

City of Crescent City

Crescent City, California

Annual Audit Report and Financial Statements

For the year ended June 30, 2017

City of Crescent City
Annual Audit Report and Financial Statements
For the year ended June 30, 2017

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INTRODUCTORY SECTION

City of Crescent City
City Officials
For the year ended June 30, 2017

<u>Name</u>	<u>Office</u>
Blake Inscore	Mayor
Darrin Short	Mayor Pro Tem
Alexander Fallman	Council Member
Jason Greenough	Council Member
Heidi Kime	Council Member

FINANCIAL SECTION



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, 2017, 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, 2017, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

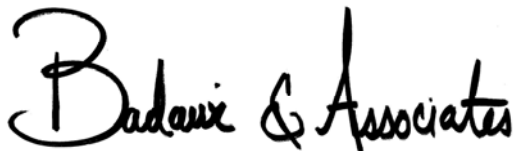
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 27, 2017, 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 27, 2017

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MANAGEMENT DISCUSSION AND ANALYSIS

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CITY OF CRESCENT CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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, 2017. 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 \$77,552,417 and total liabilities and deferred inflows of resources were \$53,414,129 at June 30, 2017. The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$24,138,288 (net position) for the fiscal year reported. This is an increase of \$2,444,304 from the previous year when assets exceeded liabilities by \$21,693,984. The increase includes:

- \$760,800 increase in the net investment in capital assets primarily due to capital improvement projects, including grant-funded projects.
- \$1,348,953 increase in unrestricted net position primarily due to operating results and grant funding.
- \$11,699 increase in restricted net position for capital projects and community development.
- \$220,051 increase in restricted net position for capital reserve.
- \$87,570 increase 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 \$18,958,811 includes property and equipment.
- Net assets of \$626,317 are restricted for capital projects and community development.
- Net assets of \$658,852 are restricted for capital reserve.
- Net assets of \$350,070 are restricted for debt service.
- Net assets of \$106,106 are restricted for other purposes.
- Unrestricted net assets of \$3,438,132 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 \$2,859,675 this year. This compares to the prior year ending net position of \$2,914,572 and is a decrease of \$54,897 which was the result of operations and includes:

- \$275,739 net increase in the General Fund balance due to revenues exceeding expenditures by approximately 5%. The General Fund is discussed in greater detail below.
- \$137,978 net increase in the Housing Authority balance due to revenues exceeding expenditures by approximately 4%. 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.
- \$176,395 net decrease in the CDBG balance due to expenditures on grant projects that were not yet reimbursed during Fiscal Year 2016-17.

- \$292,219 net decrease in other governmental funds due primarily to completion of capital projects.

For the fiscal year ending June 30, 2017, the fund balance of the General Fund was \$2,060,682. The Fund Balance Reserve Policy is the City Council's goal to achieve and maintain a minimum of 25% of the annual general fund appropriations. For the fiscal year 2016-17, the \$2,060,682 fund balance reserve is 41% of reported expenditures and transfers out (\$4,951,255). The \$2,060,682 is 36% of the fiscal year 2017-18 General Fund expenditures and transfers out budget (\$5,680,607).

Fund Based – Proprietary Funds

The City's proprietary funds include the Sewer Fund, the Water Fund, and the Recreational Vehicle (RV) Fund. These funds reported total ending net position of \$15,892,389 as of June 30, 2017. This compares to the prior year ending net position of \$14,784,654 showing an increase of \$1,107,735 during the current year. The proprietary 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, 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, 2017.

In fiscal year 2016-17, governmental activities increased the City's net position by \$1,336,570 and business-type activities increased the City's net position by \$1,107,735 as compared to the prior fiscal year.

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16
Assets:						
Current and other	4,078,626	4,029,142	10,040,055	8,360,166	14,118,681	12,389,308
Capital assets	9,380,639	8,390,747	51,606,425	53,370,319	60,987,064	61,761,066
Total assets	13,459,265	12,419,889	61,646,480	61,730,485	75,105,745	74,150,374
Deferred outflow of resources	1,550,728	679,716	895,944	444,435	2,446,672	1,124,151
Liabilities						
Current and other	771,975	1,028,775	2,559,392	683,839	3,331,367	1,712,614
Long-term liabilities	5,768,923	4,720,212	43,880,419	46,408,590	49,649,342	51,128,802
Total liabilities	6,540,898	5,748,987	46,439,811	47,092,429	52,980,709	52,841,416
Deferred inflow of resources	223,196	441,289	210,224	297,837	433,420	739,126
Net Position						
Invested in capital assets net of related debt	9,380,639	8,390,747	9,578,172	9,792,066	18,958,811	18,182,813
Restricted	732,423	633,154	1,008,922	788,837	1,741,345	1,421,991
Unrestricted	(1,867,163)	(2,114,572)	5,305,295	4,203,751	3,438,132	2,089,179
Total Net Position	8,245,899	6,909,329	15,892,389	14,784,654	24,138,288	21,693,983

Including grants, fiscal year 2016-17 government-wide revenues decreased \$1,067,518 and expenses decreased \$938,671 compared to the prior year. This was primarily due to capital improvement projects in the prior year which were not repeated in the current year.

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues	6,073,209	6,154,489	7,700,478	8,864,961	13,773,687	15,019,450
General revenues	3,856,906	3,794,795	254,413	138,279	4,111,319	3,933,074
Total Revenues	9,930,115	9,949,284	7,954,891	9,003,240	17,885,006	18,952,524
Expenses:						
General government	866,863	1,023,407	-	-	866,863	1,023,407
Public safety	1,939,940	1,733,762	-	-	1,939,940	1,733,762
Human services and recreation	4,529,934	4,267,932	-	-	4,529,934	4,267,932
Public works	979,630	2,264,164	-	-	979,630	2,264,164
Admin overhead allocation	277,179	267,078	-	-	277,179	267,078
Sewer	-	-	4,605,005	4,624,746	4,605,005	4,624,746
Water	-	-	1,951,386	1,942,201	1,951,386	1,942,201
RV park	-	-	305,963	271,281	305,963	271,281
Total Expenses	8,593,546	9,556,343	6,862,354	6,838,228	15,455,900	16,394,571
Transfers	-	156,876	-	(156,876)	-	-
Extraordinary Item	-	-	-	-	-	-
Increase(Decrease) in Net Position	1,336,569	549,817	1,092,537	2,008,136	2,429,106	2,557,953

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 \$113,575; transfers in and out netted to a positive \$162,164. This resulted in a net change in Fund Balance of \$275,739.

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 2016-17 General Fund revenue increased by 2% in comparison with the prior year. Primary contributors to this increase:

- Transient occupancy tax increased 2.8% from \$1,254,820 in fiscal year 2015-16 to \$1,392,097 in fiscal year 2016-17.

- Intergovernmental revenues increased 3.3% from \$505,115 in fiscal year 2015-16 to \$669,087 in fiscal year 2016-17. The most significant increase was due to funding of \$188,936 from the Local Transportation Commission for two storm drain/street projects.
- These increases were partially offset by modest decreases in other General Fund revenues.

	2017		2016		Increase/(Decrease)	
	Amount	Percent of	Amount	Percent of	Amount	Percent of
		Total		Total		Total
Taxes and assessments	3,493,606	69.6%	3,397,621	69.0%	95,985	2.0%
Use of money and property:						
Interest	8,226	0.2%	6,040	0.1%	2,186	0.0%
Rental Income	41,673	0.8%	43,959	0.9%	(2,286)	0.0%
Licenses and permits	349,923	7.0%	365,878	7.4%	(15,955)	-0.3%
Fines and permits	10,382	0.2%	77,959	1.6%	(67,577)	-1.4%
Intergovernmental revenues	669,087	13.3%	505,115	10.3%	163,972	3.3%
Charges for services	370,485	7.4%	368,016	7.5%	2,469	0.1%
Gifts and donations	21,963	0.4%	2,683	0.1%	19,280	0.4%
Other revenue	55,485	1.1%	154,482	3.1%	(98,997)	-2.0%
Total	5,020,830	100.0%	4,921,753	100.0%	99,077	2.0%

Total General Fund expenditures, not including transfers, increased by \$327,521 or 7.2% from the prior fiscal year. The primary contributors to this increase include:

- \$84,919 decrease in General Government spending due to a one-time additional payment made to Del Norte County in the prior fiscal year that was not repeated in the current fiscal year.
- \$44,050 decrease in General Government spending due to contracts in the prior fiscal year for projects that were not repeated in the current fiscal year (staff training, compensation study, and Housing Element update).
- \$55,478 increase in Public Safety personnel expenses in the Police Department (excluding PERS and Workers Compensation).
- \$285,203 in emergency Public Works projects related to street/storm drain repairs after heavy winter storms. These expenditures were partially offset by revenues from the Local Transportation Commission to reimburse the City for these projects. The remainder is expected to be reimbursed in the next fiscal year.
- \$45,966 increase in PERS contribution costs.
- \$35,574 increase in workers compensation insurance.

