

City of Crescent City

Crescent City, California

Annual Audit Report and Financial Statements

For the year ended June 30, 2019

City of Crescent City
Annual Audit Report and Financial Statements
For the year ended June 30, 2019

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INTRODUCTORY SECTION

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City of Crescent City
City Officials
For the year ended June 30, 2019

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

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FINANCIAL SECTION

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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, 2019, 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, 2019, 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 schedules and budgetary comparison information and other post-employment benefit plans information, on pages 15-37 and 106-112, 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.

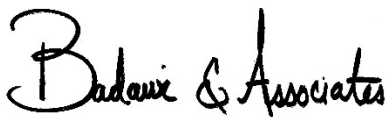
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information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

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.

To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019, 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
Berkeley, California
December 24, 2019

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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, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements (beginning on page 43).

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 MD&A is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

Financial Highlights

Government-Wide Financial Statements

The government-wide financial statements (pages 43-45) report information about the City as a whole, using the economic resources measurement focus and accrual basis of accounting.

Total assets and deferred outflows of resources of the City were \$79,725,382 and total liabilities and deferred inflows of resources were \$52,495,019 at June 30, 2019. The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$27,230,363 (net position) for the fiscal year reported. This is an increase of \$1,975,160 from the previous year when assets exceeded liabilities by \$25,255,203.

The increase includes:

- \$462,398 increase in net investment in capital assets (capital assets less depreciation and outstanding debt related to the assets) primarily due to capital improvement projects and asset purchases, including grant-funded projects, and debt payments.
- \$168,875 decrease in restricted net position, primarily due to a decrease in net position in the CDBG fund, related to the timing of grant projects.
- \$1,681,637 increase in unrestricted net position due to operating results and grant funding.

Total net position is the difference between (1) total assets and deferred outflows of resources and (2) total liabilities and deferred inflows of resources. Net position includes both short-term and long-term assets and liabilities, and is comprised of the following:

- Capital assets, net of related debt and accumulated depreciation, of \$20,415,838 includes real property, construction-in-progress, structures and improvements, equipment, and infrastructure.
- Net position of \$372,347 is restricted for capital projects and community development.
- Net position of \$350,205 is restricted for debt service.
- Net position of \$131,907 is restricted for other purposes.
- Unrestricted net position of \$5,960,066 represents the portion available to meet the City's ongoing obligations to citizens and creditors.

Fund Financial Statements

The fund financial statements (pages 52-69) present information about each major fund of the City and the aggregate of all non-major funds. A fund is a group of related accounts that 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 of the City can be divided into three categories:

- *Governmental funds*: These funds are used to account for activities primarily supported by taxes, grants, and similar revenue sources. These are 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 use the current financial resources measurement focus (near-term inflows and outflows of spendable resources). This information may be useful in evaluating a government's near-term financing requirements.
- *Proprietary funds*: These funds are used to account for activities which are primarily supported by fees and charges for services. Proprietary funds, like the government-wide financial statements, use the economic resources measurement focus. The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. Internal service funds are used to allocate the costs of centralized activities and services performed by certain departments of the City for other departments of the City.
- *Fiduciary funds*: These funds are used to account for resources that the City holds as a trustee or agent on behalf of another party. These funds are not included in the government-wide statements, as the resources cannot be used to support the City's own programs.

Governmental Funds

Governmental funds include the General Fund, special revenue funds, and capital projects funds. The City maintains three major governmental funds (General Fund, Housing Authority Fund, and CDBG Fund) and eight non-major governmental funds. Financial statements for each major fund and the aggregate of all non-major funds are presented on pages 52-54. Individual fund data for each non-major fund is provided in the form of combining statements on pages 114-117.

The City's governmental funds reported total ending fund balance of \$3,226,183 this year. This compares to the prior year ending net position of \$2,903,835 and is an increase of \$322,348 which includes:

- \$352,724 net increase in the General Fund balance due to revenues exceeding expenditures by approximately 4%.
- \$25,960 net decrease in the Housing Authority balance due to expenditures exceeding revenues by approximately 1%. 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.
- \$172,995 net decrease in the CDBG balance due to the timing of the receipt of grant revenues for expenditures incurred.
- \$168,579 net increase in other governmental funds due primarily to receipt of grant revenues for capital expenditures incurred in the prior fiscal year.

