

City of Crescent City

Crescent City, California

Annual Audit Report and Financial Statements

For the year ended June 30, 2016

City of Crescent City
Annual Audit Report and Financial Statements
For the year ended June 30, 2016

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City of Crescent City
City Officials
For the year ended June 30, 2016

<u>Name</u>	<u>Office</u>
Ron Gastineau	Mayor
Blake Inscore	Mayor Pro Tem
Richard Holley	Member
Kathryn Murray	Member
Darrin Short	Member



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California

Report on the Financial Statements

We 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 (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension required supplementary information, and schedules of funding progress for other post employment benefits and budgetary comparison information, on pages 5-14 and 70-75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, and combining and individual nonmajor fund financial statements on pages 78 to 82 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

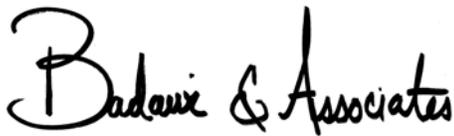
The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California
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The introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 16, 2016

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CITY OF CRESCENT CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

As Management of the City of Crescent City (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements following this section.

The 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 and commitments, and a discussion of 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

Government-Wide

All funds of the City are reported together in the Government-Wide Reports. Total assets and deferred outflows of resources of the City were \$75,274,525 and total liabilities and deferred inflows of resources were \$53,580,542 at June 30, 2016. The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$21,693,983 (net position) for the fiscal year reported. This is an increase of \$2,557,953 from the previous year when assets exceeded liabilities by \$19,136,030. The increase includes:

- \$799,407 increase in the net investment in capital assets primarily due to capital improvement projects, including grant-funded projects.
- \$1,053,613 increase in unrestricted net position primarily due to operating results and grant funding.
- \$10,399 decrease in restricted net position for capital projects and community development.
- \$438,801 increase in restricted net position for capital reserve.
- \$350,036 increase in restricted net position debt service.
- \$73,505 decrease in restricted net position for other purposes.

Total net position is comprised of the following:

- Capital assets, net of related debt and accumulated depreciation, of \$18,182,813 includes property and equipment.
- Net position of \$614,618 is restricted for capital projects and community development.
- Net position of \$438,801 is restricted for capital reserve.
- Net position of \$350,036 is restricted for debt service.
- Net position of \$18,536 is restricted for other purposes.
- Unrestricted net position of \$2,089,179 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

Fund Based – Governmental Funds

Governmental funds include the General Fund and all other funds, except those classified as business type. The City's governmental funds reported total ending fund balance of \$2,914,570 this year. This compares to the prior year ending net position of \$2,798,834 and is an increase of \$115,736 which was the result of operations and includes:

- \$48,733 net increase in the General Fund balance due to revenues exceeding expenditures by approximately 1%. The General Fund is discussed in greater detail below.
- \$18,387 net increase in the Housing Authority balance due to revenues exceeding expenditures by approximately 0.6%. The City reports on a July 1 through June 30 fiscal year and the Federal Government funds the Housing Authority on a calendar year. Accordingly, there will always be some disconnect between the City's annual report and the Federal Governments funding cycles. Note that in fiscal year

2014-15, the Housing Authority's fund balance decreased by \$73,286. This swing between increases and decreases from year to year is due to timing differences between the City and the Federal Government.

- \$27,226 net decrease in the CDBG balance due to grant completions.
- \$75,843 net increase in other funds due primarily to grant funding for capital improvements and safety vehicle replacement.

For the fiscal year ending June 30, 2016, the fund balance of the General Fund was \$1,784,943. The Fund Balance Reserve Policy is the City Council's goal to achieve a minimum of 25% of the annual general fund appropriations. For the fiscal year 2015-16, the \$1,784,943 fund balance reserve is 35% of reported expenditures and transfers out (\$5,076,680). The \$1,784,943 is 34% of the fiscal year 2016-17 General Fund expenditures and transfers out budget (\$5,244,738).

Fund Based – Business Type Activities

The City's business type activities include the Sewer Fund, the Water Fund, and the Recreational Vehicle (RV) Fund. These funds reported total ending net position of \$14,784,654 as of June 30, 2016. This compares to the prior year ending net position of \$12,776,518 showing an increase of \$2,008,136 during the current year. The business type funds are discussed in greater detail below.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Position* is measured as the difference between (a) assets and deferred outflow of resources and (b) liabilities and deferred inflow of resources. This is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position may serve as an indicator of whether its financial health is improving or deteriorating.

The *Statement of Activities* presents information on how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that only result in cash flows in future periods; e.g. earned but unused vacation leaves.

In both the Statement of Net Position and Statement of Activities we divide the City into two kinds of activities:

Governmental Activities – Most of the City's basic services are reported here, including General Government (City Council, City Clerk, City Manager's Department, General and Fiscal Services), Public Safety (Police and Fire), Community Development and Planning, Swimming Pool, Parks and Public Works. Revenues from property taxes, transient occupancy taxes (TOT), sales tax, business license tax, etc. finance most of these activities.

Business-type Activities – The City charges a fee to customers to recover all or most of certain services it provides. The City's water, sewer, and recreational vehicle park are included in this category.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings (funds) of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City uses all three types, each using different accounting methods.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided in the Required Supplementary Information section of this report.

Proprietary Funds – Proprietary funds are primarily used to account for when the City charges for the services it provides, whether to outside customers or to other units of the City. These funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using an accrual basis of accounting. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that are reported in the government-wide financial statements but provide more detailed information, such as the statement of cash flows. The City uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as Building and Equipment Services, Self-Insurance and Information Technology funds. Since these activities predominantly benefit governmental rather than business-type functions, they are included with the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as a trustee. The Statement of Fiduciary Net Position separately reports all of the City's fiduciary activities. The City excludes those activities from the City's other financial statements because the City cannot use these assets to finance its operations. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information. Information regarding the City's contributions to Other Post-Employment Benefits and

the Defined Benefit Pension Plan is included here. Statements of Revenues, Expenditures, and Changes in Fund balances – Budget and Actual for the General Fund, the Housing Authority Section 8 Fund, and the CDBG Funds are also included here.

Supplementary Information

This section includes the individual fund statements for the nonmajor governmental funds and the internal service funds.

Financial Analysis of the City as a Whole

This analysis will focus on the City’s net position (Table 1) and changes in net position (Table 2) of the governmental and business-type activities for the fiscal year ending June 30, 2016.

In fiscal year 2015-16, governmental activities increased the City’s net position by \$549,817 and business-type activities increased the City’s net position by \$2,008,136 as compared to the prior fiscal year.

TABLE 1 - NET POSITION

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other	4,029,142	3,480,338	8,360,166	7,051,473	12,389,308	10,531,811
Capital assets	8,390,747	8,207,525	53,370,316	54,204,134	61,761,063	62,411,659
Total Assets	12,419,889	11,687,863	61,730,482	61,255,607	74,150,371	72,943,470
Deferred outflow of resources	679,716	571,542	444,435	223,074	1,124,151	794,616
Liabilities						
Current and other	1,028,775	663,665	683,839	2,248,075	1,712,614	2,911,740
Long-term liabilities	4,720,212	4,134,129	46,408,590	45,726,883	51,128,802	49,861,012
Total Liabilities	5,748,987	4,797,794	47,092,429	47,974,958	52,841,416	52,772,752
Deferred inflow of resources	441,289	1,102,099	297,837	727,205	739,126	1,829,304
Net Position						
Invested in capital assets net of related debt	8,390,747	8,207,525	9,792,066	9,175,881	18,182,813	17,383,406
Restricted	633,154	717,058	788,837	-	1,421,991	717,058
Unrestricted	(2,114,572)	(2,565,071)	4,203,751	3,600,637	2,089,179	1,035,566
Total Net Position	6,909,329	6,359,512	14,784,654	12,776,518	21,693,983	19,136,030

Including grants, fiscal year 2015-16 government-wide revenues increased \$2,585,551 and expenses increased \$2,188,824 compared to the prior year. This was primarily due to capital improvement projects including the B Street Sewer project, Fire Hall Modernization project, and Fire Hall Sesimic Retrofit project.

TABLE 2 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues	4,742,040	4,772,982	7,457,047	7,062,887	12,199,087	11,835,869
Capital grants/contributions	1,412,449	123,694	1,407,914	851,745	2,820,363	975,439
General revenues	3,794,795	3,545,378	138,279	10,287	3,933,074	3,555,665
Total Revenue	9,949,284	8,442,054	9,003,240	7,924,919	18,952,524	16,366,973
Expenses:						
General government	1,023,407	855,805	-	-	1,023,407	855,805
Public Safety	1,733,762	1,853,388	-	-	1,733,762	1,853,388
Human resources and recreation	4,267,932	4,172,505	-	-	4,267,932	4,172,505
Public works	2,264,164	745,853	-	-	2,264,164	745,853
Admin overhead allocation	267,078	228,395	-	-	267,078	228,395
Sewer	-	-	4,624,746	4,398,765	4,624,746	4,398,765
Water	-	-	1,942,201	1,757,821	1,942,201	1,757,821
RV park	-	-	271,281	193,215	271,281	193,215
Total Expenses	9,556,343	7,855,946	6,838,228	6,349,801	16,394,571	14,205,747
Transfers	156,876	(3,796)	(156,876)	3,796	-	-
Extraordinary item	-	(518,433)	-	-	-	(518,433)
Increase (Decrease) in Net Position	549,817	63,879	2,008,136	1,578,914	2,557,953	1,642,793

Financial Analysis of the City's Funds

As noted earlier, the City of Crescent City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Under the Government Accounting Standards Board Statement 54 (GASB54), fund balances are now classified as Nonspendable, Restricted, and Unassigned. Nonspendable fund balances are amounts that are inherently Nonspendable, i.e. cannot be spent because of their form or because they must be maintained intact. Restricted fund balances are amounts with externally enforceable limitations on use, such as limitations imposed by creditors or grantors, and limitations imposed by other governments. Unassigned fund balances (residual net resources) are the amount in excess of Nonspendable and Restricted amounts.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financial requirements.

The following discussion focuses on the City's three primary operating fund types.

General Fund. The General Fund is the chief operating fund of the City of Crescent City. The General Fund experienced an excess of revenues over expenditures in the amount of \$342,011; transfers in and out netted to a negative \$293,278. This resulted in a net change in Fund Balance of \$48,733.

The following tables, Revenues by Source (Table 3) and Expenditures by Function (Table 4), provide a two-year comparison of General Fund activity. Accompanying the tables are brief explanations of significant changes. Fiscal year 2015-16 General Fund revenue increased by 5% in comparison with the prior year. Primary contributors to this increase:

- Sales tax increased 2.4% from \$1,030,691 in fiscal year 2014-15 to \$1,141,956 in fiscal year 2015-16
- Transient occupancy tax increased 2.2% from \$1,149,673 in fiscal year 2014-15 to \$1,254,820 in fiscal year 2015-16.

