies are expensed as purchased.

#### *Restricted Assets*

These accounts contain resources for construction and debt service and their use is limited by applicable loan or other covenants.

#### *Compensated Absences*

The City permits its employees to accumulate a limited amount of earned but unused vacation and compensatory time and to redeem such unused vacation time in cash upon death or termination of employment, or by extended absence immediately preceding retirement. General City employees are not permitted to carryover unused administrative leave or compensatory time off from one year to the next. Sworn peace officers are allowed to carry up to 60 hours of compensatory time off over to the next year. The cost of vacation benefits is recognized as an expense when the benefit is paid to the employee. A long-term benefits to be paid from governmental funds and similarly, long-term liability is accrued in the proprietary funds for benefits to be paid from those funds.

#### *Fixed Assets*

Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art, historical treasures, and all other tangible or intangible assets that are used in operations and have initial useful lives greater than one year. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for equipment & vehicles, \$50,000 for buildings and improvements, and \$250,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Non-infrastructure capital assets are depreciated using the straight-line method.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful lives are not capitalized. Outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

(Continued on the following page)



**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, LIABILITIES, AND EQUITY (Continued)**

*Fixed Assets (Continued)*

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund statements.

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The Range of estimated useful lives by type of assets is as follows:

Buildings	10-40 years	Utility System	5-50 years
Improvements	10-40 years	Infrastructure	15-50 years
Machinery and Equipment	3-20 years		

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

*Long-Term Debt*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and interfund loan payables.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Investment in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of these assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. REVENUES, EXPENDITURES, AND EXPENSES**

**Property Taxes**

Property taxes attach as an enforceable lien on property as of the first Monday in March. Property taxes are payable in two installments on December 10 and April 10. The City collects its share of property taxes through the County of Del Norte. The City relies on the competency of the County in determining its share of the overall property tax collections.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Capital Outlay
Proprietary Funds - By Operating and Nonoperating	Debt Service

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds reported expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**F. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**NOTE 2 CASH AND INVESTMENTS**

The City follows a practice of pooling cash and investments of all funds except for funds required to be held in a separate account by grant provisions or other agreement.

The City reporting entity considers highly liquid investments (including restricted assets) with original maturity of three months or less when purchased to be cash equivalents. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2011. The Categories are described as follows:

(1) Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name, (2) uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name or (3) uninsured and uncollateralized.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
US Bank				
Savings Accounts	\$ 30,687	\$ -	\$ -	\$ 30,687
General Fund - Special Checking	4,313,979	-	-	4,313,979
Payroll Account	-	-	-	-
Special Revenue Funds - Special Checking	126,943	-	-	126,943
Edward D. Jones				
General Investments	-	-	-	-
RBC Dain Rauscher				
General Investments	-	589	-	589

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 2 CASH AND INVESTMENTS(Continued)**

State of California				
Local Agency Investments Fund	-	-	3,936,103	3,936,103
Retention account - Umpqua bank	-	-	1,853,074	1,853,074
Cash on Hand	-	-	1,520	1,520
	<u>\$ 4,471,609</u>	<u>589</u>	<u>5,790,697</u>	<u>\$ 10,262,895</u>
Reconciliation to Government-wide Statement of Net Assets:				
Unrestricted cash, including time deposits				\$ 8,280,354
Restricted cash, including time deposit				250,020
Agency fund cash, including time deposits (not included in government-wide statement)				-
				<u>\$ 8,530,374</u>

**NOTE 3 CAPITAL ASSETS**

Capital asset activities for the year ended June 30, 2011, was as follows:

	<u>Balance at July 1, 2010</u>	<u>Adjustment/ Reclassification</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2011</u>
Governmental Activities:					
Land	\$ 2,474,586	\$ -	\$ -	\$ -	\$ 2,474,586
Buildings and Improvements	6,867,245	-	-	-	6,867,245
Machinery and Equipment	675,244	-	-	-	675,244
Infrastructure	-	-	-	-	-
Total at Historic Cost	<u>10,017,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,017,075</u>
Less Accumulated Depreciation	<u>4,223,248</u>	<u>-</u>	<u>236,909</u>	<u>-</u>	<u>4,460,157</u>
Governmental Activities Capital Assets, Net.	<u>\$ 5,793,827</u>				<u>\$ 5,556,918</u>
Business-Type Activities:					
Construction in Progress	\$ 43,952,747	\$ -	\$ 8,024,636	\$ -	\$ 51,977,383
Land	551,556	-	-	-	551,556
Buildings and Improvements	21,497,395	-	-	-	21,497,395
Machinery and Equipment	6,288,551	-	-	-	6,288,551
Total at Historical Cost	<u>72,290,249</u>	<u>-</u>	<u>8,024,636</u>	<u>-</u>	<u>80,314,885</u>
Less Accumulated Depreciation	<u>13,403,361</u>	<u>-</u>	<u>524,003</u>	<u>-</u>	<u>13,927,364</u>
Business-Type Capital Assets, Net.	<u>\$ 58,886,888</u>				<u>\$ 66,387,521</u>

**NOTE 4 CHANGES IN LONG-TERM DEBT**

The following is a summary of the long-term debt transactions of the City of Crescent City for the year ended June 30, 2011:

	<u>Capital Leases</u>	<u>Notes Payable</u>	<u>Tax Allocation Bonds</u>	<u>Safe Water Revolving Loan</u>	<u>Sewer State Revolving Fund Loan</u>
Long Term Debt July 1, 2010	\$ 373,485	\$ 5,472,719	\$ 425,000	\$ 4,725,000	\$ 30,693,792
Additions	-	-	-	-	14,539,729
Deletions	-	5,472,719	-	-	-
Repayment	159,078	-	90,000	350,000	-
Long Term Debt June 30, 2011	<u>\$ 214,407</u>	<u>\$ -</u>	<u>\$ 335,000</u>	<u>\$ 4,375,000</u>	<u>\$ 45,233,521</u>

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE 4 CHANGES IN LONG-TERM DEBT (Continued)**

*Capital Leases*

During the 2005 fiscal year the City acquired a fire truck at a total cost of \$433,577. The City paid \$100,000 down and entered into a ten-year capital lease to finance the remaining \$333,577 at an interest rate of 4.957% per year. This lease has been, for accounting purposes, capitalized and included in the Long-Term Liabilities section of the balance sheet.

During the 2011 fiscal year the City acquired a street sweeper at a total cost of \$190,828. The City entered into a five-year capital lease to finance the sweeper at an interest rate of 4.83% per year. The lease calls for quarterly payments of \$10,688 including interest. This lease has been, for accounting purposes, capitalized and included in the Long-Term Liabilities section of the balance sheet.

Future minimum lease payments are as follows:

	<u>Fire Engine</u>	<u>Street Sweeper</u>	<u>Total</u>
2011-12	\$ 43,110	\$ 42,673	\$ 85,783
2012-13	43,110	21,337	64,447
2013-14	43,110	-	43,110
2014-15	43,110	-	43,110
2015-16	-	-	-
Later	-	-	-
Total Minimum Lease Payments	<u>172,440</u>	<u>64,010</u>	<u>236,450</u>
Less: Amounts representing interest	<u>(19,423)</u>	<u>(2,620)</u>	<u>(22,043)</u>
Present value of future minimum lease payments	<u>\$ 153,017</u>	<u>\$ 61,390</u>	<u>\$ 214,407</u>

*Notes Payable*

The City had a \$4,300,000 line of credit from U.S. Bank outstanding on June 30, 2010. The line of credit is to provide interim financing for sewer improvements. This line of credit was renewed and was due October 2010. Proceeds from permanent financing will repay the line of credit. The note was repaid in the current fiscal year.

The City had a \$5,681,803 line of credit from Umpqua Bank outstanding on June 30, 2011. The line of credit is to provide interim financing for sewer improvements. This line of credit was renewed and is due October 2011. Proceeds from permanent financing will repay the line of credit.