	2017		2016		Increase/(Decrease)	
	Amount	Percent of	Amount	Percent of	Amount	Percent of
		Total		Total		Total
General government	707,872	14.4%	849,105	18.5%	(141,233)	-3.1%
Public safety	2,088,993	42.6%	1,951,650	42.6%	137,343	3.0%
Human services and recreation	525,562	10.7%	497,470	10.9%	28,092	0.6%
Community development	295,509	6.0%	279,633	6.1%	15,876	0.3%
Public works	1,022,961	20.8%	745,130	16.3%	277,831	6.1%
Admin overhead allocation	266,358	5.4%	256,754	5.6%	9,604	0.2%
Total	4,907,255	100.0%	4,579,742	100.0%	327,513	7.2%

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, 2017. In fiscal year 2017, the Housing Authority experienced an excess of revenues over expenditures in the amount of \$137,978. This increased the Housing Authority's fund balance from \$92,356 to \$230,334. 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 2016-17 were \$360,858, which is \$1,070,073 less than in fiscal year 2015-16. This was due to a large sewer rehabilitation project during fiscal year 2015-16. Expenditures were \$449,439 in fiscal year 2016-17, or \$1,146,479 lower than fiscal year 2015-16, 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 2016-17, the change in net position was \$363,916 which is \$975,942 less than the change in net position in fiscal year 2015-16. In fiscal year 2015-16, there was a grant capital contribution of \$1,378,106 related to the B Street Sewer Rehabilitation project, while in fiscal year 2016-17 the project was completed with an additional capital contribution of \$161,941.

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
Sewer Fund				
Operating revenues				
Sewer treatment	4,403,246	4,409,335	(6,089)	-0.1%
Lab revenues	36,877	39,340	(2,463)	-6.3%
Sewer connections	29,046	66,806	(37,760)	-56.5%
Other	174,232	133,069	41,163	30.9%
Grants and other revenues	142,105	77,900	64,205	82.4%
Expenses	(4,597,632)	(4,621,360)	23,728	-0.5%
Non-operating revenue(expense)	14,101	13,539	562	4.2%
Net changes before transfers and capital contributions	201,975	118,628	83,347	70.3%
Net transfers and capital contributions	161,941	1,221,230	(1,059,289)	-86.7%
Change in net assets	363,916	1,339,858	(975,942)	-72.8%

Sewer treatment revenues decreased by \$6,089 or 0.1%. Sewer connection revenue decreased by \$37,760 or 56.5%; these revenues will vary year to year depending on the number of new connections requested. Grants and other revenues increased by \$64,205 or 82.4%, due to a reimbursement from Cal OES for storm-related damage.

Net transfers and capital contributions in fiscal year 2016-17 were \$161,941 due to the completion of a CDBG grant-funded project to rehabilitate the B Street Sewer line.

Water Fund. In fiscal year 2016-17, the change in net position was \$698,064 which is \$34,391 more than the change in net position in fiscal year 2015-16. Net position increased in fiscal year 2016-17 due primarily to implementation of the final water rate increase in a series of increases approved in 2013.

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
Water Fund				
Operating				
Revenues	2,642,308	2,601,685	40,623	1.6%
Expenses	(1,951,386)	(1,942,201)	(9,185)	0.5%
Non-operating revenue(expense)	7,142	4,191	2,951	70.4%
Change in net assets	698,064	663,675	34,389	5.2%

Shoreline Recreational Vehicle (RV) Park. Operating revenues in fiscal year 2016-17 increased \$44,864 or 16.3% from the preceding fiscal year due to rate increases.

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
RV Park Fund				
Operating revenues	320,600	275,736	44,864	16.3%
Grant and other revenue	-	62	(62)	-100.0%
Expenses	(275,567)	(271,281)	(4,286)	1.6%
Non-operating revenue(expense)	722	86	636	739.5%
Change in net assets	45,755	4,603	41,152	894.0%

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 2016-17 was projected with a deficit of \$405,177, primarily due to one-time projects including new software for the Police Department, new Police vehicles, storm drain improvements, building repairs and improvements, and technology improvements. The actual results were more favorable than anticipated, with an actual excess of revenues over expenditures of \$275,739. This excess was due to expenditures that came in lower than the budget estimates and projects that were deferred to later years. Lower expenditures were due to personnel vacancies, supplies and contract actual costs coming in lower than budget estimates, and deferred projects.

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

	2017			2016		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues	5,042,342	5,020,830	(21,512)	4,575,828	4,921,755	345,927
Expenditures	(5,622,938)	(4,907,255)	715,683	(4,774,935)	(4,579,750)	195,185
Operating results	(580,596)	113,575	694,171	(199,107)	342,005	541,112
Transfers in	214,419	206,164	(8,255)	209,000	203,660	(5,340)
Transfers out	(39,000)	(44,000)	(5,000)	(496,938)	(496,938)	-
Net result	(405,177)	275,739	680,916	(487,045)	48,727	535,772
Extraordinary item	-	-	-	-	-	-
Net change in Fund Balance	(405,177)	275,739	680,916	(487,045)	48,727	535,772

Capital Asset and Debt Administration

Capital assets. As of June 30, 2017, the City had a total net investment in capital assets of \$18,958,811. This is an increase of \$775,998 over the net investment in capital assets as of June 30, 2016. 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 2016-17 included the completion of the B Street Sewer Rehabilitation project, Fire Hall Seismic Retrofit, Fire Hall Modernization, replacement of storm drains, replacement of a sewer manhole, water infrastructure, and other projects.

Governmental Funds			
2017	2016	Variance \$	Variance %
9,380,639	8,390,747	989,892	11.8%
Business-type Funds			
2017	2016	Variance \$	Variance %
9,578,172	9,792,066	(213,894)	-2.2%
Total			
2017	2016	Variance \$	Variance %
18,958,811	18,182,813	775,998	4.3%

Long-term debt. As of June 30, 2017, the City had total debt outstanding of \$42,329,346; this is a decrease of \$1,514,847 from the total debt outstanding at June 30, 2015 of \$43,844,193. This reduction is due to loan principal payments.

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
Capital leases	-	-	-	-	-	-
Compensated absences	190,900	174,082	110,193	91,858	301,093	265,940
Safe Drinking Water Loan	-	-	2,275,000	2,625,000	2,275,000	2,625,000
State Revolving Loan	-	-	39,753,253	40,953,253	39,753,253	40,953,253
Total	190,900	174,082	42,138,446	43,670,111	42,329,346	43,844,193

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 2017-18 in the General Fund reflects the City’s priority to provide essential services as well as an investment of fund balance in one-time project costs. These include technology upgrades, facility improvements, and other projects. The City continues to actively seek grant funding whenever possible, to maximize the availability of ongoing revenues to meet ongoing expenses. Increasing pension liabilities will continue to put pressure on City budgets, and the City is committed to maintaining prudent financial policies to meet these obligations.

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. Recently, the City was successful in negotiating an amendment to its loan contract with the State Water Resources Control Board, eliminating the requirement for a Capital Reserve Fund. This will allow the City to invest those funds in needed capital improvements.