Table 3 - General Fund Revenues by Source						
For the periods ending June 30						
	2016		2015		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes and assessments	3,397,621	69.0%	3,183,483	67.9%	214,138	4.6%
Use of money and property:						
Interest	6,040	0.1%	1,936	0.0%	4,104	0.1%
Rental Income	43,959	0.9%	44,486	0.9%	(527)	0.0%
Licenses and permits	365,878	7.4%	372,460	7.9%	(6,582)	-0.1%
Fines and permits	77,959	1.6%	82,225	1.8%	(4,266)	-0.1%
Intergovernmental revenues	505,115	10.3%	472,268	10.1%	32,847	0.7%
Charges for services	368,016	7.5%	390,546	8.3%	(22,530)	-0.5%
Gifts and donations	2,683	0.1%	17,759	0.4%	(15,076)	-0.3%
Other revenue	154,482	3.1%	123,299	2.6%	31,183	0.7%
Total	4,921,753	100.0%	4,688,462	100.0%	233,291	5.0%

Total General Fund expenditures, not including transfers, increased by \$523,222 or 12.9% from the prior fiscal year. The primary contributors to this increase include:

- \$160,264 payment to Del Norte County under a shared revenue agreement. This payment represents revenue sharing for both fiscal years 2014-15 and 2015-16; the revenue sharing payment was not made in fiscal year 2014-15 while a new agreement was negotiated.
- \$99,076 in increased volunteer firefighter stipends. This was partially offset by \$81,341 in increased reimbursements from the Fire District and Airport for firefighter services.
- \$52,650 in street striping. This was partially offset by \$44,920 in revenues from the Del Norte Local Transportation Commission for the project.
- \$52,918 increase in PERS contribution costs.
- \$38,029 in contract expenses for several projects including a compensation study and Housing Element update.
- \$33,250 for a new portable generator and \$11,766 for a new zero turn mower.
- \$28,755 increase in workers compensation insurance.

Table 4 - Expenditures by Type						
General Fund						
For the periods ending June 30						
	2016		2015		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	849,105	18.5%	621,816	15.3%	227,289	5.6%
Public safety	1,951,650	42.6%	1,827,449	45.0%	124,201	3.1%
Human services and recreation	497,470	10.9%	494,296	12.2%	3,174	0.1%
Community development	279,633	6.1%	286,466	7.1%	(6,833)	-0.2%
Public works	745,130	16.3%	606,010	14.9%	139,120	3.4%
Admin overhead allocation	256,754	5.6%	220,483	5.4%	36,271	0.9%
Total	4,579,742	100.0%	4,056,520	100.0%	523,222	12.9%

Housing Fund. The Housing Authority revenues are provided by the Department of Housing and Urban Development (HUD) on a calendar year basis. They are provided to the Housing Authority (HA) through Housing Assistance Payments (HAP) and Administrative funds. The HAP payments are designated for rental assistance for

tenants and are paid to property owners with Housing Choice Vouchers (HCV). Administrative funds are designated for any costs associated with administering the HCV program.

The Housing Authority is included in these financials as a governmental fund. It is a Basic Component Unit of the City of Crescent City and, as such, it is more fully reported on in its stand-alone financial statement, also issued as of June 30, 2016. In fiscal year 2016, the Housing Authority experienced an excess of revenues over expenditures in the amount of \$18,387. This increased the Housing Authority's fund balance from \$79,969 to \$92,356. As described above, the Housing Authority's fund balance fluctuates year to year due to timing differences between the City's fiscal year reporting and the Federal funding, which operates on a calendar year basis.

CDBG Fund. The CDBG Fund accounts for projects and programs funded by the Community Development Block Grant program. These grants are funded on a reimbursement basis, meaning the City pays eligible costs and then applies for reimbursement. The fund balance in this fund fluctuates depending on the number and value of projects underway and the timing of related cash flows. Revenues in fiscal year 2015-16 were \$1,430,931, which is \$1,045,031 higher than in fiscal year 2014-15. This was due to a large sewer rehabilitation project during fiscal year 2015-16. Expenditures were \$1,595,917 in fiscal year 2015-16, or \$946,238 higher than fiscal year 2014-15, also related to the sewer rehabilitation project.

Proprietary funds. Proprietary funds operate in a business-type environment. The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The City's proprietary funds include the Sewer and Water utilities and the Recreational Vehicle (RV) Park. A two-year comparison of change in net assets for these funds is in the following tables.

Sewer Fund. In fiscal year 2015-16, the change in net position was \$1,339,858 which is \$952,725 more than the change in net position in fiscal year 2014-15. In fiscal year 2015-16, there was a grant capital contribution of \$1,378,106 related to the B Street Sewer Rehabilitation project.

	2016	2015	Variance	
	Amount	Amount	Amount	Percent
Sewer Fund				
Operating revenues				
Sewer treatment	4,409,335	4,489,520	(80,185)	-1.8%
Lab revenues	39,340	34,282	5,058	14.8%
Sewer connections	66,806	94,883	(28,077)	-29.6%
Other	133,069	128,036	5,033	3.9%
Grants and other revenues	77,900	27,633	50,267	181.9%
Expenses	(4,621,360)	(4,313,473)	(307,887)	7.1%
Non-operating revenue(expense)	13,539	(77,544)	91,083	-117.5%
Net changes before transfers and capital contributions	118,628	383,337	(264,709)	-69.1%
Net transfers and capital contributions	1,221,230	3,796	1,217,434	32071.5%
Change in net assets	1,339,858	387,133	952,725	246.1%

Sewer treatment revenues decreased by \$80,185 or 1.8%. There was some reduction in commercial sewer accounts, which are based on consumption. This is consistent with the state-wide requirement to reduce water consumption due to drought conditions. Sewer connection revenue decreased by \$28,077 or 29.6%; these revenues will vary year to year depending on the number of new connections requested. Grants and other revenues increased by \$50,267 or 181.9%, primarily due to an insurance dividend that was received in fiscal year 2016 that was not in fiscal year 2015.

Non-operating expenses decreased from \$77,544 in fiscal year 2014-15 to a non-operating net revenue of \$13,539 in fiscal year 2015-16 because the City recorded the final interest payment to the State Water Resources Control Board in fiscal year 2014-15. The loan was then modified to 0% interest.

Net transfers and capital contributions in fiscal year 2015-16 were \$1,221,230 due to a CDBG grant-funded project to rehabilitate the B Street Sewer line.

Water Fund. In fiscal year 2015-16, the change in net position was \$663,675 which is \$216,959 more than the change in net position in fiscal year 2014-15. Net position increased in fiscal year 2015-16 due to water rate increases.

Table 6 - Water Fund				
For the periods ending June 30				
	2016	2015	Variance	
	Amount	Amount	Amount	Percent
Water Fund				
Operating				
Revenues	2,601,685	2,202,080	399,605	18.1%
Expenses	(1,942,201)	(1,757,821)	(184,380)	10.5%
Non-operating revenue(expense)	4,191	2,457	1,734	70.6%
Change in net assets	663,675	446,716	216,959	-90.7%

Revenues in fiscal year 2015-16 increased \$399,605 or 18.1% from the prior fiscal year. This is primarily due to a 17% rate increase approved by City Council Resolution 2015-20 which adopted Ordinance 777.

Shoreline Recreational Vehicle (RV) Park. Operating revenues in fiscal year 2015-16 increased \$142,168 or 106.4% from the preceding fiscal year, because the park was closed for renovations for approximately six months of fiscal year 2014-15. Accordingly, fiscal year 2014-15 showed \$804,585 in grant revenue related to the park renovation that was not repeated in fiscal year 2015-16. The increase in operating expenses was due to the park being open the full year in fiscal year 2015-16 and also the first full year of depreciation expense related to the renovated infrastructure.

Table 7 - RV Park Fund				
For the periods ending June 30				
	2016	2015	Variance	
	Amount	Amount	Amount	Percent
RV Park Fund				
Operating revenues	275,736	133,568	142,168	106.4%
Grant and other revenue	62	804,585	(804,523)	-100.0%
Expenses	(271,281)	(193,215)	(78,066)	40.4%
Non-operating revenue(expense)	86	127	(41)	-32.3%
Change in net assets	4,603	745,065	(740,462)	-99.4%

General Fund Budgetary Highlights. In preparing its budgets, the City attempts to estimate its revenues using realistic and conservative methods, and budgets its expenditure activities in a prudent manner. As a result the City Council adopts budget adjustments during the course of the fiscal year to reflect both changed priorities and availability of additional revenues.

The General Fund budget for fiscal year 2015-16 was projected with a deficit of \$487,045, primarily due to budgeted transfers to be made into capital project funds. The actual results were more favorable than anticipated, with an actual excess of revenues over expenditures of \$48,727. This excess was due to revenues that came in higher than the budget estimates and expenditures that came in lower than the budget estimates. Higher revenues were received in residual taxes related to the dissolution of the former Redevelopment Agency, sales tax, transient occupancy tax, licenses and permits, and other revenues. Lower expenditures were due to personnel vacancies and supplies and contract actual costs coming in lower than budget estimates.

Table 8 shows a two-year comparison of General Fund budgets and actual results.

Table 8 - General Fund Budget-to-Actual						
For the periods ending June 30						
	2016			2015		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues	4,575,828	4,921,755	345,927	4,349,171	4,688,462	339,291
Expenditures	(4,774,935)	(4,579,750)	195,185	(4,551,671)	(4,056,520)	495,151
Operating results	(199,107)	342,005	541,112	(202,500)	631,942	834,442
Transfers in	209,000	203,660	(5,340)	260,000	277,774	17,774
Transfers out	(496,938)	(496,938)	-	(77,500)	(81,439)	(3,939)
Net result	(487,045)	48,727	535,772	(20,000)	828,277	848,277
Extraordinary item	-	-	-	-	(518,433)	(518,433)
Net change in Fund Balance	(487,045)	48,727	535,772	(20,000)	309,844	329,844

Capital Asset and Debt Administration

Capital assets. As of June 30, 2016, the City had a total net investment in capital assets of \$18,182,813. This is an increase of \$799,407 over the net investment in capital assets as of June 30, 2015. The increase is primarily due to the City's increased investment in capital projects, both City-funded and grant-funded, which more than offset the decrease in net investment due to depreciation. Capital projects in fiscal year 2015-16 included the B Street Sewer Rehabilitation project, Fire Hall Seismic Retrofit, Fire Hall Modernization, Coastal Access project, and others.

Table 9 - Net Investment in Capital Assets			
Governmental Funds			
2016	2015	Variance \$	Variance %
8,390,747	8,207,525	183,222	2.2%
Business-type Funds			
2016	2015	Variance \$	Variance %
9,792,066	9,175,881	616,185	6.7%

Long-term debt. As of June 30, 2016, the City had total debt outstanding of \$43,844,193; this is a decrease of \$1,114,145 from the total debt outstanding at June 30, 2015 of \$45,308,338. This reduction is due to loan principal payments and retirement of compensated absences.