*Redevelopment Agency Tax Allocation Bond Debt*

Crescent City Redevelopment Agency issued tax allocation bonds to finance improvements owned by the Agency. Repayments are pledged from Agency tax increment revenues. Tax allocation debt on June 30, 2011 consisted of the following:

	<u>Amount Outstanding</u>
<b>1991 Tax Allocation Bond:</b>	
\$500,000 issued October 15, 1991, 8.5% Due September 15, 2011.	<u>\$ 170,000</u>

*Revenue Bonds and Loan Debt*

The City issued various debts to acquire, construct and improve sewer and water works. Repayments are pledged from revenues of the Sewer and/or Water Enterprise Fund. The total revenue bonds and loan debt on June 30, 2011 consisted of the following:

<u>Description:</u>	<u>Amount Outstanding</u>
CA Department of Health Services Safe Drinking Water Revolving Loan \$7,000,000 issued June 28, 2004, 0% matures January 1, 2024 Annual principal installments of \$350,000	<u>\$ 4,375,000</u>
City of Crescent City Assessment District No. 1992-1 Limited Obligation Bond \$445,000 issued July 27, 1992, 8.6% matures September 2, 2011	<u>\$ 170,000</u>

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 4 CHANGES IN LONG-TERM DEBT (Continued)**

**Installment Payment Schedule**

Year Ending June 30,	Limited Obligation Bond	Tax Allocation Bonds	Safe Water Revolving Loan
2012	\$ 171,975	\$ 171,975	\$ 350,000
2013	-	-	350,000
2014	-	-	350,000
2015	-	-	350,000
2016	-	-	350,000
2017-2020	-	-	1,400,000
2021-2025	-	-	1,225,000
2026-2030	-	-	-
2031-2035	-	-	-
	171,975	171,975	4,375,000
Less Interest	(1,975)	(1,975)	-
Total	\$ 170,000	\$ 170,000	\$ 4,375,000

**Sewer Revolving Loan**

The City has entered into an agreement with the State of California Water Resources Control Board (WRCB), whereby the WRCB will finance the construction of a new sewer treatment plant for the City. The construction is expected to be complete in mid-2011. 12 months after completion the City is expected to begin repaying the note in accordance with a standard amortization over 20 years at 2.4% interest. Amounts reflected on the financial statements at June 30, 2011 represent advances on the revolving loan to date that have been used to fund the construction progress to date. To date the note has accrued approximately \$185,000 in interest which is not payable until one year after completion so therefore it is not included in these financial statements.

**NOTE 5 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the Combined Statements - Overview, of certain information concerning individual funds including:

- A. Segment information for certain individual Enterprise Funds. This requirement is met by the statements reflecting proprietary funds
- B. Summary disclosure of debt service requirements to maturity of all types of outstanding debt. This requirement is met by Note 4.
- C. Summary disclosure of changes in General Fixed Assets by major asset class. This requirement is met by Note 3.
- D. Summary disclosure of changes in General Long-Term Debt. This requirement is met by Note 4.
- E. Excess of expenditures over appropriations in individual funds for the year ended June 30, 2011 are reflected in a schedule following the individual fund and account group statements at page XX.
- F. Deficit fund balances or retained earnings balances of individual funds at June 30, 2011 are reflected in a schedule following the individual fund and account group statements at page XX.
- G. Interfund receivable and payable balances at June 30, 2011 are as follows:

<u>Interfund Receivable / Payable - Pooled cash interfund balances</u>		
<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ 500,000
Water Fund	Redevelopment Area #1	257,050
Water Fund	Redevelopment Area #2	1,584,206
General Fund	Redevelopment Area #1	261,383
		<u>\$ 2,602,639</u>

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE 6 RETIREMENT PROGRAMS**

**A. PLAN DESCRIPTION**

The City's retirement plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

**B. FUNDING POLICY**

Active plan members are required to contribute 8% (9% for public safety employees) of their annual covered salary. The City makes contributions on behalf of the employees. The City makes the entire contribution for miscellaneous employees. For public safety employees, the City contributes 7% and the employee 2% of the required 9% contribution. The City is required to contribute at an actuarially determined rate; the current rate is 10.968% for miscellaneous employees and 33.131% for public safety employees, of covered annual payroll. The contribution requirements of plan members and the City are established, and may be amended by PERS

**C. ANNUAL PENSION COST**

For fiscal year 2006/07 the City's annual pension cost was \$626,977 and the City actually contributed \$626,977. The required contribution for fiscal year 2006/07 was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00%. The actuarial value of the City's retirement plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The City's retirement plan's unfunded actuarial accrued liability (or excess of assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006 was 30 years.