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, including a Water system project to replace an aged elevated tank with a new Pressure Relief Valve system, improvements to beach access at Beach Front Park, and the development of the Sunset Circle trail. 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

City of Crescent City
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 2,359,307	\$ 7,705,288	\$ 10,064,595
Receivables (net)	606,081	1,361,048	1,967,129
Due from other governments	948,809	-	948,809
Due from Successor Agency	236,871	685,286	922,157
Prepaid items	5,986	-	5,986
Land held for redevelopment	89,752	-	89,752
Notes receivable	120,253	-	120,253
Internal balances	(288,433)	288,433	-
Nondepreciable capital assets	3,316,690	670,003	3,986,693
Depreciable capital assets, net	6,063,949	50,936,422	57,000,371
Total Assets	13,459,265	61,646,480	75,105,745
Deferred outflow of resources			
Employer pension contribution	571,177	279,981	851,158
Pension related amounts	979,551	615,963	1,595,514
Total deferred outflow of resources	1,550,728	895,944	2,446,672
Liabilities			
Accounts payable	524,317	186,616	710,933
Accrued wages	54,480	-	54,480
Unearned revenue	52,676	390,981	443,657
Deposits	2,617	254,471	257,088
Long term liabilities			
Compensated absences - Due within one year	137,885	77,324	215,209
Compensated absences - Due in more than one year	53,015	32,869	85,884
Net pension liability	5,715,908	3,469,297	9,185,205
Loans and Leases Payable - Due within one year	-	1,650,000	1,650,000
Loans Payable - Due in more than one year	-	40,378,253	40,378,253
Total Liabilities	6,540,898	46,439,811	52,980,709
Deferred inflow of resources			
Pension related amounts	223,196	210,224	433,420
Total deferred inflow of resources	223,196	210,224	433,420
Net Position			
Net Investment in capital assets	9,380,639	9,578,172	18,958,811
Restricted for:			
Capital projects and community development	626,317	-	626,317
Capital reserve	-	658,852	658,852
Debt service	-	350,070	350,070
Other purposes	106,106	-	106,106
Unrestricted	(1,867,163)	5,305,295	3,438,132
Total Net Position	\$ 8,245,899	\$ 15,892,389	\$ 24,138,288

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Activities
For the year ended June 30, 2017

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	\$ 866,863	\$ 145,900	\$ 17,813	\$ -	\$ 163,713	\$ (703,150)	\$ -	\$ (703,150)
Public safety	1,939,940	258,027	299,365	575,089	1,132,481	(807,459)	-	(807,459)
Community Development	295,509	83,389	550,711	-	634,100	338,591	-	338,591
Human services and recreation	4,234,425	229,903	3,507,924	-	3,737,827	(496,598)	-	(496,598)
Public works	979,630	1,704	403,384	-	405,088	(574,542)	-	(574,542)
Administrative overhead allocation	277,179	-	-	-	-	(277,179)	-	(277,179)
Total governmental activities	8,593,546	718,923	4,779,197	575,089	6,073,209	(2,520,337)	-	(2,520,337)
Business-type activities:								
Sewer	4,605,005	4,643,401	-	161,941	4,805,342	-	200,337	200,337
Water	1,951,386	2,574,536	-	-	2,574,536	-	623,150	623,150
RV Park	275,567	320,600	-	-	320,600	-	45,033	45,033
Total business-type activities	6,831,958	7,538,537	-	161,941	7,700,478	-	868,520	868,520
Total primary government	\$ 15,425,504	\$ 8,257,460	\$ 4,779,197	\$ 737,030	\$ 13,773,687	(2,520,337)	868,520	(1,651,817)
General Revenues:								
Taxes:								
Property						226,209	-	226,209
Sales tax and Sales Tax in-lieu						1,354,069	-	1,354,069
Property tax in lieu of VLF						521,914	-	521,914
Franchise fees						228,441	-	228,441
Transient occupancy taxes						1,392,097	-	1,392,097
Busines Licenses						49,745	-	49,745
Total Taxes						3,772,475	-	3,772,475
Unrestricted investment earnings						9,205	29,338	38,543
Other						75,226	209,877	285,103
Total general revenues and transfers						3,856,906	239,215	4,096,121
Change in net position						1,336,569	1,107,735	2,444,304
Net position - beginning of year, as restated						6,909,330	14,784,654	21,693,984
Net position - end of year						\$ 8,245,899	\$ 15,892,389	\$ 24,138,288

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Proprietary Funds Financial Statements

Fiduciary Funds Financial Statements

GOVERNMENTAL FUNDS 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, 2017**

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
Assets					
Cash and investments	\$ 1,650,311	\$ 229,657	\$ 20,878	\$ 257,128	\$ 2,157,974
Receivables:					
Consumers and others	597,757	1,087	1	527	599,372
County/State/Federal Government	545,317	-	209,279	194,213	948,809
Due from RDA Successor Agency	-	-	-	236,871	236,871
Due from other funds	343,000	-	-	-	343,000
Prepaid items	4,823	-	-	-	4,823
Land held for redevelopment	-	-	-	89,752	89,752
Note Receivable	-	-	50,389	69,864	120,253
Total Assets	\$ 3,141,208	\$ 230,744	\$ 280,547	\$ 848,355	\$ 4,500,854
Liabilities, Deferred Inflow of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 286,579	\$ 410	\$ 155,643	\$ 3,542	\$ 446,174
Unearned Revenue	52,676	-	-	-	52,676
Deposits	2,617	-	-	-	2,617
Due to other funds	518,433	-	71,000	42,000	631,433
Total Liabilities	860,305	410	226,643	45,542	1,132,900
Deferred Inflow of Resources					
Unavailable revenues	220,221	-	190,756	97,302	508,279
Total Deferred Inflow of Resources	220,221	-	190,756	97,302	508,279
Fund Balance:					
Nonspendable	4,823	-	-	-	4,823
Restricted					
Low and moderate income housing	-	230,334	-	395,983	626,317
Other Purposes	-	-	-	106,106	106,106
Assigned for Capital Improvement and Vehicle Replacement	2,981	-	-	203,422	206,403
Unassigned	2,052,878	-	(136,852)	-	1,916,026
Total Fund Balance	2,060,682	230,334	(136,852)	705,511	2,859,675
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	\$ 3,141,208	\$ 230,744	\$ 280,547	\$ 848,355	\$ 4,500,854

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, 2017

Total Fund Balance - Governmental Funds	\$	2,859,675
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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:		713,421
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,743,800
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		508,279
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.		571,177
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.		756,355
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(5,715,908)
Compensated absences		(190,900)

Net position of governmental activities	\$	8,245,899
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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, 2017

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
Revenues					
Taxes	\$ 3,493,606	\$ -	\$ -	\$ -	\$ 3,493,606
Use of Money and Property					
Interest	8,226	324	3	1,004	9,557
Rental Income	41,673	-	-	-	41,673
Licenses and permits	349,923	-	-	-	349,923
Fines and forfeitures	10,382	-	-	-	10,382
Intergovernmental	669,087	3,482,369	359,955	678,398	5,189,809
Charges for services	370,485	-	-	-	370,485
Gifts and donations	21,963	-	-	40,929	62,892
Other reimbursements	14,705	942	-	-	15,647
Other revenue	40,780	24,613	900	1,595	67,888
Total Revenues	5,020,830	3,508,248	360,858	721,926	9,611,862
Expenditures					
Current:					
General government	707,872	-	-	-	707,872
Public safety	2,088,993	-	-	876,037	2,965,030
Community Development	295,509	-	-	-	295,509
Human services and recreation	525,562	3,359,449	287,498	-	4,172,509
Public works	1,022,961	-	161,941	78,758	1,263,660
Administrative overhead allocation	266,358	10,821	-	-	277,179
Total Expenditures	4,907,255	3,370,270	449,439	954,795	9,681,759
Excess (Deficit) of Revenues Over Expenditures	113,575	137,978	(88,581)	(232,869)	(69,897)
Other Financing Sources (Uses)					
Transfers in	206,164	-	101,075	72,395	379,634
Transfers out	(44,000)	-	(188,889)	(131,745)	(364,634)
Total Other Financing Sources (Uses)	162,164	-	(87,814)	(59,350)	15,000
Net Change in Fund Balance	275,739	137,978	(176,395)	(292,219)	(54,897)
Fund Balance - Beginning of year	1,784,943	92,356	39,543	997,730	2,914,572
Fund Balance - End of year	\$ 2,060,682	\$ 230,334	\$ (136,852)	\$ 705,511	\$ 2,859,675

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, 2017

Net change in fund balance - governmental funds \$ (54,897)

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, \$7,800). 1,308,555

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, \$134,613). (188,431)

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. (94,506)

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 300,624

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. 571,177

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (489,135)

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. (16,818)

Change in net position of governmental activities \$ 1,336,569

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

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.