Table 10-TOTAL DEBT
For the periods ending June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Governmenta-wide Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Capital Leases	-	-	-	-	-	-
Compensated Absences	174,082	175,819	91,858	104,266	265,940	280,085
Safe Drinking Water Loan	-	-	2,625,000	2,975,000	2,625,000	2,975,000
State Revolving Loan	-	-	40,953,253	42,053,253	40,953,253	42,053,253
Total	174,082	175,819	43,670,111	45,132,519	43,844,193	45,308,338

Economic Factors and Next Year's Budget and Rates

The City Council, working with City staff, continue to examine revenues and expenses closely as well as the future capital improvement needs of the City. The City's budget for fiscal year 2016-17 in the General Fund reflects the City's commitment to match ongoing revenues with ongoing expenditures, and an investment of fund balance in one-time project costs. These include technology upgrades, facility improvements, storm drain improvements, and other projects. The Sewer and Water Enterprise Funds are also budgeted to invest working capital in needed capital improvements. The Sewer Enterprise Fund continues to experience financial difficulty related to debt service and capital maintenance and improvements. In addition to the City's successful request for interest relief on the State Revolving Fund loan, the City completed a sewer revenue sufficiency study to determine the rate structure necessary to address the ongoing needs of the Sewer Fund. Although the resulting rate increase was defeated in a referendum, the City remains committed to addressing the long-term health of this fund.

The City's commitment to elimination of blight within City limits continues to improve health and safety conditions as well as aesthetics. It is hoped that this improvement will continue to attract businesses and residents to the City thus continuing to increase the transient occupancy tax and sales tax revenue base.

The City has several grant funded capital improvement projects underway. The Fire Hall is receiving a seismic retrofit, and the City was awarded a 2014 CDBG grant which is funding sewer line improvements along B Street. Additionally, the City is working with the United States Department of Agriculture (USDA) Rural Development Program to obtain financing for capital improvements in the Water system.

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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Crescent City
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 1,850,516	\$ 6,358,390	\$ 8,208,906
Receivables (net)	497,549	1,028,057	1,525,606
Due from other governments	1,398,204	-	1,398,204
Due from Successor Agency	306,871	685,286	992,157
Prepaid items	4,022	-	4,022
Land held for redevelopment	89,752	-	89,752
Notes receivable	170,661	-	170,661
Internal balances	(288,433)	288,433	-
Nondepreciable capital assets	3,613,491	1,952,657	5,566,148
Depreciable capital assets, net	4,777,256	51,417,662	56,194,918
Total Assets	<u>12,419,889</u>	<u>61,730,485</u>	<u>74,150,374</u>
Deferred outflow of resources			
Employer pension contribution	509,083	254,379	763,462
Pension related amounts	170,633	190,056	360,689
Total deferred outflow of resources	<u>679,716</u>	<u>444,435</u>	<u>1,124,151</u>
Liabilities			
Accounts payable	816,324	218,900	1,035,224
Accrued wages	48,719	-	48,719
Deposits	1,017	367,306	368,323
Unearned revenue	-	14,763	14,763
Long term liabilities			
Compensated absences - Due within one year	162,715	82,870	245,585
Compensated absences - Due in more than one year	11,367	8,988	20,355
Net pension liability	4,708,845	2,821,349	7,530,194
Loans and Leases Payable - Due within one year	-	1,550,000	1,550,000
Loans Payable - Due in more than one year	-	42,028,253	42,028,253
Total Liabilities	<u>5,748,987</u>	<u>47,092,429</u>	<u>52,841,416</u>
Deferred inflow of resources			
Pension related amounts	441,289	297,837	739,126
Total deferred inflow of resources	<u>441,289</u>	<u>297,837</u>	<u>739,126</u>
Net Position			
Net Investment in capital assets	8,390,747	9,792,066	18,182,813
Restricted for:			
Capital projects and community development	614,618	-	614,618
Capital reserve		438,801	438,801
Debt service		350,036	350,036
Other purposes	18,536	-	18,536
Unrestricted	(2,114,572)	4,203,751	2,089,179
Total Net Position	<u>\$ 6,909,329</u>	<u>\$ 14,784,654</u>	<u>\$ 21,693,983</u>

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Activities
For the year ended June 30, 2016

Functions/Programs:	Net (Expense) Revenue and Changes in							
	Expenses	Program Revenues			Total	Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business -Type Activities	Total
Primary Government:								
Governmental activities:								
General government	\$ 1,023,407	\$ 180,440	\$ -	\$ -	\$ 180,440	\$ (842,967)	\$ -	\$ (842,967)
Public safety	1,733,762	350,365	151,242	221,522	723,129	(1,010,633)	-	(1,010,633)
Community Development	279,633	154,757	-	-	154,757	(124,876)	-	(124,876)
Human services and recreation	3,988,299	230,931	3,426,944	-	3,657,875	(330,424)	-	(330,424)
Public works	2,264,164	15,654	231,707	1,190,927	1,438,288	(825,876)	-	(825,876)
Administrative overhead allocation	267,078	-	-	-	-	(267,078)	-	(267,078)
Total governmental activities	9,556,343	932,147	3,809,893	1,412,449	6,154,489	(3,401,854)	-	(3,401,854)
Business-type activities:								
Sewer	4,624,746	4,648,549	-	1,378,106	6,026,655	-	1,401,909	1,401,909
Water	1,942,201	2,532,762	-	29,808	2,562,570	-	620,369	620,369
RV Park	271,281	275,736	-	-	275,736	-	4,455	4,455
Total business-type activities	6,838,228	7,457,047	-	1,407,914	8,864,961	-	2,026,733	2,026,733
Total primary government	\$ 16,394,571	\$ 8,389,194	\$ 3,809,893	\$ 2,820,363	\$ 15,019,450	(3,401,854)	2,026,733	(1,375,121)
General Revenues:								
Taxes:								
Property						218,008	-	218,008
Sales tax and Sales Tax in-lieu						1,418,321	-	1,418,321
Property tax in lieu of VLF						506,472	-	506,472
Franchise fees						225,232	-	225,232
Transient occupancy taxes						1,254,820	-	1,254,820
Busines Licenses						65,879	-	65,879
Total Taxes						3,688,732	-	3,688,732
Unrestricted investment earnings						52,546	21,202	73,748
Other						53,517	117,077	170,594
Transfers						156,876	(156,876)	-
Total general revenues and transfers						3,951,671	(18,597)	3,933,074
Change in net position						549,817	2,008,136	2,557,953
Net position - beginning of year, as restated						6,359,512	12,776,518	19,136,030
Net position - end of year						\$ 6,909,329	\$ 14,784,654	\$ 21,693,983

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Housing Authority - is the fund that accounts for the City's low income housing activities.

CDBG - accounts for revenue and expenditures of CDBG funds awarded by the Department of Housing and Urban Development

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

**City of Crescent City
Balance Sheet
Governmental Funds
June 30, 2016**

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
Assets					
Cash and investments	\$ 911,503	\$ 88,126	\$ 19,232	\$ 569,904	\$ 1,588,765
Receivables:					
Consumers and others	490,778	5,177	-	744	496,699
County/State/Federal Government	510,346	-	720,620	167,238	1,398,204
Due from RDA Successor Agency	-	-	-	306,871	306,871
Due from other funds	766,000	-	-	-	766,000
Prepaid items	2,671	-	-	-	2,671
Land held for redevelopment	-	-	-	89,752	89,752
Note Receivable	-	-	98,889	71,772	170,661
Total Assets	\$ 2,681,298	\$ 93,303	\$ 838,741	\$ 1,206,281	\$ 4,819,623
Liabilities, Deferred Inflow of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 336,488	\$ 947	\$ 264,198	\$ 40,315	\$ 641,948
Deposits	1,017	-	-	-	1,017
Due to other funds	518,433	-	535,000	1,000	1,054,433
Total Liabilities	855,938	947	799,198	41,315	1,697,398
Deferred Inflow of Resources					
Unavailable revenues	40,417	-	-	167,238	207,655
Total Deferred Inflow of Resources	40,417	-	-	167,238	207,655
Fund Balance:					
Nonspendable	2,671	-	-	-	2,671
Restricted					
Low and moderate income housing	-	92,356	39,543	395,707	527,606
Other Purposes	-	-	-	105,548	105,548
Assigned for Capital Improvement and Vehicle Replacement	2,981	-	-	496,473	499,454
Unassigned	1,779,291	-	-	-	1,779,291
Total Fund Balance	1,784,943	92,356	39,543	997,728	2,914,570
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	\$ 2,681,298	\$ 93,303	\$ 838,741	\$ 1,206,281	\$ 4,819,623

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balance - Governmental Funds	\$	2,914,570
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Amounts reported for governmental activities in the statement of net positions are different because:

Internal Service Funds are used by the City to charge the cost of information technology and communications, building maintenance, fleet services, insurance, and OPEB contributions to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position is:		807,927
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,623,677
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Revenues from Grants, Taxes, and Miscellaneous Revenue that are funded in this fiscal year that will not be collected for several months after the City's fiscal year ends are not considered "available" revenue and are classified as deferred inflow of resources in the governmental funds		207,655
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Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.		509,083
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In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.		(270,656)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability		(4,708,845)
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Compensated absences		(174,082)
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Net position of governmental activities	\$	6,909,329
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See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
Revenues					
Taxes	\$ 3,397,621	\$ -	\$ -	\$ -	\$ 3,397,621
Use of Money and Property					
Interest	6,040	133	-	2,303	8,476
Rental Income	43,959	-	-	-	43,959
Licenses and permits	365,878	-	-	-	365,878
Fines and forfeitures	77,961	-	-	-	77,961
Intergovernmental	505,115	3,251,180	1,430,931	218,320	5,405,546
Charges for services	368,014	-	-	-	368,014
Gifts and donations	2,683	-	-	4,833	7,516
Other reimbursements	20,563	-	-	-	20,563
Other revenue	133,919	20,846	-	-	154,765
Total Revenues	<u>4,921,753</u>	<u>3,272,159</u>	<u>1,430,931</u>	<u>225,456</u>	<u>9,850,299</u>
Expenditures					
Current:					
General government	849,105	-	-	-	849,105
Public safety	1,951,650	-	-	414,406	2,366,056
Community Development	279,633	-	-	-	279,633
Human services and recreation	497,470	3,243,448	146,292	17,889	3,905,099
Public works	745,130	-	1,449,625	41,512	2,236,267
Administrative overhead allocation	256,754	10,324	-	-	267,078
Total Expenditures	<u>4,579,742</u>	<u>3,253,772</u>	<u>1,595,917</u>	<u>473,807</u>	<u>9,903,238</u>
Excess (Deficit) of Revenues Over Expenditures	342,011	18,387	(164,986)	(248,351)	(52,939)
Other Financing Sources (Uses)					
Transfers in	203,660	-	238,111	527,854	969,625
Transfers out	(496,938)	-	(100,352)	(203,660)	(800,950)
Total Other Financing Sources (Uses)	<u>(293,278)</u>	<u>-</u>	<u>137,759</u>	<u>324,194</u>	<u>168,675</u>
Net Change in Fund Balance	48,733	18,387	(27,227)	75,843	115,736
Fund Balance - Beginning of year	1,736,210	73,969	66,770	921,885	2,798,834
Fund Balance - End of year	<u>\$ 1,784,943</u>	<u>\$ 92,356</u>	<u>\$ 39,543</u>	<u>\$ 997,728</u>	<u>\$ 2,914,570</u>

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Reconciliation of the Statements of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds to the Statements of Activities
For the Year Ended June 30, 2016

Net change in fund balance - governmental funds \$ 115,736

Amounts reported for governmental activities in the statements of activities are different because:

Governmental funds reported additions of capital assets as capital outlay and program expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period (net of Internal Service Funds, \$11,776). 486,471

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds (net of Internal Services Funds, \$133,982). (181,044)

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. (152,364)

Revenues from Grants, Taxes, and Miscellaneous Revenue that are funded in this fiscal year that will not be collected for several months after the City's fiscal year ends are not considered "available" revenue and are classified as deferred inflow of resources in the governmental funds 98,874

Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position. 509,083

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (328,679)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. In addition, some expenditures recorded in the governmental funds have already been expensed in the government-wide in prior years. 1,740

Change in net position of governmental activities \$ 549,817

See accompanying Notes to Basic Financial Statements.