For the fiscal year ending June 30, 2019, the fund balance of the General Fund was \$2,598,700. The Fund Balance Reserve Policy states the City Council's goal is to achieve and maintain a minimum of 25% of the annual general fund appropriations. For the fiscal year 2018-19, the \$2,598,700 fund balance is 48% of total expenditures and transfers out (\$5,442,537). Compared to the **original** adopted General Fund budget for fiscal year 2019-20, the fund balance of \$2,598,700 is 40% of total expenditures and transfers out (\$6,515,897). The City Council is authorized to amend the budget, and as of the date of this report, General Fund budgeted expenditures for fiscal year 2019-20 including projects deferred from fiscal year 2018-19 are \$6,802,106. The \$2,598,700 fund balance is 38% of the amended fiscal year 2019-20 budgeted expenditures.

The major governmental funds are discussed in greater detail below.

Proprietary Funds

The City's proprietary funds include three enterprise funds (Sewer Fund, Water Fund, and Recreational Vehicle (RV) Park Fund) and six internal service funds. Financial statements for each enterprise fund and the aggregate of all internal service funds are presented on pages 60-63. Individual fund data for each internal service fund is provided in the form of combining statements on pages 118-123.

The enterprise funds reported total ending net position of \$18,880,154 as of June 30, 2019. This compares to net position as of the prior year of \$16,932,093 and is an increase of \$1,948,061 which includes:

- \$869,849 net increase in the Sewer Fund net position due to operating revenues exceeding expenses by approximately 9%, plus interest income and capital contributions. In addition, several budgeted maintenance projects and capital improvement projects were not yet completed.
- \$1,020,601 net increase in the Water Fund net position due to operating revenues exceeding expenses by approximately 47% (primarily due to expenses coming in under budget and projects not yet completed), plus interest income.
- \$57,611 net increase in the RV Park Fund net position due to operating revenues exceeding expenses by approximately 17%.

The internal service funds reported total ending net position of \$1,222,071 as of June 30, 2019. This represents a net decrease of \$15,477 from the prior year net position of \$1,237,548. This is primarily due to a decrease of \$74,361 in the Equipment Fund caused by asset depreciation and an increase of \$58,886 in the Insurance Fund due to the receipt of risk management program funds and dividends from the City's insurance risk pool.

The proprietary funds are discussed in greater detail below.

Fiduciary Funds

The City maintains two fiduciary funds: the Retired Employees Health Care Plan Fund represents amounts invested to provide for the City's retiree health obligations, and the Successor Agency RDA Fund represents the wind-down activities of the Successor Agency to the dissolved former Redevelopment Agency. The fiduciary funds financial statements are presented on pages 68-69.

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 leave).

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, 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.

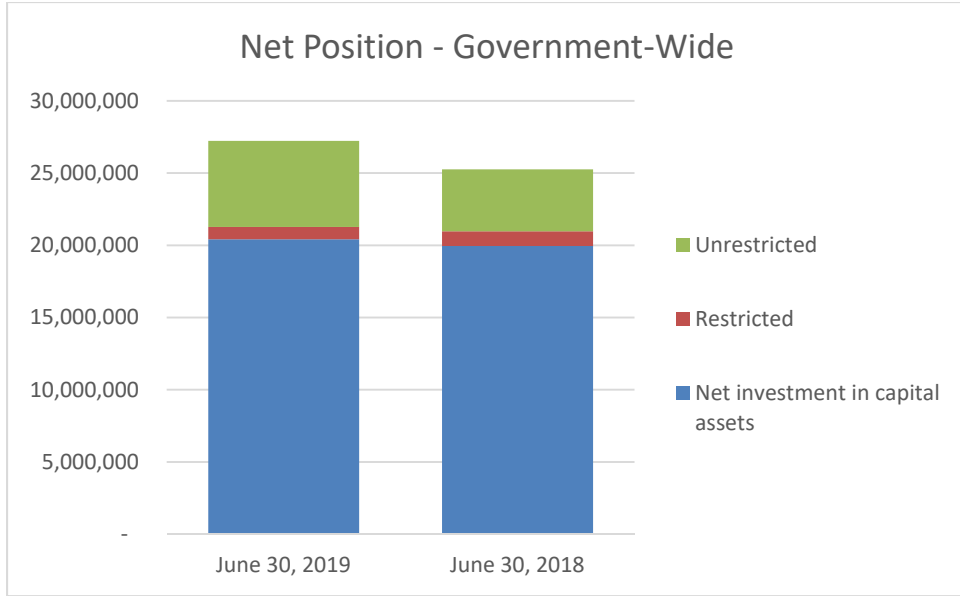
Supplementary Information

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, 2019. This information is shown in greater detail in the government-wide financial statements on pages 43-45.