The RV 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

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.

City of Crescent City
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities Enterprise Funds				Business-type
	Sewer	Water	RV Park	Totals	Activities - Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 5,720,703	\$ 1,851,201	\$ 133,384	\$ 7,705,288	\$ 201,333
Accounts Receivable	1,027,816	330,582	2,650	1,361,048	6,709
Prepaid items	-	-	-	-	1,163
Due from RDA Successor Agency	-	685,286	-	685,286	-
Due from other funds	-	518,433	-	518,433	-
Total Current Assets	6,748,519	3,385,502	136,034	10,270,055	209,205
Non Current Assets:					
Capital assets not being depreciated	30,650	631,727	7,626	670,003	42,525
Net capital assets being depreciated	42,821,509	7,054,376	1,060,537	50,936,422	594,314
Total assets	49,600,678	11,071,605	1,204,197	61,876,480	846,044
Deferred outflow of resources					
Employer pension contribution	172,577	107,404	-	279,981	-
Pension related amounts	379,672	236,291	-	615,963	-
Total deferred outflow of resources	552,249	343,695	-	895,944	-
Liabilities					
Current liabilities:					
Accounts payable	134,385	46,532	5,699	186,616	78,143
Accrued wages	-	-	-	-	54,480
Deposits	274,870	116,111	-	390,981	-
Due to Other Funds	-	-	230,000	230,000	-
Unearned revenue	239,648	14,823	-	254,471	-
Current maturities of long term debt:					
Compensated absences payable	49,095	26,829	1,400	77,324	-
Current portion of loans payable	1,300,000	350,000	-	1,650,000	-
Total Current Liabilities	1,997,998	554,295	237,099	2,789,392	132,623
Long-term Liabilities:					
Compensated absences payable	7,647	19,231	5,991	32,869	-
Net pension liability	2,138,430	1,330,867	-	3,469,297	-
Loans payable	38,453,253	1,925,000	-	40,378,253	-
Total Liabilities	42,597,328	3,829,393	243,090	46,669,811	132,623
Deferred inflow of resources					
Pension related amounts	129,580	80,644	-	210,224	-
Total deferred inflow of resources	129,580	80,644	-	210,224	-
Net Position					
Net investment in capital assets	3,098,906	5,411,103	1,068,163	9,578,172	636,839
Restricted:					
Capital reserve	658,852	-	-	658,852	-
Debt service	-	350,070	-	350,070	-
Unrestricted	3,668,261	1,744,090	(107,056)	5,305,295	76,582
Total Net Position	\$ 7,426,019	\$ 7,505,263	\$ 961,107	\$ 15,892,389	\$ 713,421

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, 2017

	Business-type Activities Enterprise Funds				Business-type Activities - Internal Service Funds
	Sewer	Water	RV Park	Totals	
Operating revenues					
Charges for services	\$ 4,643,401	\$ 2,574,536	\$ 320,600	\$ 7,538,537	\$ 952,976
Grant and Other Revenue	142,105	67,772	-	209,877	56,171
Total operating revenues	<u>4,785,506</u>	<u>2,642,308</u>	<u>320,600</u>	<u>7,748,414</u>	<u>1,009,147</u>
Operating expenses:					
Personnel services	1,466,851	863,559	84,610	2,415,020	554,616
Materials, supplies, rent and services	633,986	393,830	76,975	1,104,791	314,257
Repair and maintenance	207,743	116,920	20,376	345,039	102,796
Administrative Overhead	284,383	311,341	35,388	631,112	-
Depreciation	2,004,669	265,736	58,218	2,328,623	134,613
Total operating expenses	<u>4,597,632</u>	<u>1,951,386</u>	<u>275,567</u>	<u>6,824,585</u>	<u>1,106,282</u>
Operating income (loss)	<u>187,874</u>	<u>690,922</u>	<u>45,033</u>	<u>923,829</u>	<u>(97,135)</u>
Non-operating revenues (expense):					
Gain or loss on disposal of assets	(7,373)	-	-	(7,373)	17,372
Interest income	21,474	7,142	722	29,338	257
Total non-operating revenues (expenses)	<u>14,101</u>	<u>7,142</u>	<u>722</u>	<u>21,965</u>	<u>17,629</u>
Transfers:					
Transfers out	-	-	-	-	(15,000)
Capital Contribution	161,941	-	-	161,941	-
Change in net position	<u>363,916</u>	<u>698,064</u>	<u>45,755</u>	<u>1,107,735</u>	<u>(94,506)</u>
Net Position - beginning	<u>7,062,103</u>	<u>6,807,199</u>	<u>915,352</u>	<u>14,784,654</u>	<u>807,927</u>
Net Position - ending	<u>\$ 7,426,019</u>	<u>\$ 7,505,263</u>	<u>\$ 961,107</u>	<u>\$ 15,892,389</u>	<u>\$ 713,421</u>

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

	<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	\$ 4,695,902	\$ 2,660,698	\$ 322,206	\$ 7,678,806	\$ -
Receipts from other funds	-	-	-	-	1,003,288
Payments to suppliers	(1,091,419)	(886,131)	(135,676)	(2,113,226)	(513,099)
Payments to employees	(1,391,145)	(813,236)	(83,478)	(2,287,859)	(548,855)
Net cash provided (used) by operating activities	<u>2,213,338</u>	<u>961,331</u>	<u>103,052</u>	<u>3,277,721</u>	<u>(58,666)</u>
Cash flows from noncapital financing activities:					
Transfers	-	-	-	-	(15,000)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Cash flows from capital and related financing activities:					
Principal payments on capital debt	(1,200,000)	(350,000)	-	(1,550,000)	-
Acquisition of capital assets	(386,769)	(166,150)	(15,196)	(568,115)	12,991
Capital Contribution	161,941	-	-	161,941	-
Net cash provided (used) by capital and related financing activities	<u>(1,428,815)</u>	<u>(516,150)</u>	<u>(15,196)</u>	<u>(1,960,161)</u>	<u>12,991</u>
Cash flows from investing activities:					
Interest earned	21,474	7,142	722	29,338	257
Net cash provided by investing activities	<u>21,474</u>	<u>7,142</u>	<u>722</u>	<u>29,338</u>	<u>257</u>
Net increase (decrease) in cash and cash equivalents	<u>805,997</u>	<u>452,323</u>	<u>88,578</u>	<u>1,346,898</u>	<u>(60,418)</u>
Cash and cash equivalents - beginning of period	4,914,706	1,398,878	44,806	6,358,390	261,751
Cash and cash equivalents - end of period	<u>\$ 5,720,703</u>	<u>\$ 1,851,201</u>	<u>\$ 133,384</u>	<u>\$ 7,705,288</u>	<u>\$ 201,333</u>

See accompanying Notes to Basic Financial Statements.