**D. THREE YEAR TREND INFORMATION - (latest Available)**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/05	\$ 461,579	100.00%	\$ -
06/30/06	\$ 586,234	100.00%	\$ -
06/30/11	\$ 626,977	100.00%	\$ -

**E. FUNDING STATUS OF THE PLAN**

*Regular Employees*

<u>Valuation Date</u>	<u>Entry age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % Payroll</u>
06/30/03	\$ 317,520,943	\$ 289,439,549	\$ 28,081,394	91.20%	\$ 74,981,463	37.5%
06/30/04	\$ 434,267,445	\$ 379,807,592	\$ 54,459,853	87.50%	\$ 97,227,479	56.0%
06/30/05	\$ 579,276,103	\$ 500,388,523	\$ 78,887,580	86.40%	\$ 129,379,492	61.0%

*Safety Employees*

<u>Valuation Date</u>	<u>Entry age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % Payroll</u>
06/30/03	\$ 1,218,082,935	\$ 1,083,690,137	\$ 134,392,798	89.00%	\$ 184,098,257	73.0%
06/30/04	\$ 996,203,370	\$ 885,549,650	\$ 110,653,720	88.90%	\$ 149,407,703	74.1%
06/30/05	\$ 742,247,338	\$ 646,358,708	\$ 95,888,630	87.10%	\$ 115,062,820	83.3%

\* 6/30/04 through 6/30/07 - Information not available from CalPERS.

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE 8 RISK MANAGEMENT**

The City is a member of the Small Cities Organized Risk Effort (Authority) for liability insurance and workers' compensation purposes. The following joint venture disclosures are made in compliance with GASB Code Section J50.103:

**A. Description of Joint Powers Authority**

The Authority is comprised of 21 northern California cities and is organized under joint powers agreement pursuant to the California Government Code. The Purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess liability coverage. Each member City has a representative on the Board of Directors. Officers are elected annually.

General Liability Insurance: Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including Crescent City, self-insurance for the first \$25,000 of each loss. Participating cities shared in loss occurrences in excess of \$25,000 up to \$500,000 for fiscal year 2011. Coverage in excess of \$500,000 is provided through the California Joint Powers Insurance Risk Management Authority, a joint power authority organized to provide excess coverage for its members. Specific coverage includes: comprehensive and general liability, personal injury, contractual liability, errors and omissions, and auto liability.

Worker's Compensation Insurance: Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. The City self insured for the first \$100,000 of each loss. Participating cities shared in loss occurrences in excess of \$100,000 up to \$500,000. For coverage above the \$500,000 the city has purchased excess coverage with limits of \$5,000,000 per occurrence.

**B. Condensed Financial Information of the Authority**

Noted below is a condensed audited balance sheet of the Authorities Combined Worker's Compensation Insurance and Liability Insurance Fund as of June 30, 2010:

Assets	\$ 47,161,242
Liabilities	26,019,429
Fund Equity-Reserved for Insurance	
Claims and Losses:	
Co-Participants	20,722,360
City of Crescent City	419,453
Total Liabilities and Fund Equity	<u>\$ 21,141,813</u>

(June 30, 2011 audited information is not available)

**C. Claims and Judgments**

The City accounts for material liability claims and judgment in accordance with GASB Code Section C50.110. When it is probable that a claim liability has been incurred at year end, the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2011, the City, in the opinion of the City Attorney, had no material claims which would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid.

**NOTE 9 NOTES RECEIVABLE**

The City engages in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, homeowners or developers who agree to spend these funds in accordance with the City's terms. The maximum loan amount is \$230,380, and the notes are carrying various interest rates and payment dates.