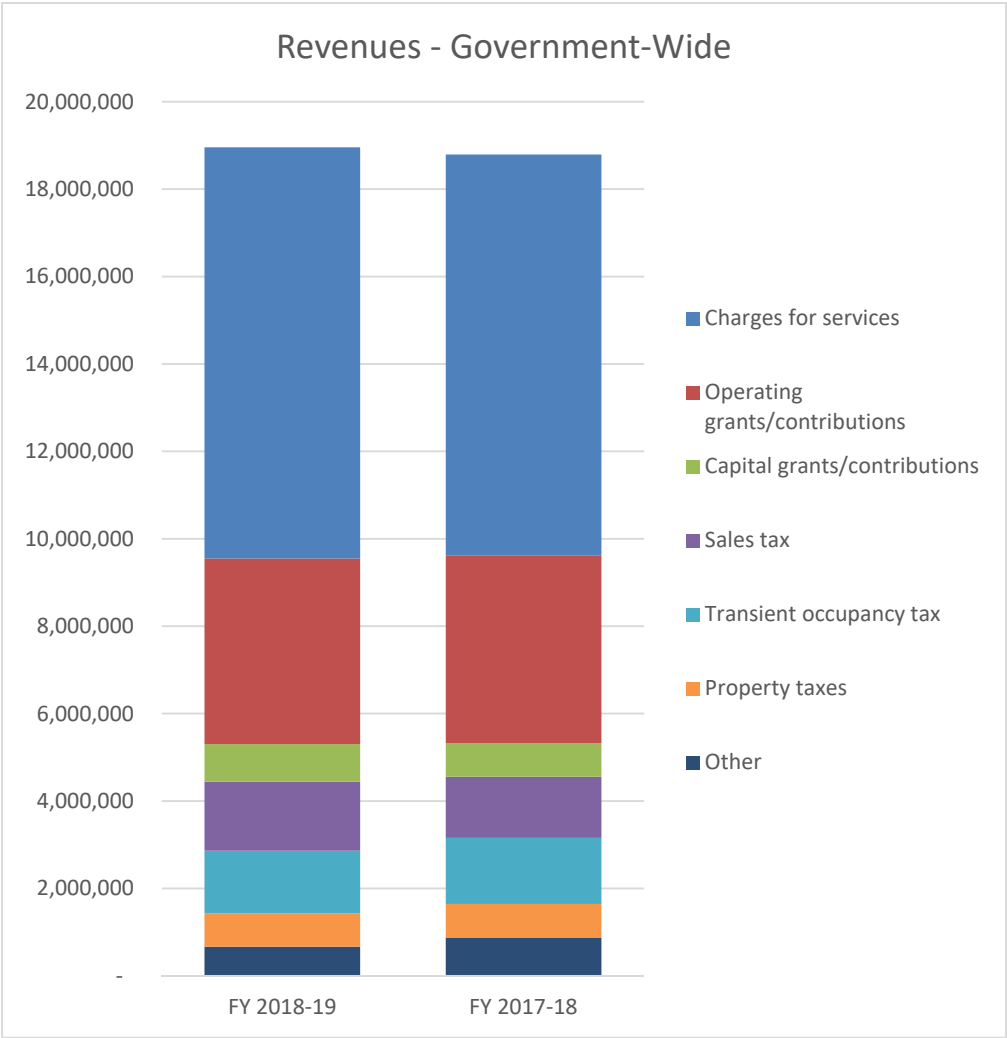
Table 1 - Net Position						
	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18
Assets:						
Current and other	4,462,978	4,178,676	13,514,014	11,598,178	17,976,992	15,776,854
Capital assets	10,536,258	10,355,922	48,507,833	49,975,771	59,044,091	60,331,693
Total assets	14,999,236	14,534,598	62,021,847	61,573,949	77,021,083	76,108,547
Deferred outflow of resources	1,607,598	1,981,960	1,096,701	1,175,045	2,704,299	3,157,005
Total assets and deferred outflows of resources	16,606,834	16,516,558	63,118,548	62,748,994	79,725,382	79,265,552
Liabilities						
Current and other	924,689	809,871	2,697,184	2,440,606	3,621,873	3,250,477
Long-term liabilities	6,899,781	7,087,068	41,104,579	43,068,348	48,004,360	50,155,416
Total liabilities	7,824,470	7,896,939	43,801,763	45,508,954	51,626,233	53,405,893
Deferred inflow of resources	432,155	296,509	436,631	307,947	868,786	604,456
Total liabilities and deferred inflows of resources	8,256,625	8,193,448	44,238,394	45,816,901	52,495,019	54,010,349
Net Position						
Net investment in capital assets	10,536,258	10,355,922	9,879,580	9,597,518	20,415,838	19,953,440
Restricted	504,254	673,216	350,205	350,118	854,459	1,023,334
Unrestricted	(2,690,303)	(2,706,028)	8,650,369	6,984,457	5,960,066	4,278,429
Total Net Position	8,350,209	8,323,110	18,880,154	16,932,093	27,230,363	25,255,203