City of Crescent City
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

	<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)	\$ 187,874	\$ 690,922	\$ 45,033	\$ 923,829	\$ (97,135)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	2,004,669	265,736	58,218	2,328,623	134,613
Changes in certain assets and liabilities:					
Accounts receivable	(351,385)	16,788	1,606	(332,991)	(5,859)
Prepaid expenses	-	-	-	-	188
Accounts payable	34,693	(64,040)	(2,937)	(32,284)	(96,234)
Accrued wages	-	-	-	-	5,761
Deposits and unearned revenue	261,781	1,602	-	263,383	-
Compensated absences	8,628	8,575	1,132	18,335	-
Net pension liability	399,386	248,562	-	647,948	-
Deferred inflows of resources	(54,003)	(33,610)	-	(87,613)	-
Deferred outflow of resources- Employer Pension Contribution	(15,781)	(9,821)	-	(25,602)	-
Deferred outflow of resources-Pension Related	(262,524)	(163,383)	-	(425,907)	-
Total adjustments	<u>2,025,464</u>	<u>270,409</u>	<u>58,019</u>	<u>2,353,892</u>	<u>38,469</u>
Net cash provided (used) by operating activities	<u>\$ 2,213,338</u>	<u>\$ 961,331</u>	<u>\$ 103,052</u>	<u>\$ 3,277,721</u>	<u>\$ (58,666)</u>

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Successor Agency RDA Fund is a fiduciary fund type used to report activities of the former dissolved Redevelopment Agency

Retired Employees Health Care Plan Trust Fund is used to report resources that are required to be held in trust by the City for the members and beneficiaries of defined benefit OPEB plans

City of Crescent City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Retired Employees Health Care Plan	Successor Agency RDA	Totals Trust Funds
Assets			
Cash and investments	\$ 368,445	\$ 140,756	\$ 509,201
Interest receivable	-	337	337
Notes receivable	-	410,918	410,918
Land held for redevelopment	-	67,500	67,500
Total Assets	<u>368,445</u>	<u>619,511</u>	<u>987,956</u>
Liabilities			
Due to Other Agency	-	308,215	308,215
Due to the City of Crescent City	-	236,871	236,871
Due to the City of Crescent City (Water Utility Fund)	-	685,286	685,286
Total Liabilities		<u>1,230,372</u>	<u>1,230,372</u>
Net Position			
Unrestricted	-	(610,861)	(610,861)
Held in trust restricted for other postemployment benefits	368,445	-	368,445
Total Net Position	<u>\$ 368,445</u>	<u>\$ (610,861)</u>	<u>\$ (242,416)</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, 2017

	Retired Employees Health Care Plan	Successor Agency RDA	Totals Trust Funds
Additions			
Use of money and property:			
Interest	\$ -	\$ 4,167	\$ 4,167
Contributions:			
Employer	38,944	-	38,944
Investment Income:			
Net appreciation in fair value of investments	39,563	-	39,563
Total additions	<u>78,507</u>	<u>4,167</u>	<u>82,674</u>
Deductions			
Current:			
Payroll and Benefites	-	-	-
Investment fees	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of additions over (under) deductions	<u>78,507</u>	<u>4,167</u>	<u>82,674</u>
Net Position - beginning	289,938	(615,028)	(325,090)
Net Position - ending	<u>\$ 368,445</u>	<u>\$ (610,861)</u>	<u>\$ (242,416)</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, 2017

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, 2017

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

The five City Council members, in a separate session, serve 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, 2017

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 funds financial statements include a statement of fiduciary net position and statement of changes in fiduciary net position. The City's fiduciary funds represent a Private-purpose Trust Fund and OPEB trust fund. Those funds are 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, 2017

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.

Retired Employees Health Care Plan 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.

Retired Employees Health Care Plan Trust Funds are used to report resources that are required to be held in trust by the City for the members and beneficiaries of defined benefit OPEB plans.

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

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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

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.

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

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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

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.

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

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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

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.

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.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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

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.

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.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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

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. 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, 2017

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

In 2017, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans- The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans 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 (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City implemented this statement and updated its disclosures related to other postemployment benefits.
- GASB Statement No. 77, Tax Abatement Disclosure- This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 78, Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans- The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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

employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the City.

- GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the City.

- GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This Statement addresses certain issues that had 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 67 and 68*. Specifically, this Statement addresses issued regarding (1) the presentation of payroll-related measures in the 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. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. Cash and Investments

As of June 30, 2017, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 10,064,595
Fiduciary Funds	509,201
	<hr/>
Total Cash and Investments	\$ 10,573,796
	<hr/> <hr/>

As of June 30, 2017, the City's cash and investments consisted of the following:

Cash:

Cash on hand:	\$ 1,250
Deposits	2,219,486
	<hr/>
Total Cash	2,220,736
	<hr/>

As of June 30, 2017, the City's investments consisted of the following:

Investments:

In California Local Agency Investment Fund (at market):	7,984,615
	<hr/>
Total Investments	7,984,615
	<hr/>

Investments held in trust for other postemployment benefits	368,445
	<hr/>

Total Cash and Investments	\$ 10,573,796
	<hr/> <hr/>

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$2,219,486 and the bank balance was \$2,558,803. 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, 2017

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, 2017, 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, 2017 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, 2017, the City had \$7,984,615 invested in LAIF, which had 2.89% 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 0.998940671 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, 2017

2. CASH AND INVESTMENTS, CONTINUED

Investments held in Trust for Other Postemployment Benefits

The City established an irrevocable Section 115 OPEB Trust with Public Agency Retirement Services (PARS). As of June 30, 2017, the trust had a balance of \$368,445. PARS' policy for allocation of invested assets is established and may be amended by the PARS Board of Trustees through a majority vote. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of specific asset classes. The investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span, and except for liquidity purposes, the use of cash equivalents. The following was the PARS' Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	60.00%
Global Fixed Income	35.00%
Liquidity	5.00%
Total	<u>100%</u>

At June 30, 2017, PARS held no investments in any one organization that represented 5% or more of fiduciary net position.

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expenses, was 9.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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 2017.

Business Enterprise Notes	\$	410,918
Sidewalk Notes		556
Housing Rehabilitation and Affordable Housing Notes		<u>119,697</u>
	\$	<u><u>531,171</u></u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,772,052	\$ -	\$ -	\$ 2,772,052
Construction in progress	841,439	1,095,639	1,392,440	544,638
Total Capital Assets, Not Being Depreciated	3,613,491	1,095,639	1,392,440	3,316,690
Capital Assets, Being Depreciated:				
Building and improvements	6,745,057	1,400,240	-	8,145,297
Machinery and equipment	3,255,228	7,852	239,991	3,023,089
Infrastructure	2,004,899	205,064	-	2,209,963
Total Capital Assets, Being Depreciated:	12,005,183	1,613,156	239,991	13,378,348
Less Accumulated Depreciation	(7,227,930)	(323,044)	(236,574)	(7,314,400)
Total Capital Assets, Being Depreciated, Net	4,777,254	1,290,112	3,417	6,063,949
Total Governmental Activities, Net	\$ 8,390,745	\$ 2,385,751	\$ 1,395,857	\$ 9,380,639
	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 493,855	\$ -	\$ -	\$ 493,855
Construction in progress	1,458,802	413,330	1,695,984	176,148
Total Capital Assets, Not Being Depreciated	1,952,657	413,330	1,695,984	670,003
Capital Assets, Being Depreciated:				
Structures and improvements	42,390,812	103,440	-	42,494,252
Machinery and equipment	9,696,356	59,255	7,430	9,748,181
Infrastructure	20,009,711	1,692,061	-	21,701,772
Total Capital Assets, Being Depreciated:	72,096,879	1,854,756	7,430	73,944,205
Less Accumulated Depreciation	(20,679,217)	(2,328,623)	(57)	(23,007,783)
Total Capital Assets, Being Depreciated, Net	51,417,662	(473,867)	7,373	50,936,422
Total Business-Type Activities, Net	\$ 53,370,319	\$ (60,537)	\$ 1,703,357	\$ 51,606,425

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

4. CAPITAL ASSETS, CONTINUED

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$	24,066
Public ways and facilities		124,918
Public protections		80,763
Culture and recreation		93,297
Total Depreciation Expense - Governmental Functions	\$	<u>323,044</u>

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

Sewer	\$	2,004,669
Water		265,736
RV Park		58,218
Total Depreciation Expense - Business-Type Functions	\$	<u>2,328,623</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. LONG-TERM DEBT

Long-term debt for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017	Amounts Due Within One year
Governmental Activities					
Compensated Absences (Note 1)	\$ 174,082	\$ 145,879	\$ 129,061	\$ 190,900	\$ 137,885
Total Governmental Activities	<u>\$ 174,082</u>	<u>\$ 145,879</u>	<u>\$ 129,061</u>	<u>\$ 190,900</u>	<u>\$ 137,885</u>
	Balance June 30, 2016	Additions		Balance June 30, 2017	Amounts Due Within One year
Business-Type Activities					
Safe Water Revolving Loan	\$ 2,625,000		\$ 350,000	\$ 2,275,000	\$ 350,000
State Water Resources - Safe Water Loan	40,953,253		1,200,000	39,753,253	1,300,000
Compensated Absences (Note 1)	91,858	85,090	66,755	110,193	77,324
Total Business-Type Activities	<u>\$ 43,670,111</u>	<u>\$ 85,090</u>	<u>\$ 1,616,755</u>	<u>\$ 42,138,446</u>	<u>\$ 1,727,324</u>