Although these notes are expected to be repaid in full, their balance has been offset in the fund financial statements by a reservation of fund balance, as they are not expected to be repaid during the fiscal year 2011. These notes receivable comprised the following at June 30, 2011:

Business Enterprise Notes	\$ 256,855
Sidewalk Notes	71,494
Housing Rehabilitation and Affordable Housing Notes	613,420
	<u>\$ 941,769</u>

(Continued on the following page)

**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 10 CONTINGENCIES**

The City participates in a number of Federal and State assisted grant programs. These programs are subject to program compliance audits by the grantors. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. While the contingency for un-reimbursed expenditures could potentially be material, the amount, if any, of which may be disallowed by the granting agencies can not be determined at this time.

The City Council authorized and adopted on November 1, 1992 benefits for Council Members and selected employees consisting of medical insurance or comparable reimbursement and a payment of \$150 per month toward an annuity. The City amended its benefits for City Council Members on September 8, 1998 to expressly provide for reimbursement of medical premiums at a level comparable to that provided to City employees. The amount contributed toward the annuity was continued at \$150. The City also amended the City Council Members benefits effective January 1, 2000 and the contribution toward the annuity was increased to \$300 per month. During the time period from November 1, 1992 through December 31, 2011, the City provided benefit payments on behalf of City Council Members for medical expenses, alternate insurance coverage and cash in lieu of other benefits. The effects, if any, of noncompliance to be reported on the accompanying financial statements has not been determined. As of June 30, 2011 all annuities, previously purchased, had been returned to the City and deposited back into the City's accounts.

The City is currently reviewing the health and welfare benefits provided to City Council Members to determine if they comply with the compensation limits applicable to City Council Members and related federal and state employment tax laws. The City is unable to determine if there was any noncompliance or violations of compensation limits, the City's investment policy, California government code and federal and state employment tax laws at this time, and as such, no amounts have been recorded on the accompanying financial statements. The ultimate amount of any arrangements for the return of unauthorized grants of annuities and cash payments to the City, and the ultimate amount of any liability, is contingent upon the results and final settlements of the City's health and welfare benefits review. Any potential adjustments for this time period are unknown.

**NOTE 11 POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS**

The City provides a contribution to retired employees and council members CalPERS medical premiums, capped at various levels. Employees must be enrolled in a CalPERS health plan at the time of retirement to be eligible for the benefit. Premiums that exceed the City's maximum contribution are the responsibility of the retiree.

Employer contributions are financed on a pay-as-you-go basis. The number of participants eligible to receive benefits at June 30, 2011 was 20. The City's expenditures for post retirement health care during the 2011 fiscal year were \$74,025.

**NOTE 12 - OTHER DISCLOSURES**

The City is in the final phase of the construction of a waste water treatment plant. The City estimates the final cost of the project to be approximately \$53 million dollars. The notice of completion was filed with the County of June 11, 2011. The project was not fully placed in service until fiscal year 2011 - 12.

**NOTE 13 - REDEVELOPMENT AGENCIES IN THE STATE OF CALIFORNIA**

In June 2011, the Governor signed two budget trailer bills, ABX1 26 and 27, in conjunction with implementation of the Fiscal Year 2011-12 State budget. These two bills significantly modify the California Community Redevelopment Law under which redevelopment agencies in California operate. Pursuant to ABX1 26 (referred to as the "Dissolution Act"), a complete dissolution of redevelopment agencies would occur on October 1, 2011. However, the companion bill, ABX1 27 (referred to as the "Voluntary Program Act") would have allowed redevelopment agencies to avoid dissolution under the Dissolution Act by opting into an "alternative voluntary redevelopment program" requiring specific substantial annual contributions to local schools and special districts. The State's Department of Finance has stated that the Crescent City Redevelopment Agency's (Agency) 2011-12 payment under the Voluntary Program would have been \$167,000, split into two payments due on January 15, 2012, and May 15, 2012.

Subsequently, on July 18, 2011, CRA and the League of California Cities filed a petition asking the California Supreme Court to overturn ABX1 26 and 27, as they violate the State's Constitution. It was also requested that a stay be granted to prevent the legislation from going into effect until the Court decides on the lawsuit. On August 18, 2011, the California Supreme Court announced that it would hear the lawsuit, California Redevelopment Association, et al. versus Ana Matosantos, et al. On December 29, 2011 the Court rendered its decisions upholding ABX1 26, but striking down ABX1 27, effectively abolishing all Redevelopment Agencies in the State of California. Members of the State's legislature have committed to revisit the issue and several bills have been introduced to do everything from abolishing ABX1 26 to extending its effective date. Absent legislative action the Crescent City Redevelopment Agency will be dissolved and its activities absorbed by the City effective January 31, 2012.