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City of Crescent City
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities Enterprise Funds				Business-type
	Sewer	Water	RV Park	Totals	Activities - Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 4,914,706	\$ 1,398,878	\$ 44,806	\$ 6,358,390	\$ 261,751
Accounts Receivable	676,431	347,370	4,256	1,028,057	850
Prepaid items	-	-	-	-	1,351
Due from RDA Successor Agency	-	685,286	-	685,286	-
Due from other funds	-	518,433	-	518,433	-
Total Current Assets	5,591,137	2,949,967	49,062	8,590,166	263,952
Non Current Assets:					
Capital assets not being depreciated	1,479,453	465,578	7,626	1,952,657	42,525
Net capital assets being depreciated	42,993,992	7,320,112	1,103,558	51,417,662	724,546
Total assets	50,064,582	10,735,657	1,160,246	61,960,485	1,031,023
Deferred outflow of resources					
Employer pension contribution	156,796	97,583	-	254,379	-
Pension related amounts	117,148	72,908	-	190,056	-
Total deferred outflow of resources	273,944	170,491	-	444,435	-
Liabilities					
Current liabilities:					
Accounts payable	99,692	110,573	8,635	218,900	174,377
Accrued wages	-	-	-	-	48,719
Deposits	252,737	114,569	-	367,306	-
Due to Other Funds	-	-	230,000	230,000	-
Unearned revenue	-	14,763	-	14,763	-
Current maturities of long term debt:					
Compensated absences payable	48,114	31,483	3,273	82,870	-
Current portion of loans payable	1,200,000	350,000	-	1,550,000	-
Total Current Liabilities	1,600,543	621,388	241,908	2,463,839	223,096
Long-term Liabilities:					
Compensated absences payable	-	6,002	2,986	8,988	-
Net pension liability	1,739,044	1,082,305	-	2,821,349	-
Loans payable	39,753,253	2,275,000	-	42,028,253	-
Total Liabilities	43,092,840	3,984,695	244,894	47,322,429	223,096
Deferred inflow of resources					
Pension related amounts	183,583	114,254	-	297,837	-
Total deferred inflow of resources	183,583	114,254	-	297,837	-
Net Position					
Net investment in capital assets	3,520,192	5,160,690	1,111,184	9,792,066	767,071
Restricted:					
Capital reserve	438,801	-	-	438,801	-
Debt service	-	350,036	-	350,036	-
Unrestricted	3,103,110	1,296,473	(195,832)	4,203,751	40,856
Total Net Position	\$ 7,062,103	\$ 6,807,199	\$ 915,352	\$ 14,784,654	\$ 807,927

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2016

	Business-type Activities Enterprise Funds				Business-type Activities - Internal Service Funds
	Sewer	Water	RV Park	Totals	
Operating revenues					
Charges for services	\$ 4,648,549	\$ 2,532,762	\$ 275,736	\$ 7,457,047	\$ 908,832
Grant and Other Revenue	77,900	68,923	62	146,885	40,082
Total operating revenues	<u>4,726,449</u>	<u>2,601,685</u>	<u>275,798</u>	<u>7,603,932</u>	<u>948,914</u>
Operating expenses:					
Personnel services	1,344,885	763,056	78,920	2,186,861	554,056
Materials, supplies, rent and services	761,638	465,709	77,736	1,305,083	293,346
Repair and maintenance	229,141	127,941	19,718	376,800	108,205
Administrative Overhead	285,587	311,514	36,467	633,568	-
Depreciation	2,000,109	273,981	58,440	2,332,530	133,982
Total operating expenses	<u>4,621,360</u>	<u>1,942,201</u>	<u>271,281</u>	<u>6,834,842</u>	<u>1,089,589</u>
Operating income (loss)	<u>105,089</u>	<u>659,484</u>	<u>4,517</u>	<u>769,090</u>	<u>(140,675)</u>
Non-operating revenues (expense):					
Gain or loss on disposal of assets	(3,386)	-	-	(3,386)	-
Interest income	16,925	4,191	86	21,202	111
Total non-operating revenues (expenses)	<u>13,539</u>	<u>4,191</u>	<u>86</u>	<u>17,816</u>	<u>111</u>
Transfers:					
Transfers in	62,841	-	-	62,841	-
Transfers out	(219,717)	-	-	(219,717)	(11,800)
Capital Contribution	1,378,106	-	-	1,378,106	-
Change in net position	<u>1,339,858</u>	<u>663,675</u>	<u>4,603</u>	<u>2,008,136</u>	<u>(152,364)</u>
Net Position - beginning	<u>5,722,245</u>	<u>6,143,524</u>	<u>910,749</u>	<u>12,776,518</u>	<u>960,291</u>
Net Position - ending	<u>\$ 7,062,103</u>	<u>\$ 6,807,199</u>	<u>\$ 915,352</u>	<u>\$ 14,784,654</u>	<u>\$ 807,927</u>

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

	<u>Sewer</u>	<u>Water</u>	<u>RV Park</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers	\$ 4,645,108	\$ 2,572,807	\$ 374,300	\$ 7,592,215	\$ -
Receipts from other funds	-	-	-	-	990,414
Payments to suppliers	(1,317,672)	(880,511)	(206,123)	(2,404,306)	(443,758)
Payments to employees	(1,335,168)	(756,421)	(79,614)	(2,171,203)	(591,543)
Net cash provided (used) by operating activities	<u>1,992,268</u>	<u>935,875</u>	<u>88,563</u>	<u>3,016,706</u>	<u>(44,887)</u>
Cash flows from noncapital financing activities:					
Due from other funds	93,841	-	-	93,841	-
Due to other funds	(31,000)	-	(44,000)	(75,000)	(29,000)
Transfers	(156,876)	-	-	(156,876)	(11,800)
Net cash provided (used) by noncapital financing activities	<u>(94,035)</u>	<u>-</u>	<u>(44,000)</u>	<u>(138,035)</u>	<u>(40,800)</u>
Cash flows from capital and related financing activities:					
Principal payments on capital debt	(1,100,000)	(350,000)	-	(1,450,000)	-
Acquisition of capital assets	(1,481,981)	(20,121)	-	(1,502,102)	(11,774)
Capital Contribution	1,378,106	-	-	1,378,106	-
Net cash provided (used) by capital and related financing activities	<u>(1,203,875)</u>	<u>(370,121)</u>	<u>-</u>	<u>(1,573,996)</u>	<u>(11,774)</u>
Cash flows from investing activities:					
Interest earned	16,925	4,191	86	21,202	111
Net cash provided by investing activities	<u>16,925</u>	<u>4,191</u>	<u>86</u>	<u>21,202</u>	<u>111</u>
Net increase (decrease) in cash and cash equivalents	<u>711,283</u>	<u>569,945</u>	<u>44,649</u>	<u>1,325,877</u>	<u>(97,350)</u>
Cash and cash equivalents - beginning of period	4,203,423	828,933	157	5,032,513	359,101
Cash and cash equivalents - end of period	<u>\$ 4,914,706</u>	<u>\$ 1,398,878</u>	<u>\$ 44,806</u>	<u>\$ 6,358,390</u>	<u>\$ 261,751</u>

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2015

	<u>Sewer</u>	<u>Water</u>	<u>RV Park</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:					
Operating income (loss)	\$ 105,089	\$ 659,484	\$ 4,517	\$ 769,090	\$ (140,675)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	2,000,109	273,981	58,440	2,332,530	133,982
Changes in certain assets and liabilities:					
Accounts receivable	(41,047)	(62,125)	101,515	(1,657)	41,500
Prepaid expenses	-	-	-	-	(1,351)
Accounts payable	(41,306)	24,653	(72,202)	(88,855)	(40,856)
Accrued wages	(1,355)	(734)	(56)	(2,145)	(37,487)
Deposits and unearned revenue	(40,294)	33,247	(3,013)	(10,060)	-
Compensated absences	(7,550)	(4,220)	(638)	(12,408)	-
Net pension liability	419,723	261,217	-	680,940	-
Deferred inflows of resources	(264,657)	(164,711)	-	(429,368)	-
Deferred outflow of resources- Employer Pension Contribution	(45,978)	(28,615)	-	(74,593)	-
Deferred outflow of resources-Pension Related	(90,466)	(56,302)	-	(146,768)	-
Total adjustments	<u>1,887,179</u>	<u>276,391</u>	<u>84,046</u>	<u>2,247,616</u>	<u>95,788</u>
Net cash provided (used) by operating activities	<u>\$ 1,992,268</u>	<u>\$ 935,875</u>	<u>\$ 88,563</u>	<u>\$ 3,016,706</u>	<u>\$ (44,887)</u>

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Crescent City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Funds	
	Successor Agency RDA	Totals Trust Funds
Assets		
Cash and investments	\$ 193,286	\$ 193,286
Interest receivable	301	301
Notes receivable	524,257	524,257
Land held for redevelopment	67,500	67,500
Total Assets	<u>785,344</u>	<u>785,344</u>
Liabilities		
Due to Other Agency	408,215	408,215
Due to the City of Crescent City	306,871	306,871
Due to the City of Crescent City (Water Utility Fund)	685,286	685,286
Total Liabilities	<u>1,400,372</u>	<u>1,400,372</u>
Net Position		
Unrestricted	(615,028)	(615,028)
Total Net Position	<u>\$ (615,028)</u>	<u>\$ (615,028)</u>

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended June 30, 2016

	Private Purpose Funds	
	Successor Agency RDA	Totals Trust Funds
Additions		
Use of money and property:		
Interest	\$ 4,697	\$ 4,697
Total revenues	<u>4,697</u>	<u>4,697</u>
Deductions		
Current:		
Payroll and Benefites	26,022	26,022
Other	2,355	2,355
Total expenditures	<u>28,377</u>	<u>28,377</u>
Excess (deficiency) of additions over (under) deductions	<u>(23,680)</u>	<u>(23,680)</u>
Net Position - beginning	<u>(591,348)</u>	<u>(591,348)</u>
Net Position - ending	<u>\$ (615,028)</u>	<u>\$ (615,028)</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the City of Crescent City (City), all of which conform to generally accepted accounting principles as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; water, and wastewater services; the construction and maintenance of streets and infrastructure; recreational activities and cultural events.

As required by GAAP, the accompanying basic financial statements present the City and its component units. Component units are entities for which the City is considered to be financially accountable. GASB defines component units as legally separate entities that meet any one of the following tests:

The City appoints the voting majority of the board of the entity and:

is able to impose its will on the entity and/or
is in a relationship of financial benefit or burden with the entity.