At June 30, 2017, 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

Business-Type
Activities

\$ 39,753,253

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

2,275,000

Total Loans

\$ 42,028,253

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. LONG-TERM DEBT, CONTINUED

The annual aggregate maturities for the years subsequent to June 30, 2017, are as follows:

Year Ended June 30	Loans				Total
	Safe Drinking Water		Water Resources Control Board		
	Principal	Interest	Principal	Interest	
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	350,000	-	1,697,663	-	2,047,663
2023-2027	525,000	-	8,488,313	-	9,013,313
2028-2032	-	-	8,488,313	-	8,488,313
2033-2037	-	-	8,488,313	-	8,488,313
2038-2041	-	-	6,790,651	-	6,790,651
Total Governmental Activities	<u>\$ 2,275,000</u>	<u>\$ -</u>	<u>\$ 39,753,253</u>	<u>\$ -</u>	<u>\$ 42,028,253</u>

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, 2017 were as follows:

	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017	Amounts Due Within One year
Governmental Activities	\$ 174,082	\$ 145,879	\$ 129,061	\$ 190,900	\$ 137,885
Business-Type Activities	91,858	85,090	66,755	110,193	77,324
Total Business-Type Activities	<u>\$ 265,940</u>	<u>\$ 230,969</u>	<u>\$ 245,585</u>	<u>\$ 301,093</u>	<u>\$ 215,209</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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, 2017:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 343,000	\$ 518,433
CDBG	-	71,000
Capital Improvements Project Fund		42,000
RV Park Fund	-	230,000
Sewer Fund	-	-
Water Fund	518,433	-
Total	\$ 861,433	\$ 861,433

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, 2017:

Transfer To:		Transfer From:	
General Fund	\$ 206,164	Gas Tax Fund	131,745
		CDBG Fund	74,419
CDBG Fund	101,075	General Fund	5,000
		CDBG Fund	96,075
Capital Improvements Fund	33,395	CDBG Fund	18,395
		Building Maint Dept	15,000
Police Vehicle Replacement fund	39,000	General Fund	39,000
Total	\$ 379,634		\$ 379,634

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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 purpose of the transfer from the CDBG fund to General Fund was to transfer defederalized program income.
- The transfer from the CDBG Fund to CDBG Fund was to allocate loan payments received and to transfer program income earned in current year.
- The transfer from the General Fund to Police Vehicle Replacement was to transfer funds for USDA grant match.
- The transfer from the CDBG fund to the Capital Improvements Fund was to allocation defederalized Program Income to dog park project.
- The transfer from the Building Maintenance Fund to Capital Improvements Fund was for police department floor project.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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 PEPRAs, safety police classic, safety police PEPRAs 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, 2017 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	50-57
Monthly benefits , as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	8.00%	6.25%	9.00%	11.50%
Required employer contribution rates	9.50%	6.56%	14.79%	11.50%
Required employer dollar UAL payment (annual)	\$ 334,403	18	\$ 4,349	
	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	50-57		
Monthly benefits , as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%		
Required employee contribution rates	9.000%	11.500%		
Required employer contribution rates	14.79%	11.500%		
Required employer dollar UAL payment (annual)	\$ 241,525			

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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, 2017, the contributions recognized against net pension liability for the Plan were \$763,463.

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan \$9,185,205.

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, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.10970548%
Proportion - June 30, 2016	<u>0.10614935%</u>
Change - Increase (Decrease)	<u><u>-0.00355613%</u></u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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, 2017, the City recognized pension expense of \$878,050. At June 30, 2017, 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	\$ 851,159	\$ -
Changes of assumptions	-	265,491
Differences between expected and actual experience	-	11,126
Changes in employer's proportion	244,464	
Differences between the employer's contribution and the employer's proportionate share of contributions	-	156,803
Net differences between projected and actual earnings on plan investments	1,351,049	-
	<u>1,351,049</u>	<u>-</u>
Total	<u>\$ 2,446,672</u>	<u>\$ 433,420</u>

\$851,159 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, 2017.

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>		
2018	\$	99,857
2019		109,198
2020		602,419
2021		350,620

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase	Varies by entry age and service
Investment of return	7.65%
Maturity Rate Table	(1) Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

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, 2017

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	20.00%	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	1.00%	-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, 2017

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	\$ 13,529,031
Current Discount Rate	7.65%
Net Pension Liability	\$ 9,185,205
1% Increase	8.65%
Net Pension Liability	\$ 5,602,641

D. Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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 (\$128 per month for 2017)
- 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, 2017

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

Annual required contribution	\$	173,992
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
		<hr/>
Annual OPEB cost (expense)		173,992
Contributions made		
Increase in net OPEB obligation		
Net OPEB obligation - Beginning of year		-
Net OPEB obligation - End of year	\$	<hr/> <hr/>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016-2017, 2015-2016, and 2014-2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Annual OPEB Cost Contribution	Net OPEB Obligation
June 30, 2015	110,544	110,544	100%	-
June 30, 2016	168,711	168,711	100%	-
June 30, 2017	173,992	173,992	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, 2017, the City funded OPEB benefits on a prefunding basis. The City contributed a total of \$82,016 to retiree premiums, in addition to a contribution of \$56,133 to PARS. The OPEB trust account balance on June 30, 2017 was \$368,445.

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	\$ 291,828	\$1,502,679	\$ 1,210,851	19.4%	\$ 2,900,066	41.8%

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

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, 2017

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, 2017, the City incurred costs of \$509,389 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 \$39,753,253.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. PLEDGED REVENUE, CONTINUED

Principal and interest paid for the current year and net system revenues were \$1,200,000 and \$2,192,542 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 \$2,275,000. Principal and interest paid for the current year and net system revenues were \$350,000, and \$956,661 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, 2017

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, 2017, cash and investments in the amount of \$140,756 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 \$236,871 and \$685,286 respectively. Of these amounts, \$236,871 and \$685,286 were advanced to the Crescent City Redevelopment Agency prior to its dissolution under State law.

	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017	Amounts Due Within One year
Fiduciary Fund Debt					
Successor Housing Agency	\$ 306,871	\$ -	\$ 70,000	\$ 236,871	\$ -
City Water Fund	685,286	-	-	685,286	-
Total Fiduciary Fund Debt	<u>\$ 992,157</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 922,157</u>	<u>\$ -</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Crescent City
Notes to the Required Supplementary Information
For the year ended June 30, 2017

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	\$ 291,828	\$1,502,679	\$ 1,210,851	19.4%	\$ 2,900,066	41.75%

2. DEFINED BENEFIT PENSION PLAN

	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.10614935%	0.10970704%	0.10061430%
Proportionate share of the net pension liability	\$9,185,205	\$ 7,530,194	\$ 6,260,676
Covered payroll	\$ 2,979,180	\$ 2,915,615	\$ 2,782,613
Proportionate Share of the net pension liability as percentage of covered payroll	308.31%	258.27%	224.99%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	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, 2017

2. DEFINED BENEFIT PENSION PLAN, Continued

Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 851,158	\$ 763,462	\$ 625,852
Contribution in relation to the actuarially determined contributions	(851,158)	(763,462)	(625,852)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,045,658	\$ 2,979,180	\$ 2,915,615
Contributions as a percentage of covered payroll	27.95%	25.63%	21.47%
Note to Schedule			
Valuation date:	6/30/2015	6/30/2014	6/30/2013

City of Crescent City
Notes to the Required Supplementary Information
For the year ended June 30, 2017

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.