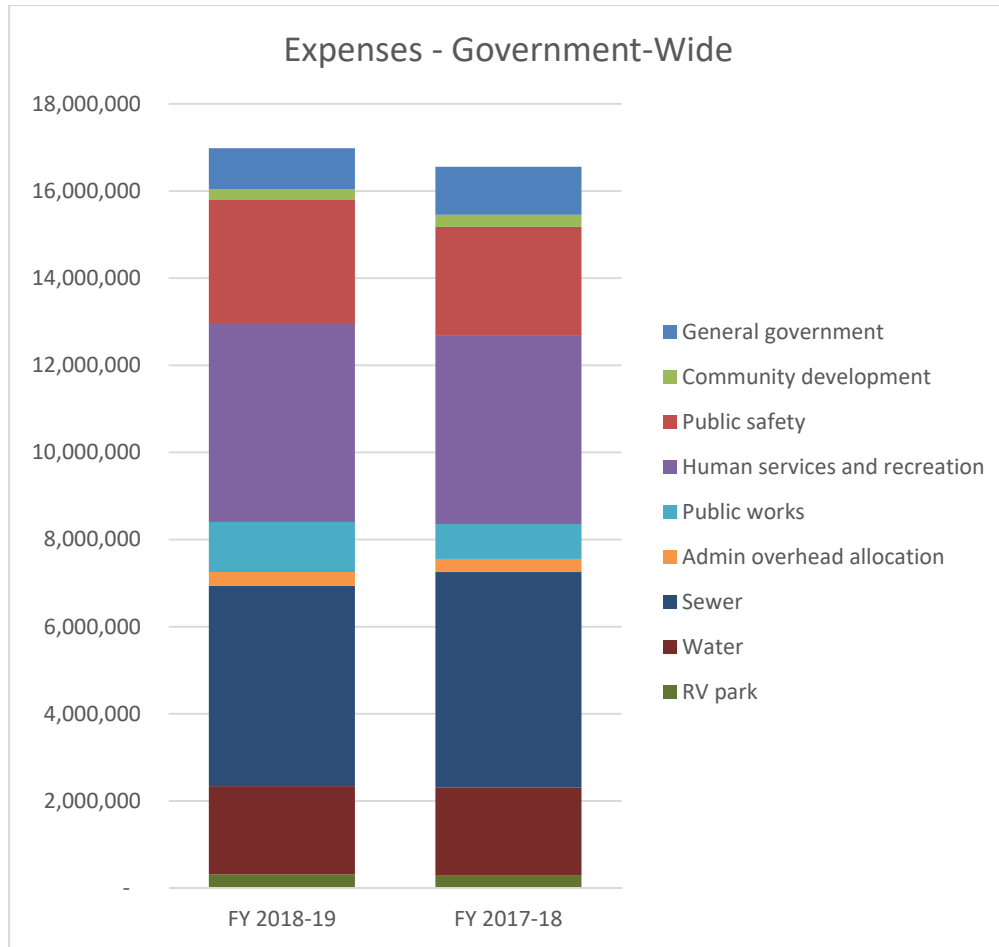


In fiscal year 2018-19, governmental activities increased the City’s net position by \$27,099 and business-type activities increased the City’s net position by \$1,948,061 as compared to the prior fiscal year. Including grants, fiscal year 2018-19 government-wide revenues increased by \$165,739 and expenses increased \$424,134 compared to the prior year. Revenues in governmental activities were nearly flat compared to the prior year, and revenues in business-type activities increased primarily due to charges for services and grants.