The entity is fiscally dependent upon the City.

The financial statements of the City would be misleading if data from the entity were omitted.

Management determined that the following component units should be blended based on the criteria above:

Crescent City Housing Authority
Crescent City Public Financing Corporation - Inactive

These component units are included in the primary government because of the significance of their financial or operational relationship and the same City governing body.

Each of the blended component units in the accompanying basic financial statements of the City are described below:

Crescent City Housing Authority (Authority) manages certain programs which are funded by the U.S. Department of Housing and Urban Development, primarily to provide services under the Housing Assistance Payments Program.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The five City Council members, in a separate session, serves as the governing board of the Authority. There is also a Housing Advisory Commission made up of 3 tenant participants and 4 community members. The Commission makes recommendations to the Board. The financial activity of the Authority has been included in the City's financial statements as a special revenue fund.

Crescent City Public Financing Corporation was created with the purpose of financing public capital improvements. City Council members, in a separate session, serve as the governing board of the Corporation. The financing corporation is not active at this time.

Financial statements for the Crescent City Housing Authority may be obtained from the Finance Department of the City at 377 J. Street, Crescent City, California 95531.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis* of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The City considers all revenues as available if they are collected within sixty days of the end of the current fiscal period, except for sales tax which has a ninety day availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Property taxes, sales taxes, transient occupancy tax, grants, licenses, fees, charges and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary fund financial statements include a statement of net position. The City's fiduciary funds represent a Private-purpose Trust Fund. This fund is accounted for on the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate self-balancing set of accounts for its assets, other debits, liabilities, other credits, equity, revenue and expenditures or expenses, as appropriate.

Governmental Funds - Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Enterprise Funds - account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Internal Service Funds – Account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. Internal service funds used by the City are:

Equipment Fund – This fund is used to account for vehicle maintenance.

Information Technology Fund – This fund is used to provide computer technology services as well as providing programming and general information systems support services.

General Building Maintenance Fund – This fund is used to account for general government building and maintenance services.

Insurance Reserve Fund – This fund is used to account for the accumulation of monies necessary to pay for liability insurance claims and retentions under a self-insurance program.

Payroll Trust Fund – This fund is used to account for the various payroll disbursements related to providing benefits City wide.

Other Post-Employment Benefits Trust Fund – This fund is used to accumulate the costs associated with providing funding of the City’s liability for Other Post-Employment Benefits.

Fiduciary Funds

Private-purpose Trust Fund – is a fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and interest benefit individuals, private organizations, or other governments.

Major Governmental Funds

The City reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Housing Authority – is the fund that accounts for the City’s low income housing activities.

CDBG - accounts for revenue and expenditures of CDBG funds awarded by the Department of Housing and Urban Development

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operations of the City’s water utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Sewer Utility Fund accounts for the operations of the City's wastewater utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

Additionally, the following non-major proprietary fund is also discretely presented:

The Shoreline Recreational Vehicle Park Fund accounts for the operations of the City-owned recreational vehicle park, a self-supporting activity which renders a service on a user-charge basis to residents and travelers.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the government's internal services funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Position or Equity

Cash and Investments

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the City to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average monthly cash balance at quarter end in relation to the total pool investments. The interest income is recorded in the fund that earned the interest, except for those funds which have a negative cash balance and are excluded from the interest apportionment.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. All other investments are reported at fair value.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

For the purpose of the statement of cash flows, the City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

General Receivables and Property Taxes Receivable

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method.

Del Norte County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property taxes are due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Inventories

Inventories are physically counted at year-end and valued at their average cost. All inventories consist of expendable supplies held for consumption. The cost is recorded as inventory when items are purchased and as expenditures when the items are used (the consumption method of accounting for inventories). The weighted average method is used for establishing the cost of inventory consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of three years. Such depreciation has been provided over the estimated useful lives using the straight-line method.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-10 years
Structures and improvements	20-50 years
Infrastructure	20-50 years

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Pension Plan

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

Vacation and Sick Pay

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken.

Unused vacation has been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred employer pension contributions as deferred outflows of resources in addition to amounts related to changes in the City's net pension liability that are deferred and amortized over a stated number of years.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports two items in this category, unavailable revenues and amounts related to changes in the City's net pension liability that are deferred and amortized over a stated number of years.

Unavailable revenue arises only under a modified accrual basis of accounting and accordingly is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from the following sources: grant reimbursement, unearned business license revenue, insurance reimbursement, and sales tax revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Certain changes in the City's net pension liability are required to be deferred and reflected in pension expense over a closed amortization period. The City reported the unamortized net difference between projected and actual earning on pension plans and unamortized adjustments due to differences in proportions as deferred inflows of resources in the government-wide and enterprise funds' statement of net position.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by the City Council, the government's highest level of decision making authority.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City Council's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, the unrestricted resources-committed, assigned, and unassigned-in order as needed.

Net Position

Net position is comprised of three categories: (1) net investment in capital assets (2) restricted net position, and (3) unrestricted net position. Each component of net position is reported separately on the statements of net position.

Net investment in capital assets represents the balance of capital assets less accumulated depreciation, net of outstanding related debt.

Restricted net position is subject to constraints externally imposed by funding agencies or legislation. The amount of restricted net position is calculated by reducing the carrying value of restricted assets by their related liabilities. These items are restricted by agreements that detail specific purpose and use.

The unrestricted component of net position represents the portion remaining after the "invested in capital assets" and "restricted" amounts have been determined. The City's positive value of unrestricted net position may be used to meet ongoing obligations.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements

- GASB Statement No. 72, Fair Value Measurement and Application- This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68- The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact on beginning net position as part of implementation of this accounting standard.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- GASB Statement No. 79, Certain External Investment Pools and Pool Participants - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. There was no impact on beginning net position from implementation of this accounting standard.

- GASBS 82 – Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73 - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. Cash and Investments

As of June 30, 2016, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 8,208,906
Fiduciary Funds	193,286
	<hr/>
Total Cash and Investments	\$ 8,402,192
	<hr/> <hr/>

As of June 30, 2016, the City's cash and investments consisted of the following:

Cash:

Cash on hand:	\$ 1,250
Deposits	2,146,657
	<hr/>
Total Cash	2,147,907
	<hr/>

As of June 30, 2016, the City's investments consisted of the following:

Investments:

In California Local Agency Investment Fund (at market):	6,254,285
	<hr/>
Total Investments	6,254,285
	<hr/>
Total Cash and Investments	\$ 8,402,192
	<hr/> <hr/>

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$2,146,657 and the bank balance was \$2,351,830. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk For Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 110 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized. The City's investment policy does not further limit its deposits.

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the City are pooled with the State of California Local Agency Investment Fund.

Interest Rate Risk -The City's investment policy generally limits investment maturities as needed to maintain adequate liquidity to meet the City's cash flow requirements and to limit its exposure to fair value losses arising from increasing interest rates.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, CONTINUED

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment policy limits investments in commercial paper to the rating of A or better by Standards & Poor's or P-1 or better by Moody's Investors Service; corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. No limits are placed on U.S. government agency securities and U.S. Treasuries. The City's investment policy does not further limit its investment choices.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the City's investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. The City has invested all cash, other than deposits and imprest cash, in the California Local Agency Investment Fund (LAIF). At June 30, 2016, the City's investments were in compliance with concentration of credit risk State law.

Investment in Local Agency Investment Fund - Investment in Local Agency Investment Fund - The City of Crescent City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is managed by the Treasurer of the State of California. The Local Investment Advisory Board, which consists of five members as designed by State statute, has oversight responsibility for LAIF. Investments in LAIF are available upon demand. The City's investment with LAIF at June 30, 2016 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations) or credit card receivables.

As of June 30, 2016, the City had \$6,254,285 invested in LAIF, which had 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.000621222 to the total investments held by LAIF.

Investments - The City reports its investments in accordance with GASB Statement Number 31. This standard requires that the City's investments be reported at fair value with realized and unrealized gains or losses reported in the statement of operations.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

3. 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 notes carry 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 2016.

Business Enterprise Notes	\$	524,257
Sidewalk Notes		4,059
Housing Rehabilitation and Affordable Housing Notes		166,602
	\$	<u>694,918</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,772,052	\$ -	\$ -	\$ 2,772,052
Construction in progress	468,842	423,670	51,073	841,439
Total Capital Assets, Not Being Depreciated	3,240,894	423,670	51,073	3,613,491
Capital Assets, Being Depreciated:				
Building and improvements	6,793,306	51,073	99,322	6,745,057
Machinery and equipment	3,195,722	74,577	15,071	3,255,228
Infrastructure	2,004,899	-	-	2,004,899
Total Capital Assets, Being Depreciated:	11,993,927	125,649	114,393	12,005,183
Less Accumulated Depreciation	(7,027,296)	(315,027)	(114,393)	(7,227,930)
Total Capital Assets, Being Depreciated, Net	4,966,631	(189,377)	-	4,777,254
Total Governmental Activities, Net	\$ 8,207,525	\$ 234,293	\$ 51,073	\$ 8,390,745
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 493,855	\$ -		\$ 493,855
Construction in progress	30,626	1,428,176		1,458,802
Total Capital Assets, Not Being Depreciated	524,481	1,428,176	-	1,952,657
Capital Assets, Being Depreciated:				
Structures and improvements	42,520,831	21,724	151,743	42,390,812
Machinery and equipment	9,657,007	39,349		9,696,356
Infrastructure	19,996,859	12,852		20,009,711
Total Capital Assets, Being Depreciated:	72,174,697	73,925	151,743	72,096,879
Less Accumulated Depreciation	(18,495,044)	(2,332,530)	(148,357)	(20,679,217)
Total Capital Assets, Being Depreciated, Net	53,679,653	(2,258,605)	3,386	51,417,662
Total Business-Type Activities, Net	\$ 54,204,134	\$ (830,429)	\$ 3,386	\$ 53,370,319

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

4. CAPITAL ASSETS, CONTINUED

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$	25,612
Public ways and facilities		124,148
Public protections		73,668
Culture and recreation		91,599
Total Depreciation Expense - Governmental Functions	\$	<u>315,027</u>

Depreciation expense was charged to the business-type functions as follows:

Sewer	\$	2,000,109
Water		273,981
RV Park		58,440
Total Depreciation Expense - Business-Type Functions	\$	<u>2,332,530</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

5. LONG-TERM DEBT

Long-term debt for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016	Amounts Due Within One year
Governmental Activities					
Compensated Absences (Note 1)	\$ 175,819	\$ 143,120	\$ 144,857	\$ 174,082	\$ 162,715
Total Governmental Activities	<u>\$ 175,819</u>	<u>\$ 143,120</u>	<u>\$ 144,857</u>	<u>\$ 174,082</u>	<u>\$ 162,715</u>
Business-Type Activities					
Safe Water Revolving Loan	\$ 2,975,000		\$ 350,000	\$ 2,625,000	\$ 350,000
State Water Resources - Safe Water Loan	42,053,253		1,100,000	40,953,253	1,200,000
Compensated Absences (Note 1)	104,266	72,854	85,262	91,858	82,869
Total Business-Type Activities	<u>\$ 45,132,519</u>	<u>\$ 72,854</u>	<u>\$ 1,535,262</u>	<u>\$ 43,670,111</u>	<u>\$ 1,632,869</u>