City of Crescent City
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2017
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,326,713	\$ 3,360,165	\$ 3,493,606	\$ 133,441
Use of Money and Property				
Interest	11,727	11,727	8,226	(3,501)
Rental Income	44,671	44,671	41,673	(2,998)
Licenses and permits	317,873	320,360	349,923	29,563
Fines and forfeitures	67,673	66,969	10,382	(56,587)
Intergovernmental	556,205	813,887	669,087	(144,800)
Charges for services	380,735	377,219	370,485	(6,734)
Gifts and donations	2,200	9,700	21,963	12,263
Other reimbursements		1,968	14,705	12,737
Other revenue	22,695	35,676	40,780	5,104
Total Revenues	<u>4,730,492</u>	<u>5,042,342</u>	<u>5,020,830</u>	<u>(21,512)</u>
Expenditures				
Current:				
General government	917,465	837,647	707,872	129,775
Public safety	2,327,450	2,436,382	2,088,993	347,389
Community Development	318,820	317,892	295,509	22,383
Human services and recreation	534,164	562,612	525,562	37,050
Public works	765,907	1,145,022	1,022,961	122,061
Administrative overhead allocation	330,931	323,383	266,358	57,025
Total Expenditures	<u>5,194,737</u>	<u>5,622,938</u>	<u>4,907,255</u>	<u>715,683</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(464,245)</u>	<u>(580,596)</u>	<u>113,575</u>	<u>694,171</u>
Other Financing Sources (Uses)				
Transfers in	161,245	214,419	206,164	(8,255)
Transfers out	(50,000)	(39,000)	(44,000)	(5,000)
Total Other Financing Sources (Uses)	<u>111,245</u>	<u>175,419</u>	<u>162,164</u>	<u>(13,255)</u>
Net Change in Fund Balance	<u>\$ (353,000)</u>	<u>\$ (405,177)</u>	275,739	<u>\$ 680,916</u>
Fund Balance - Beginning of year			<u>1,784,943</u>	
Fund Balance - End of year			<u>\$ 2,060,682</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, 2017

(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of Money and Property				
Interest	\$ 10	\$ 140	\$ 324	\$ 184
Intergovernmental	3,402,251	3,423,318	3,482,369	59,051
Other reimbursements	2,000	2,000	942	(1,058)
Other revenue	22,150	20,050	24,613	4,563
Total Revenues	<u>3,426,411</u>	<u>3,445,508</u>	<u>3,508,248</u>	<u>62,740</u>
Expenditures				
Current:				
Human services and recreation	3,432,629	3,390,718	3,359,449	31,269
Administrative overhead allocation	14,553	14,188	10,821	3,367
Total Expenditures	<u>3,447,182</u>	<u>3,404,906</u>	<u>3,370,270</u>	<u>34,636</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(20,771)</u>	<u>40,602</u>	<u>137,978</u>	<u>97,376</u>
Net Change in Fund Balance	<u>\$ (20,771)</u>	<u>\$ 40,602</u>	137,978	<u>\$ 97,376</u>
Fund Balance - Beginning of year			<u>92,356</u>	
Fund Balance - End of year			<u>\$ 230,334</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, 2017

(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of Money and Property				
Interest	\$ 10	\$ 10	\$ 3	\$ (7)
Intergovernmental	415,946	1,394,131	359,955	(1,034,176)
Total Revenues	<u>415,956</u>	<u>1,394,141</u>	<u>360,858</u>	<u>(1,033,283)</u>
Expenditures				
Current:				
Human services and recreation	415,946	1,197,533	287,498	910,035
Public works	-	165,422	161,941	(3,481)
Total Expenditures	<u>415,946</u>	<u>1,362,955</u>	<u>449,439</u>	<u>913,516</u>
Excess (Deficit) of Revenues Over Expenditures	<u>10</u>	<u>31,186</u>	<u>(88,581)</u>	<u>(119,767)</u>
Other Financing Sources (Uses)				
Transfers in (Note 4)	5,900	52,575	101,075	48,500
Transfers out (Note 4)	(23,145)	(70,970)	(188,889)	(117,919)
Total Other Financing Sources (Uses)	<u>(17,245)</u>	<u>(18,395)</u>	<u>(87,814)</u>	<u>(69,419)</u>
Net Change in Fund Balance	<u>\$ (17,235)</u>	<u>\$ 12,791</u>	<u>(176,395)</u>	<u>\$ (189,186)</u>
Fund Balance - Beginning of year			39,543	
Fund Balance - End of year			<u>\$ (136,852)</u>	

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SUPPLEMENTARY INFORMATION

City of Crescent City
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2017

	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	\$ 18,839	\$ 20,870	\$ 69,224	\$ -	\$ 172	\$ 10,029	\$ 35,495	\$ 102,499	\$ 257,128
Receivables:									
Consumers and others	37	38	136	-	25	20	70	201	527
County/State/Federal Government	-	-	-	-	194,213	-	-	-	194,213
Due from RDA Successor Agency	-	-	236,871	-	-	-	-	-	236,871
Land held for redevelopment	-	-	89,752	-	-	-	-	-	89,752
Note Receivable	69,864	-	-	-	-	-	-	-	69,864
Total Assets	\$ 88,740	\$ 20,908	\$ 395,983	\$ -	\$ 194,410	\$ 10,049	\$ 35,565	\$ 102,700	\$ 848,355
Liabilities and Fund Balance									
Liabilities:									
Accounts payable	\$ -	\$ 3,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,542
Due to other funds	-	-	-	-	42,000	-	-	-	42,000
Total Liabilities	-	3,542	-	-	42,000	-	-	-	45,542
Deferred Inflow of resources									
Unavailabe Reveue	-	-	-	-	97,302	-	-	-	97,302
Total Liabilities and Deferred Inflow of resources	-	3,542	-	-	139,302	-	-	-	142,844
Fund Balance:									
Restricted									
Low and moderate income housing	-	-	395,983	-	-	-	-	-	395,983
Other Purposes	88,740	17,366	-	-	-	-	-	-	106,106
Assigned for Capital Improvement and Vehicle Replacement	-	-	-	-	55,108	10,049	35,565	102,700	203,422
Total Fund Balance	88,740	17,366	395,983	-	55,108	10,049	35,565	102,700	705,511
Total Liabilities and Fund Balance	\$ 88,740	\$ 20,908	\$ 395,983	\$ -	\$ 194,410	\$ 10,049	\$ 35,565	\$ 102,700	\$ 848,355

City of Crescent City
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	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	\$ 133	\$ 122	\$ 276	\$ -	\$ (240)	\$ 70	\$ 205	\$ 438	\$ 1,004
Intergovernmental	-	144,172	-	-	534,226	-	-	-	678,398
Donations	-	-	-	-	-	66	-	40,863	40,929
Other Revenue	1,595	-	-	-	-	-	-	-	1,595
Total Revenues	<u>1,728</u>	<u>144,294</u>	<u>276</u>	<u>-</u>	<u>533,986</u>	<u>136</u>	<u>205</u>	<u>41,301</u>	<u>721,926</u>
Expenditures									
Current:									
Human services and recreation	-	-	-	-	-	-	-	-	-
Public Works	-	13,719	-	-	63,439	1,600	-	-	78,758
Public safety	-	-	-	-	876,037	-	-	-	876,037
Total Expenditures	<u>-</u>	<u>13,719</u>	<u>-</u>	<u>-</u>	<u>939,476</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>954,795</u>
Excess (Deficit) of Revenues Over Expenditures	1,728	130,575	276	-	(405,490)	(1,464)	205	41,301	(232,869)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	33,395	-	-	39,000	72,395
Transfers out	-	(131,745)	-	-	-	-	-	-	(131,745)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(131,745)</u>	<u>-</u>	<u>-</u>	<u>33,395</u>	<u>-</u>	<u>-</u>	<u>39,000</u>	<u>(59,350)</u>
Net Change in Fund Balance	1,728	(1,170)	276	-	(372,095)	(1,464)	205	80,301	(292,219)
Fund Balance - Beginning of year	87,012	18,536	395,707	-	427,203	11,513	35,360	22,399	997,730
Fund Balance - End of year	<u>\$ 88,740</u>	<u>\$ 17,366</u>	<u>\$ 395,983</u>	<u>\$ -</u>	<u>\$ 55,108</u>	<u>\$ 10,049</u>	<u>\$ 35,565</u>	<u>\$ 102,700</u>	<u>\$ 705,511</u>