(Continued on the following page)



**CITY OF CRESCENT CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 14 - PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA**

Under the provision of Proposition 1A and a part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint power authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

**CITY OF CRESCENT CITY  
GENERAL FUND  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,947,458	\$ 2,851,325	\$ 2,728,431	\$ (122,894)
Use of money and property:				
Interest	25,000	25,000	795	(24,205)
Rental income	21,150	26,150	37,608	11,458
Licenses and permits	250,935	256,910	276,641	19,731
Intergovernmental revenues	191,906	380,006	760,606	380,600
Fines and Penalties	24,000	24,000	22,384	(1,616)
Charges for services	300,682	348,962	675,154	326,192
Gifts and donations	15,000	21,800	69,607	47,807
Other revenue	24,000	26,000	32,092	6,092
Total revenues	<u>3,800,131</u>	<u>3,960,153</u>	<u>4,603,318</u>	<u>643,165</u>
<b>Expenditures</b>				
Current:				
General government	1,361,322	944,539	723,356	221,183
Public safety	2,503,179	2,408,876	2,315,610	93,266
Human services and recreation	1,161,489	1,168,801	1,275,799	(106,998)
Public works	632,306	578,976	1,201,405	(622,429)
Total expenditures	<u>5,658,296</u>	<u>5,101,192</u>	<u>5,516,170</u>	<u>(414,978)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,858,165)</u>	<u>(1,141,039)</u>	<u>(912,852)</u>	<u>228,187</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	373,076	169,598	270,809	101,211
Transfers out	<u>(158,800)</u>	<u>(15,900)</u>	<u>(69,084)</u>	<u>(53,184)</u>
Total other financing sources (uses)	<u>214,276</u>	<u>153,698</u>	<u>201,725</u>	<u>48,027</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (1,643,889)</u>	<u>\$ (987,341)</u>	<u>(711,127)</u>	<u>\$ 276,214</u>
Fund Balances, beginning of period			1,589,316	
Prior period adjustments			7,858	
Fund balance, beginning of period restated			<u>1,597,174</u>	
Fund Balances, end of period			<u>\$ 886,047</u>	

**CITY OF CRESCENT CITY  
HOUSING AUTHORITY SECTION 8  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
<b><u>Revenues:</u></b>				
Use of money and property:				
Interest	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Intergovernmental revenues	2,540,000	2,540,000	2,954,495	414,495
Other revenue	-	-	24,927	24,927
Total revenues	<u>2,543,500</u>	<u>2,543,500</u>	<u>2,979,422</u>	<u>435,922</u>
<b><u>Expenditures</u></b>				
Current:				
Human services and recreation	<u>2,543,500</u>	<u>2,593,400</u>	<u>3,067,603</u>	<u>(474,203)</u>
Total Expenditures	<u>2,543,500</u>	<u>2,593,400</u>	<u>3,067,603</u>	<u>(474,203)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (49,900)</u>	<u>(88,181)</u>	<u>\$ (38,281)</u>
Fund Balances, beginning of period			<u>386,738</u>	
Fund Balances, end of period			<u>\$ 298,557</u>	

## **SPECIAL REPORTS**

# Donald R Reynolds

Certified Public Accountant

## 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

Honorable City Council  
City of Crescent City  
Crescent City, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crescent City, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated November 30, 2011. I conducted my 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.

### **Internal Control Over Financial Reporting**

Management of the City of Crescent City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City of Crescent City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

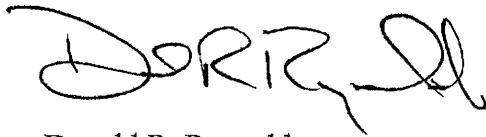
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Crescent City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, City management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'DORR' followed by a stylized flourish.