At June 30, 2016, loans consisted of the following:

California Water Resources Control Board, Safe Drinking Water Revolving Loan in the amount of \$45,407,931, dated June 10, 2011, payable on a graduated plan with an interest rate of 0% and maturity date in fiscal year 2041. The loan agreement for this loan requires the city to establish a Wastewater Capital Reserve Fund and maintain this fund in compliance with the "Policy for Implementing The State Revolving Fund for Construction of Wastewater Treatment Facilities" in effect at the time of the agreement. Loan proceeds were used for wastewater system improvements

	Government Activities	Business-Type Activities
California Water Resources Control Board, Safe Drinking Water Revolving Loan in the amount of \$45,407,931, dated June 10, 2011, payable on a graduated plan with an interest rate of 0% and maturity date in fiscal year 2041. The loan agreement for this loan requires the city to establish a Wastewater Capital Reserve Fund and maintain this fund in compliance with the "Policy for Implementing The State Revolving Fund for Construction of Wastewater Treatment Facilities" in effect at the time of the agreement. Loan proceeds were used for wastewater system improvements	\$ -	\$ 40,953,253
California Department of Health Services, Safe Drinking Water Revolving Loan in the amount of \$7,000,000, dated June 28, 2004, payable in annual installments of \$350,000 with an interest rate of 0% and maturity of January 1, 2024. The loan agreement for this loan requires a debt service reserve of \$350,000. Loan proceeds were used for water system improvements	-	2,625,000
Total Loans	<u>\$ -</u>	<u>\$ 43,578,253</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

5. LONG-TERM DEBT, CONTINUED

The annual aggregate maturities for the years subsequent to June 30, 2016, are as follows:

Year Ended June 30	Loans				Total
	Safe Drinking Water		Water Resources Control Board		
	Principal	Interest	Principal	Interest	
2017	\$ 350,000	\$ -	1,200,000	\$ -	\$ 1,550,000
2018	350,000	-	1,300,000	-	1,650,000
2019	350,000	-	1,400,000	-	1,750,000
2020	350,000	-	1,500,000	-	1,850,000
2021	350,000	-	1,600,000	-	1,950,000
2022-2026	875,000	-	8,488,314	-	9,363,314
2027-2031	-	-	8,488,313	-	8,488,313
2032-2036	-	-	8,488,313	-	8,488,313
2037-2041	-	-	8,488,313	-	8,488,313
Total Governmental Activities	\$ 2,625,000	\$ -	\$ 40,953,254	\$ -	\$ 43,578,254

Compensated Absences

The compensated absences liability will be paid from the General Fund, Housing Authority, Street Maintenance, Community Development, Water Utility, Sewer Utility, Information Systems, General Support Services, and Risk Management.

The City's changes in compensated absences for the year ended June 30, 2016 were as follows:

	Balance July 1, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016	Amounts Due Within One year
Governmental Activities	\$ 175,819	\$ 143,120	\$ 144,857	\$ 174,082	\$ 162,715
Business-Type Activities	104,266	72,854	85,262	91,858	82,870
Total Business-Type Activities	<u>\$ 280,085</u>	<u>\$ 215,974</u>	<u>\$ 230,119</u>	<u>\$ 265,940</u>	<u>\$ 245,585</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

6. INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2016:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 766,000	\$ 518,433
Successor Housing		1,000
CDBG	-	535,000
RV Park Fund	-	230,000
Sewer Fund	-	
Water Fund	518,433	
Total	\$ 1,284,433	\$ 1,284,433

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2016:

Transfer To:		Transfer From:	
General Fund	\$ 203,660	Gas Tax Fund	203,660
CDBG Fund	238,111	Sewer Fund	219,717
		CDBG Fund	18,394
Capital Improvements Fund	527,854	General Fund	496,938
		CDBG Fund	19,116
		Building Maint Dept	11,800
Sewer Fund	62,841	CDBG Fund	62,841
Total	\$ 1,032,466		\$ 1,032,466

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

6. INTERFUND TRANSACTIONS, CONTINUED

- The purpose of the transfer from the Gas Tax Fund to the General Fund was to allocate gas tax revenues to fund street maintenance.
- The following transfers were for capital improvements:
 - Sewer Fund to CDBG Fund (2nd Street Sewer Rehabilitation Project)
 - General Fund to Capital Improvements Fund (multiple projects)
 - Building Maintenance Fund to Capital Improvements Fund (Fire Hall Modernization Project)
- The transfer from the CDBG Fund to the Sewer Fund was for the B Street Sewer Rehabilitation Project.
- The transfer from the CDBG Fund to CDBG Fund was to allocate loan payments received.
- The transfer from the CDBG Fund to the Capital Improvements Fund was to allocate defederalized Program Income to two Housing Authority projects.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. EMPLOYEE RETIREMENT PLANS

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (miscellaneous classic, miscellaneous PEPPRA, safety police classic, safety police PEPPRA and safety fire). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 to 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the contracting agency's contract.

The Plans' provisions and benefits in effect at June 30, 2016 are summarized as follows:

	Miscellaneous		Safety (Fire)	
	Prior to	On or after	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 62	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52-62	50	57
Monthly benefits , as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.7%	1.0% to 2.7%
Required employee contribution rates	8.00%	6.25%	9.00%	11.50%
Required employer contribution rates	9.000%	6.24%	14.00%	11.50%
Required employer dollar UAL payment (annual)	\$ 295,614		\$ 3,500	
	Safety (Police)			
	Prior to	On or after		
Hire date	January 1, 2013	January 1, 2013		
Benefit formula	2% @ 50	2.7% @ 57		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Retirement age	50	57		
Monthly benefits , as a % of eligible compensation	2.0%	1.0% to 2.7%		
Required employee contribution rates	7.000%	11.500%		
Required employer contribution rates	14.00%	11.500%		
Required employer dollar UAL payment (annual)	\$ 222,244			

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

B. Benefits Provided, Continued

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized against net pension liability for the Plan were \$625,852.

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan \$7,530,194.

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.10061430%
Proportion - June 30, 2015	<u>0.10970704%</u>
Change - Increase (Decrease)	<u><u>0.00909274%</u></u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

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

For the year ended June 30, 2016, the City recognized pension expense of \$613,269. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 763,462	\$ -
Changes of assumptions	-	370,154
Differences between expected and actual experience	-	14,701
Changes in employer's proportion	360,689	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	167,792
Net differences between projected and actual earnings on plan investments	-	186,479
Total	<u>\$ 1,124,151</u>	<u>\$ 739,126</u>

\$763,462 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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

Measurement Period Ended June 30:	
<u> </u>	
2017	\$ (204,997)
2018	(207,096)
2019	(200,430)
2020	234,086

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.65%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

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

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

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$ 11,804,279
Current Discount Rate	7.65%
Net Pension Liability	\$ 7,530,195
1% Increase	8.65%
Net Pension Liability	\$ 4,008,390

D. Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City participates in the CalPERS medical program as permitted under the Public Employees' Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. Based on CalPERS' requirements and the terms of the PEMHCA resolutions, the City is currently obligated to provide the greater of the following amounts to its retirees:

- a) The minimum required contribution under PEMHCA (\$125 per month for 2016)
- b) The amounts shown in the table below (pursuant to collective bargaining or other employee agreements)

Monthly Subsidy Toward Medical	
CCMEA Council Elected	\$ 296.00
CCPOA	150.00
CECC	250.00
CCEA	150.00

Assets have been set aside in an irrevocable trust through PARS to prefund these obligations. The City is funding these liabilities over a closed 30-year period with liabilities calculated on a level percent of pay basis.

PARS issues a separate comprehensive annual financial report. Copies of PARS annual financial report may be obtained from the PARS Executive Office, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a 30 year period. The following table shows the components of the City's annual OPEB cost for the year, amounts actually contributed to the plan, and changes in the City's net OPEB obligation.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED

Annual required contribution	\$	168,711
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
		-
Annual OPEB cost (expense)		168,711
Contributions made		168,711
		-
Increase in net OPEB obligation		-
Net OPEB obligation - Beginning of year		-
Net OPEB obligation - End of year	\$	-

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-2016, 2014-2015, and 2013-2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Annual OPEB Cost Contribution	Net OPEB Obligation
June 30, 2014	107,064	107,064	100%	-
June 30, 2015	110,544	110,544	100%	-
June 30, 2016	168,711	168,711	100%	-

Funding Status and Funding Progress

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2016, the City funded OPEB benefits on a prefunding basis. The City contributed a total of \$82,042o retiree premiums, in addition to a contribution of \$38,944 to PARS. The OPEB trust account balance on June 30, 2016 was \$289,939.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2015	\$ 289,939	\$1,502,679	\$ 1,212,741	19.3%	\$ 2,900,066	41.8%

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the actuarial valuation conducted on July 1, 2015 the entry age normal cost method was used. The unfunded actuarial accrued liability is being amortized using the level percent of pay method over a closed 30-year period. Actuarial assumptions included a discount rate of 7.00% and an annual healthcare cost trend of 4.5% annually. See required supplementary schedule for Funding Progress.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these risk pools exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued.

Each risk pool is governed by a board consisting of representatives from member agencies. Each board controls the operations of the respective risk pool, including selection of management and approval of operation budgets, independent of any influence by member agencies. Obligations and liabilities of these risk pools are not the City's responsibility.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

9. RISK MANAGEMENT, CONTINUED

Golden State Risk Management Authority (GSRMA) covers general liability up to \$250,000 per occurrence. GSRMA purchases excess general liability coverage from the CSAC Excess Insurance Authority (EIA) that provides \$49,750,000 limits in excess of GSRMA's \$250,000 for total limits of \$50,000,000 per occurrence. The City has no deductible for general liability.

The City is a participant in the GSRMA workers' compensation risk pool, which provides \$300,000 per occurrence coverage. GSRMA participates in the EIA Excess Workers' Compensation program, which provides statutory limits in excess of GSRMA's \$300,000 limits for workers' compensation losses and \$5,000,000 in per occurrence limits for employers' liability.

During the fiscal year ended June 30, 2016, the City incurred costs of \$425,705 for coverage premiums including general liability, workers compensation, property, automobile, and crime bond.

There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

10. CONTINGENCIES

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

11. PLEDGED REVENUE

Revenue Pledge	Borrowing Fund/Entity - Bond/Loan	Use of Funds	Year of Loan or Year Repayments and/or Interest Payments Began	Original Issue/Loan Amount	Payments Amortized Through
Net Revenues	Wastewater Utility / Loan	System Expansion and Improvements	2011	\$ 45,407,931	2041
Net Revenues	Water Utility / Loan	System Expansion and Improvements	2004	\$ 7,000,000	2024

The City has pledged future revenues derived from the operation of the Crescent City Wastewater System, net of operating and maintenance expenses, to repay a \$45,407,931 loan payable to the State Water Resources Control Board. Proceeds from the loan provided financing for improvements to the Wastewater System. The loan is payable solely from the net earnings of the Wastewater System and are payable through 2041. The total principal and interest remaining to be paid on the loan is \$40,953,252.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PLEDGED REVENUE, CONTINUED

Principal and interest paid for the current year and net system revenues were \$1,100,000 and \$2,105,198 respectively.