City of Crescent City
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	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	\$ 3,465	\$ 15,309	\$ 65,869	\$ 109,836	\$ 6,254	\$ 600	\$ 201,333
Accounts Receivable	-	-	6,709	-	-	-	6,709
Prepaid items	-	-	-	1,163	-	-	1,163
Total Current Assets	3,465	15,309	72,578	110,999	6,254	600	209,205
Non Current Assets:							
Nondepreciable capital assets	-	-	42,525	-	-	-	42,525
Depreciable capital assets, net	-	-	594,314	-	-	-	594,314
Total assets	3,465	15,309	709,417	110,999	6,254	600	846,044
Liabilities							
Current liabilities:							
Accounts payable	3,465	15,309	2,250	56,519	-	600	78,143
Accrued wages	-	-	-	54,480	-	-	54,480
Total Current Liabilities	3,465	15,309	2,250	110,999	-	600	132,623
Total Liabilities	3,465	15,309	2,250	110,999	-	600	132,623
Net Position							
Invested in capital assets	-	-	636,839	-	-	-	636,839
Unrestricted	-	-	70,328	-	6,254	-	76,582
Total Net Position	\$ -	\$ -	\$ 707,167	\$ -	\$ 6,254	\$ -	\$ 713,421

City of Crescent City
 Combining Statement of Revenues, Expenses, and Changes in Net Position
 Internal Service Funds
 For the year ended June 30, 2017

	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	\$ 167,824	\$ 155,800	\$ 282,126	\$ -	\$ 169,634	\$ 177,592	\$ 952,976
Grant and Other Revenue	-	-	-	-	56,171	-	56,171
Total operating revenues	167,824	155,800	282,126	-	225,805	177,592	1,009,147
Operating expenses:							
Personnel services	132,550	74,972	173,102	-	-	173,992	554,616
Materials, supplies, rent and services	7,180	31,278	52,543	-	219,656	3,600	314,257
Repair and maintenance	28,094	34,550	40,152	-	-	-	102,796
Depreciation	-	-	134,613	-	-	-	134,613
Total operating expenses	167,824	140,800	400,410	-	219,656	177,592	1,106,282
Operating income (loss)	-	15,000	(118,284)	-	6,149	-	(97,135)
Non-operating revenues (expense):							
Interest income	-	-	257	-	-	-	257
Gain or loss on disposal of assets	-	-	17,372	-	-	-	17,372
Total non-operating revenues (expenses)	-	-	17,629	-	-	-	17,629
Transfers:							
Transfers out	-	(15,000)	-	-	-	-	(15,000)
Change in net position	-	-	(100,655)	-	6,149	-	(94,506)
Net Position - beginning	-	-	807,822	-	105	-	807,927
Net Position - ending	\$ -	\$ -	\$ 707,167	\$ -	\$ 6,254	\$ -	\$ 713,421

City of Crescent City
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2017

	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
Cash flows from operating activities:							
Charges received from other funds	\$ 167,824	\$ 155,800	\$ 276,267	\$ -	\$ 225,805	\$ 177,592	\$ 1,003,288
Payments to suppliers	(40,622)	(54,033)	(99,735)	(56,509)	(219,656)	(42,544)	(513,099)
Payments to employees	(132,550)	(74,972)	(173,102)	5,761	-	(173,992)	(548,855)
Net cash provided (used) by operating activities	<u>(5,348)</u>	<u>26,795</u>	<u>3,430</u>	<u>(50,748)</u>	<u>6,149</u>	<u>(38,944)</u>	<u>(58,666)</u>
Cash flows from noncapital financing activities:							
Transfers	-	(15,000)	-	-	-	-	(15,000)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Cash flows from capital and related financing activities:							
Acquisition of capital assets	-	-	12,991	-	-	-	12,991
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>12,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,991</u>
Cash flows from investing activities:							
Interest earned	-	-	257	-	-	-	257
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,348)</u>	<u>11,795</u>	<u>16,678</u>	<u>(50,748)</u>	<u>6,149</u>	<u>(38,944)</u>	<u>(60,418)</u>
Cash and cash equivalents - beginning of period	8,813	3,514	49,191	160,584	105	39,544	261,751
Cash and cash equivalents - end of period	<u>\$ 3,465</u>	<u>\$ 15,309</u>	<u>\$ 65,869</u>	<u>\$ 109,836</u>	<u>\$ 6,254</u>	<u>\$ 600</u>	<u>\$ 201,333</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:							
Operating income (loss)	\$ -	\$ 15,000	\$ (118,284)	\$ -	\$ 6,149	\$ -	\$ (97,135)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	-	-	134,613	-	-	-	134,613
Changes in certain assets and liabilities:							
Accounts receivable	-	-	(5,859)	-	-	-	(5,859)
Prepaid expenses	-	-	-	188	-	-	188
Accounts payable	(5,348)	11,795	(7,040)	(56,697)	-	(38,944)	(96,234)
Accrued expenses	-	-	-	5,761	-	-	5,761
Total adjustments	<u>(5,348)</u>	<u>11,795</u>	<u>121,714</u>	<u>(50,748)</u>	<u>-</u>	<u>(38,944)</u>	<u>38,469</u>
Net cash provided (used) by operating activities	<u>\$ (5,348)</u>	<u>\$ 26,795</u>	<u>\$ 3,430</u>	<u>\$ (50,748)</u>	<u>\$ 6,149</u>	<u>\$ (38,944)</u>	<u>\$ (58,666)</u>

SINGLE AUDIT SECTION

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**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, 2017, 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 27, 2017.

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.

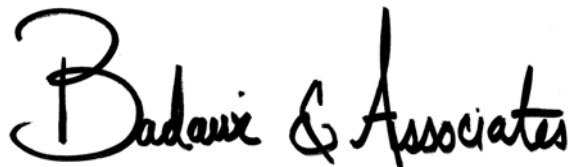
To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California
Page 2

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

Badawi & Associates, CPAs
Oakland, California
December 27, 2017



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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

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

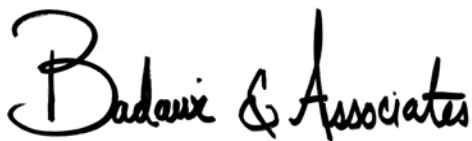
Report on Internal Control Over Compliance

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.



Badawi & Associates, CPAs
Oakland, California
December 27, 2017

City of Crescent City
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Subrecipient Payment
Federal Emergency Management Agency:				
<i>Passed through California Governor's Office of Emergency Services</i>				
Hazard Mitigation Grant Program	97.039	FEMA 1968-DR-CA, Project #0087	\$ 384,788	\$ -
Total Federal Emergency Management Agency			384,788	-
U.S. Department of Housing and Urban Development:				
Housing Voucher Cluster:				
<i>Direct Programs:</i>				
Section 8 Housing Choice Vouchers	14.871	n/a	3,370,267	-
		Housing Voucher Cluster Total	3,370,267	-
CDBG State Administered Program:				
<i>Passed through State of California Department of Housing And Community Development:</i>				
Community Development Block Grant	14.228	14-CDBG-9880	268,397	179,065
Community Development Block Grant	14.228	Program Income	46,625	
Community Development Block Grant	14.228	16-CDBG-11136	74,419	-
Community Development Block Grant	14.228	Loans Outstanding	96,215	-
		CDBG State Administered Program Total	485,656	179,065
Total U.S. Department of Housing and Urban Development			3,855,923	179,065
U.S. Department of Justice:				
<i>Direct Programs:</i>				
COPS Hiring Program	16.710	n/a	56,128	-
Total U.S. Department of Justice			56,128	-
Total Federal Expenditures			\$ 4,296,839	\$ 179,065

City of Crescent City
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

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.

B. *Indirect Costs*

The City did not elect to use the 10% de minimis indirect cost rate.

City of Crescent City
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

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 200.516 (a) of the Uniform Guidance? No

Identification of major programs:

CFDA Number(s)	Name of Federal Cluster or Program	Expenditures
14.871	Section 8 Housing Choice Vouchers	3,370,267
	Total Expenditures of all Major Programs	\$ 3,370,267
	Total Expenditures of Federal Award	\$ 4,296,839
	Percentage of Total Expenditure of Federal Award	78%

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, 2017

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.