Donald R. Reynolds  
Certified Public Accountant  
November 30, 2011

# *Donald R. Reynolds*

Certified Public Accountant

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable City Council  
City of Crescent City  
Crescent City, California

### **Compliance**

I have audited the City of Crescent City's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that would have a direct and material effect on the City of Crescent City's major federal programs for the year ended June 30, 2011. City of Crescent City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Crescent City's management. My responsibility is to express an opinion on City of Crescent City's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Crescent City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on City of Crescent City's compliance with those requirements.

In my opinion, City of Crescent City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

The management of City of Crescent City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered City of Crescent City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

My consideration of internal control over compliance 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 significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance and its operation that I consider to be material weaknesses, as defined above.

This report is intended for the information of the City Council, City management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Donald R. Reynolds  
Certified Public Accountant  
November 30, 2011



# *Donald R. Reynolds*

Certified Public Accountant

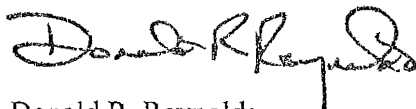
## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS

Honorable City Council  
City of Crescent City  
Crescent City, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crescent City, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 30, 2011. These financial statements are the responsibility of the City of Crescent City's management. My responsibility was to express an opinion of these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of State and Local Governments and Non Profit Organizations." Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provided a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining financial statements. The accompanying Schedule of Federal Financial Assistance is presented for the purposes of additional analysis and is not a required part of the financial statements of the City of Crescent City. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Donald R. Reynolds  
Certified Public Accountants  
November 30, 2011

**CITY OF CRESCENT CITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing & Community Development:			
Section Housing Choice Vouchers*	14.871		<u>2,545,689</u>
Total U.S. Department of Housing & Urban Development			<u>2,545,689</u>
Total Expenditure of Federal Awards			<u>\$ 2,545,689</u>

\* Major Program

**CITY OF CRESCENT CITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Note 1: General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Crescent City. The City reporting entity is defined in Note 1 to the City's basic financial statements. All Federal awards received from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

**Note 2: Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is prepared on a basis other than that used to record transactions in the accounting records and as reported in the basic financial statements. Sources of information for preparation of the Schedule of Expenditures of Federal Awards varies, depending on the accounting practices and reporting requirements of the departments implementing the program

**Note 3: Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the General and Special Revenue funds.

**CITY OF CRESCENT CITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2011**

**Section 1**

Financial Statements

Summary of Auditor's Results

- |                                                                                            |                    |
|--------------------------------------------------------------------------------------------|--------------------|
| a.) Type of auditor's report issued on financial statements                                | <b>Unqualified</b> |
| b.) Internal control over financial reporting:                                             |                    |
| Material weaknesses identified:                                                            | <b>No</b>          |
| Significant Deficiencies indentified that<br>are not considered to be material weaknesses: | <b>No</b>          |
| c.) Noncompliance which is material to the financial<br>statements:                        | <b>No</b>          |

**Federal Awards**

- |                                                                                                          |                                  |
|----------------------------------------------------------------------------------------------------------|----------------------------------|
| d.) Internal control over major programs:                                                                |                                  |
| Material weaknesses identified:                                                                          | <b>No</b>                        |
| Significant Deficiencies indentified that are not<br>considered to be material weaknesses:               | <b>No</b>                        |
| e.) Type of auditors' report issued on compliance for<br>major programs:                                 | <b>Unqualified</b>               |
| f.) Any audit findings which are required to be reported<br>under Section .510(a) of OMB Circular A-133: | <b>No</b>                        |
| g.) The dollar threshold used to distinguish between<br>Type "A" and Type "B" programs was               | <b>\$300,000</b>                 |
| h.) Program identified as a major program                                                                |                                  |
| <u>CFDA Number</u>                                                                                       | <u>Name of Federal Program</u>   |
| 14.871                                                                                                   | Section Housing Choice Vouchers* |
| i.) Auditee qualified as a low risk auditee under Section<br>0.530 of OMB Circular A-133:                | <b>No.</b>                       |

**CITY OF CRESCENT CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION 2**

None Reported

**Federal Award Findings and Questioned Costs**

None reported