The City has pledged future revenues derived from the operation of the Crescent City Water System, net of operating and maintenance expenses, to repay a \$7,000,000 loan payable to the State Water Resources Control Board. Proceeds from the loan provided financing for improvements to the Water System. The loan is payable solely from the net earnings of the Water System and are payable through 2024. The total principal and interest remaining to be paid on the loan is \$2,625,000. Principal and interest paid for the current year and net system revenues were \$350,000, and \$933,465 respectively.

12. SUCCESSOR TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Crescent City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-03.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocating revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. SUCCESSOR TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, CONTINUED

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the time line set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Cash and investments

As of June 30, 2016, cash and investments in the amount of \$193,286 were reported in the accompanying financial statements in the Fiduciary funds.

Long-Term Debt

The Successor Agency is obligated to the Successor Housing Agency and the City Water Fund in the amounts of \$306,871 and \$685,286 respectively. Of these amounts, \$306,871 and \$685,286 were advanced to the Crescent City Redevelopment Agency prior to its dissolution under State law.

	Balance July 1, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016	Amounts Due Within One year
Fiduciary Fund Debt					
Successor Housing Agency	\$ 306,871	\$ -	\$ -	\$ 306,871	\$ -
City Water Fund	685,286	-	-	685,286	-
Total Fiduciary Fund Debt	<u>\$ 992,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992,157</u>	<u>\$ -</u>

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**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Crescent City
Notes to the Required Supplementary Information
For the year ended June 30, 2016

1. OTHER POST EMPLOYMENT BENEFITS

In order to comply with GASB Statement 45, an actuarial valuation of the City's OPEB obligations must be performed every other year. The City's most recent valuation was prepared with data as of July 1, 2015.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$1,094,063	\$ 1,094,063	0%	\$ 2,953,000	37.05%
7/1/2012	\$ 178,863	\$1,138,594	\$ 959,431	15.7%	\$ 2,491,787	38.52%
7/1/2015	\$ 289,939	\$1,502,679	\$ 1,212,740	19.3%	\$ 2,900,066	41.82%

2. DEFINED BENEFIT PENSION PLAN

Last of 10 Years*
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>6/30/2015</u>	<u>6/30/2014</u>
Proportion of the net pension liability	0.10970704%	0.10061430%
Proportionate share of the net pension liability	\$ 7,530,194	\$ 6,260,676
Covered payroll	\$ 2,915,615	\$ 2,782,613
Proportionate Share of the net pension liability as percentage of covered payroll	258.27%	224.99%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

Notes to Schedule:

*The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense

City of Crescent City
Notes to the Required Supplementary Information
For the year ended June 30, 2016

2. DEFINED BENEFIT PENSION PLAN, Continued

Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2016		2015
Contractually required contribution (actuarially determined)	\$ 763,462	\$	625,852
Contribution in relation to the actuarially determined contributions	(763,462)		(625,852)
Contribution deficiency (excess)	\$ -	\$	-
 Covered payroll	 \$ 2,979,180	 \$	 2,915,615
Contributions as a percentage of covered payroll	25.63%		21.47%
Note to Schedule			
Valuation date:	6/30/2013		6/30/2012

City of Crescent City
Notes to the Required Supplementary Information
For the year ended June 30, 2016

3. BUDGETARY INFORMATION

The City Council has the responsibility for adoption of the City’s budgets. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

Budgetary comparisons are provided in the accompanying financial statements for all funds with legally adopted budgets. Budget amounts are adopted on a basis consistent with accounting principles accepted in the United States of America.

Excess of expenditures over appropriations

The following funds reported an excess of expenditures over appropriations at June 30, 2016:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Housing Authority Section 8 Fund	\$ 3,197,109	\$ 3,253,772	\$ (56,663)

City of Crescent City
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2016
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,107,353	\$ 3,158,679	\$ 3,397,621	\$ 238,942
Use of Money and Property				
Interest	2,255	4,181	6,040	1,859
Rental Income	33,342	33,342	43,959	10,617
Licenses and permits	292,620	301,402	365,878	64,476
Fines and forfeitures	61,050	67,248	77,961	10,713
Intergovernmental	472,330	576,339	505,115	(71,224)
Charges for services	369,782	374,685	368,014	(6,671)
Gifts and donations	13,000	1,000	2,683	1,683
Other reimbursements	-	-	20,563	20,563
Other revenue	27,697	58,952	133,919	74,967
Total Revenues	<u>4,379,429</u>	<u>4,575,828</u>	<u>4,921,753</u>	<u>345,925</u>
Expenditures				
Current:				
General government	838,018	848,667	849,105	(438)
Public safety	1,936,064	2,035,110	1,951,650	83,460
Community Development	290,063	310,653	279,633	31,020
Human services and recreation	516,975	529,175	497,470	31,705
Public works	734,552	783,030	745,130	37,900
Administrative overhead allocation	272,756	268,300	256,754	11,546
Total Expenditures	<u>4,588,428</u>	<u>4,774,935</u>	<u>4,579,742</u>	<u>195,193</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(208,999)</u>	<u>(199,107)</u>	<u>342,011</u>	<u>541,118</u>
Other Financing Sources (Uses)				
Transfers in (Note 4)	209,000	209,000	203,660	(5,340)
Transfers out (Note 4)	-	(496,938)	(496,938)	-
Total Other Financing Sources (Uses)	<u>209,000</u>	<u>(287,938)</u>	<u>(293,278)</u>	<u>(5,340)</u>
Net Change in Fund Balance	<u>\$ 1</u>	<u>\$ (487,045)</u>	48,733	<u>\$ 535,778</u>
Fund Balance - Beginning of year			<u>1,736,210</u>	
Fund Balance - End of year			<u>\$ 1,784,943</u>	

City of Crescent City

Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Authority Section 8 Fund

For the year ended June 30, 2016

(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of Money and Property				
Interest	\$ 396	\$ 3	\$ 133	\$ 130
Intergovernmental	3,154,926	3,183,267	3,251,180	67,913
Other revenue	33,900	26,800	20,846	(5,954)
Total Revenues	<u>3,189,222</u>	<u>3,210,070</u>	<u>3,272,159</u>	<u>62,089</u>
Expenditures				
Current:				
Human services and recreation	3,180,585	3,186,144	3,243,448	(57,304)
Administrative overhead allocation	10,636	10,965	10,324	641
Total Expenditures	<u>3,191,221</u>	<u>3,197,109</u>	<u>3,253,772</u>	<u>(56,663)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,999)</u>	<u>12,961</u>	<u>18,387</u>	<u>5,426</u>
Net Change in Fund Balance	<u>\$ (1,999)</u>	<u>\$ 12,961</u>	18,387	<u>\$ 5,426</u>
Fund Balance - Beginning of year			<u>73,969</u>	
Fund Balance - End of year			<u>\$ 92,356</u>	

City of Crescent City

Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

CDBG Fund

For the year ended June 30, 2016

(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of Money and Property				
Interest	\$ 10	\$ 10	\$ -	\$ (10)
Intergovernmental	1,959,775	1,959,775	1,430,931	(528,844)
Total Revenues	<u>1,959,785</u>	<u>1,959,785</u>	<u>1,430,931</u>	<u>(528,854)</u>
Expenditures				
Current:				
Human services and recreation	1,959,775	469,163	146,292	322,871
Public works	-	1,615,066	1,449,625	(165,441)
Administrative overhead allocation			-	-
Total Expenditures	<u>1,959,775</u>	<u>2,084,229</u>	<u>1,595,917</u>	<u>488,312</u>
Excess (Deficit) of Revenues Over Expenditures	<u>10</u>	<u>(124,444)</u>	<u>(164,986)</u>	<u>(40,542)</u>
Other Financing Sources (Uses)				
Transfers in (Note 4)	-	219,717	238,111	18,394
Transfers out (Note 4)	(19,116)	(19,116)	(100,352)	(81,236)
Total Other Financing Sources (Uses)	<u>(19,116)</u>	<u>200,601</u>	<u>137,759</u>	<u>(62,842)</u>
Net Change in Fund Balance	<u>\$ (19,106)</u>	<u>\$ 76,157</u>	<u>(27,227)</u>	<u>\$ (103,384)</u>
Fund Balance - Beginning of year			66,770	
Fund Balance - End of year			<u>\$ 39,543</u>	

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SUPPLEMENTARY INFORMATION

City of Crescent City
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Fund 106	Fund 115	Fund 116	Fund 251	Fund 901	Fund 902	Fund 930	Fund 940	
	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund	Code Enforcement Fund	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	
Assets									
Cash and investments	\$ 15,221	\$ 22,466	\$ 84	\$ -	\$ 462,938	\$ 11,504	\$ 35,321	\$ 22,370	\$ 569,904
Receivables:									
Consumers and others	19	19	-	-	631	9	38	28	744
County/State/Federal Government	-	-	-	-	167,238	-	-	-	167,238
Due from RDA Successor Agency	-	-	306,871	-	-	-	-	-	306,871
Land held for redevelopment	-	-	89,752	-	-	-	-	-	89,752
Note Receivable	71,772	-	-	-	-	-	-	-	71,772
Total Assets	\$ 87,012	\$ 22,485	\$ 396,707	\$ -	\$ 630,807	\$ 11,513	\$ 35,359	\$ 22,398	\$ 1,206,281
Liabilities and Fund Balance									
Liabilities:									
Accounts payable	\$ -	\$ 3,949	\$ -	\$ -	\$ 36,366	\$ -	\$ -	\$ -	\$ 40,315
Due to other funds	-	-	1,000	-	-	-	-	-	1,000
Total Liabilities	-	3,949	1,000	-	36,366	-	-	-	41,315
Deferred Inflow of resources									
Unavailabe Reveue	-	-	-	-	167,238	-	-	-	167,238
Total Liabilities and Deferred Inflow of resources	-	3,949	1,000	-	203,604	-	-	-	208,553
Fund Balance:									
Restricted									
Low and moderate income housing	-	-	395,707	-	-	-	-	-	395,707
Other Purposes	87,012	18,536	-	-	-	-	-	-	105,548
Assigned for Capital Improvement and Vehicle Replacement	-	-	-	-	427,203	11,513	35,359	22,398	496,473
Total Fund Balance	87,012	18,536	395,707	-	427,203	11,513	35,359	22,398	997,728
Total Liabilities and Fund Balance	\$ 87,012	\$ 22,485	\$ 396,707	\$ -	\$ 630,807	\$ 11,513	\$ 35,359	\$ 22,398	\$ 1,206,281

City of Crescent City
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Fund 106	Fund 115	Fund 116	Fund 251	Fund 901	Fund 902	Fund 930	Fund 940	
	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund	Code Enforcement Fund	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	
Revenues									
Use of Money and Property									
Interest	\$ 35	\$ 270	\$ -	\$ -	\$ 1,776	\$ 27	\$ 123	\$ 72	\$ 2,303
Intergovernmental	-	164,037	-	-	7,546	-	25,000	21,737	218,320
Donations	-	-	-	-	-	4,833	-	-	4,833
Total Revenues	35	164,307	-	-	9,322	4,860	25,123	21,809	225,456
Expenditures									
Current:									
Human services and recreation	1,593	-	-	-	16,296	-	-	-	17,889
Public Works	-	34,152	-	-	7,360	-	-	-	41,512
Public safety	-	-	-	-	414,406	-	-	-	414,406
Total Expenditures	1,593	34,152	-	-	438,062	-	-	-	473,807
Excess (Deficit) of Revenues Over Expenditures	(1,558)	130,155	-	-	(428,740)	4,860	25,123	21,809	(248,351)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	527,854	-	-	-	527,854
Transfers out	-	(203,660)	-	-	-	-	-	-	(203,660)
Total Other Financing Sources (Uses)	-	(203,660)	-	-	527,854	-	-	-	324,194
Net Change in Fund Balance	(1,558)	(73,505)	-	-	99,114	4,860	25,123	21,809	75,843
Fund Balance - Beginning of year	88,570	92,041	395,707	-	328,089	6,653	10,236	589	921,885
Fund Balance - End of year	\$ 87,012	\$ 18,536	\$ 395,707	\$ -	\$ 427,203	\$ 11,513	\$ 35,359	\$ 22,398	\$ 997,728

City of Crescent City
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Fund 420 Information Tech Fund	Fund 506 Maintenance Building Fund	Fund 508 Equipment Fund	Fund 610 Payroll Trust Fund	Fund 620 Insurance Reserve Fund	Fund 630 OPEB Trust Contributions Fund	Totals
Assets							
Current assets:							
Cash and investments	\$ 8,813	\$ 3,514	\$ 49,191	\$ 160,584	\$ 105	\$ 39,544	\$ 261,751
Accounts Receivable	-	-	850	-	-	-	850
Prepaid items	-	-	-	1,351	-	-	1,351
Total Current Assets	8,813	3,514	50,041	161,935	105	39,544	263,952
Non Current Assets:							
Nondepreciable capital assets	-	-	42,525	-	-	-	42,525
Depreciable capital assets, net	-	-	724,546	-	-	-	724,546
Total assets	\$ 8,813	\$ 3,514	\$ 817,112	\$ 161,935	\$ 105	\$ 39,544	\$ 1,031,023
Liabilities							
Current liabilities:							
Accounts payable	\$ 8,813	\$ 3,514	\$ 9,290	\$ 113,216	\$ -	\$ 39,544	\$ 174,377
Accrued wages	-	-	-	48,719	-	-	48,719
Total Current Liabilities	8,813	3,514	9,290	161,935	-	39,544	223,096
Total Liabilities	8,813	3,514	9,290	161,935	-	39,544	223,096
Net Position							
Invested in capital assets	-	-	767,071	-	-	-	767,071
Unrestricted	-	-	40,751	-	105	-	40,856
Total Net Position	\$ -	\$ -	\$ 807,822	\$ -	\$ 105	\$ -	\$ 807,927

City of Crescent City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2015

	Fund 420 Information Tech Fund	Fund 506 Maintenance Building Fund	Fund 508 Equipment Fund	Fund 610 Payroll Trust Fund	Fund 620 Insurance Reserve Fund	Fund 630 OPEB Trust Contributions Fund	Totals
Operating revenues							
Charges for services	\$ 163,726	\$ 173,954	263,912	\$ -	\$ 157,494	\$ 149,746	\$ 908,832
Grant and Other Revenue	-	1,258	-	-	38,824	-	40,082
Total operating revenues	163,726	175,212	263,912	-	196,318	149,746	948,914
Operating expenses:							
Personnel services	127,636	85,853	161,177	-	-	179,390	554,056
Materials, supplies, rent and services	11,471	37,475	46,034	-	194,766	3,600	293,346
Repair and maintenance	24,250	39,877	42,631	-	1,447	-	108,205
Depreciation	-	-	133,982	-	-	-	133,982
Total operating expenses	163,357	163,205	383,824	-	196,213	182,990	1,089,589
Operating income (loss)	369	12,007	(119,912)	-	105	(33,244)	(140,675)
Non-operating revenues (expense):							
Interest income	-	-	111	-	-	-	111
Total non-operating revenues (expenses)	-	-	111	-	-	-	111
Transfers:							
Transfers out	-	(11,800)	-	-	-	-	(11,800)
Change in net position	369	207	(119,801)	-	105	(33,244)	(152,364)
Net Position - beginning	(369)	(207)	927,623	-	-	33,244	960,291
Net Position - ending	\$ -	\$ -	\$ 807,822	\$ -	\$ 105	\$ -	\$ 807,927

City of Crescent City
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2016

	Fund 420	Fund 506	Fund 508	Fund 610	Fund 620	Fund 630	
	Information	Maintenance	Equipment	Payroll	Insurance	OPEB Trust	
	Tech	Building	Fund	Trust	Reserve	Contributions	
	Fund	Fund	Fund	Fund	Fund	Fund	Totals
Cash flows from operating activities:							
Charges received from other funds	\$ 163,726	\$ 175,212	\$ 263,368	\$ 13,398	\$ 224,940	\$ 149,770	\$ 990,414
Payments to suppliers	(34,653)	(77,011)	(174,035)	2,810	(196,213)	35,344	(443,758)
Payments to employees	(127,749)	(85,909)	(161,346)	(37,149)	-	(179,390)	(591,543)
Net cash provided (used) by operating activities	<u>1,324</u>	<u>12,292</u>	<u>(72,013)</u>	<u>(20,941)</u>	<u>28,727</u>	<u>5,724</u>	<u>(44,887)</u>
Cash flows from noncapital financing activities:							
Due to other funds	-	-	-	-	(29,000)	-	(29,000)
Transfers	-	(11,800)	-	-	-	-	(11,800)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(11,800)</u>	<u>-</u>	<u>-</u>	<u>(29,000)</u>	<u>-</u>	<u>(40,800)</u>
Cash flows from capital and related financing activities:							
Acquisition of capital assets	-	-	(11,774)	-	-	-	(11,774)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(11,774)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,774)</u>
Cash flows from investing activities:							
Interest earned	-	-	111	-	-	-	111
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111</u>
Net increase (decrease) in cash and cash equivalents	<u>1,324</u>	<u>492</u>	<u>(83,676)</u>	<u>(20,941)</u>	<u>(273)</u>	<u>5,724</u>	<u>(97,350)</u>
Cash and cash equivalents - beginning of period	7,489	3,022	132,867	181,525	378	33,820	359,101
Cash and cash equivalents - end of period	<u>\$ 8,813</u>	<u>\$ 3,514</u>	<u>\$ 49,191</u>	<u>\$ 160,584</u>	<u>\$ 105</u>	<u>\$ 39,544</u>	<u>\$ 261,751</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:							
Operating income (loss)	\$ 369	\$ 12,007	\$ (119,912)	\$ -	\$ 105	\$ (33,244)	\$ (140,675)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	-	-	133,982	-	-	-	133,982
Changes in certain assets and liabilities:							
Accounts receivable	-	-	(544)	13,398	28,622	24	41,500
Prepaid expenses	-	-	-	(1,351)	-	-	(1,351)
Accounts payable	1,068	341	(85,370)	4,161	-	38,944	(40,856)
Accrued expenses	(113)	(56)	(169)	(37,149)	-	-	(37,487)
Total adjustments	<u>955</u>	<u>285</u>	<u>47,899</u>	<u>(20,941)</u>	<u>28,622</u>	<u>38,968</u>	<u>95,788</u>
Net cash provided (used) by operating activities	<u>\$ 1,324</u>	<u>\$ 12,292</u>	<u>\$ (72,013)</u>	<u>\$ (20,941)</u>	<u>\$ 28,727</u>	<u>\$ 5,724</u>	<u>\$ (44,887)</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crescent City, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

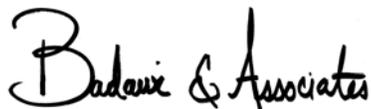
To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Badawi & Associates".

Badawi & Associates, CPAs
Oakland, California
December 16, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California

Report on Compliance for Each Major Federal Program

We have audited the City of Crescent City, California (City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 the audit requirements of Title 2 U.S. *code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 over compliance* 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California
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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 16, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Badawi & Associates, CPAs
Oakland, California
December 16, 2016

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City of Crescent City
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Subrecipient Payment
<u>Federal Emergency Management Agency:</u>				
<i>Passed through California Governor's Office of Emergency Services</i>				
Hazard Mitigation Grant Program	97.039	FEMA 1968-DR-CA, Project #0087	\$ 232,756	\$ -
Total Federal Emergency Management Agency			232,756	-
<u>U.S. Department of Housing and Urban Development:</u>				
Housing Voucher Cluster:				
<i>Direct Programs:</i>				
Section 8 Housing Choice Vouchers	14.871	n/a	3,253,406	-
		Housing Voucher Cluster Total	3,253,406	-
CDBG State Administered CDBG Cluster:				
<i>Passed through State of California Department of Housing And Community Development:</i>				
Community Development Block Grant	14.228	12-CDBG-8380	67,639	54,421
Community Development Block Grant	14.228	14-CDBG-9880	1,473,474	-
Community Development Block Grant	14.228	Loans Outstanding	145,615	-
		CDBG State Administered CDBG Cluster Total	1,686,728	54,421
Total U.S. Department of Housing and Urban Development			4,940,134	54,421
<u>U.S. Department of Justice:</u>				
<i>Direct Programs:</i>				
COPS Hiring Program	16.710	n/a	23,566	-
Total U.S. Department of Justice			23,566	-
Total Federal Expenditures			\$ 5,196,456	\$ 54,421

City of Crescent City
Schedule of Findings and Questioned Costs
For the year ended June 30, 2016

A. *Basis of Accounting*

Funds received under the various grant programs have been recorded within the general fund, special revenue funds and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the general fund and special revenue funds and full accrual basis of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of U.S. *code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City's basic financial statements.

City of Crescent City
Schedule of Findings and Questioned Costs
For the year ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Types of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? None noted

Any noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified? None noted

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in
 Accordance with section 510(a) of OMB Circular A-133 No

Identification of major programs:

CFDA Number(s)	Name of Federal Cluster or Program	Expenditures
14.228	CDBG State Administered CDBG Cluster Total	1,686,727
	Total Expenditures of all Major Programs	\$ 1,686,727
	Total Expenditures of Federal Award	\$ 5,196,454
	Percentage of Total Expenditure of Federal Award	32%

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee under
 section 200.520? Yes

City of Crescent City
Schedule of Findings and Questioned Costs
For the year ended June 30, 2016

SECTION II - CURRENT YEAR FINDINGS

A. Current Year Findings- Financial Statement Audit

No current year financial statement audit finding.

B. Current Year Findings and Questioned Costs- Major Federal Award Program Audit

No current year federal award program finding.

SECTION III - PRIOR YEAR FINDINGS

A. Prior Year Findings- Financial Statement Audit

No prior year financial statement audit finding.

B. Prior Year Findings and Questioned Costs- Major Federal Award Program Audit

No prior year federal award program finding.