**Table 2 - Changes in Net Position
For the periods ending June 30**

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:					-	-
Charges for services	1,138,807	1,038,321	8,269,937	8,132,140	9,408,744	9,170,461
Operating grants/contributions	4,164,982	4,296,828	79,907	-	4,244,889	4,296,828
Capital grants/contributions	536,877	707,901	323,790	60,000	860,667	767,901
General revenues:						
Sales tax	1,578,057	1,399,082	-	-	1,578,057	1,399,082
Transient occupancy tax	1,437,343	1,510,221	-	-	1,437,343	1,510,221
Property taxes	759,887	769,408	-	-	759,887	769,408
Other	451,319	345,855	216,460	531,871	667,779	877,726
Total Revenues	10,067,272	10,067,616	8,890,094	8,724,011	18,957,366	18,791,627
Expenses:						
General government	948,018	1,100,803	-	-	948,018	1,100,803
Public safety	2,860,578	2,499,338	-	-	2,860,578	2,499,338
Community development	225,247	282,045	-	-	225,247	282,045
Human services and recreation	4,544,980	4,318,303	-	-	4,544,980	4,318,303
Public works	1,150,349	803,408	-	-	1,150,349	803,408
Admin overhead allocation	311,001	300,390	-	-	311,001	300,390
Sewer	-	-	4,600,868	4,948,555	4,600,868	4,948,555
Water	-	-	2,023,786	2,006,626	2,023,786	2,006,626
RV park	-	-	317,379	298,604	317,379	298,604
Total Expenses	10,040,173	9,304,287	6,942,033	7,253,785	16,982,206	16,558,072
Excess (Deficiency) before other items	27,099	763,329	1,948,061	1,470,226	1,975,160	2,233,555
Transfers	-	(3,483)	-	3,483	-	-
Increase (Decrease) in net position	27,099	759,846	1,948,061	1,473,709	1,975,160	2,233,555
Net position - beginning of year	8,323,110	7,563,264	16,932,093	15,458,384	25,255,203	23,021,648
Net position - end of year	8,350,209	8,323,110	18,880,154	16,932,093	27,230,363	25,255,203





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 (GASB 54), fund balances are classified as Nonspendable, Restricted, and Unassigned. Nonspendable fund balances are amounts that are inherently nonspendable, i.e. cannot be spent because of their form (such as inventories or prepaid expenses) 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 major governmental funds. The non-major governmental funds are reported in aggregate in the governmental fund financial statements beginning on page 52, and in detail in the combining statements beginning on page 114.

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 \$217,629; transfers in and out netted to a positive \$135,095. This resulted in a net change in Fund Balance of \$352,724.

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 2018-19 General Fund revenue increased by \$308,228 (approximately 6%), in comparison with the prior year. Primary variations from the prior fiscal year include:

- Tax revenue increased \$96,575 (approximately 2.6%) from \$3,678,711 in fiscal year 2017-18 to \$3,775,286 in fiscal year 2018-19. Sales tax increased \$178,238 (approximately 12.8%) and transient occupancy tax decreased \$73,329 (approximately -4.9%). TOT was down from the prior year for most hotel businesses within the City. TOT revenue from one newly reopened hotel was offset by another hotel’s failure to file.
- Fines and penalties decreased \$127,721 (approximately 80%) from \$160,350 in fiscal year 2017-18 to \$32,629 in fiscal year 2018-19. This is primarily due to a large code enforcement settlement that was received in the prior fiscal year.
- Intergovernmental revenues decreased \$121,603 (approximately 22.2%) from \$548,186 in fiscal year 2017-18 to \$426,583 in fiscal year 2018-19. This was caused by two factors: 1) decrease of \$540,967 due to an audit reclassification of fees received from the Crescent Fire Protection District, which in previous years were classified as Intergovernmental Revenue but this year are reclassified more appropriately as Charges for Service (there is a corresponding increase in Charges for Service revenue in the current fiscal year), and 2) increase of \$419,364 primarily due to the receipt of grant revenues, including grant reimbursements for street projects completed in the prior fiscal year.

**Table 3 - General Fund Revenues by Source
For the periods ending June 30**

	2019		2018		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes and assessments	3,775,286	66.7%	3,678,711	69.0%	96,575	29.3%
Use of money and property:						
Interest	63,872	1.1%	20,924	0.4%	42,948	13.0%
Rental Income	44,230	0.8%	48,478	0.9%	(4,248)	-1.3%
Licenses and permits	353,070	6.2%	362,357	6.8%	(9,287)	-2.8%
Fines and penalties	32,629	0.6%	160,350	3.0%	(127,721)	-38.8%
Intergovernmental revenues	426,583	7.5%	548,186	10.3%	(121,603)	-36.9%
Charges for services	905,207	16.0%	385,634	7.2%	519,573	157.8%
Gifts and donations	19,400	0.3%	59,892	1.1%	(40,492)	-12.3%
Other revenue	36,930	0.7%	63,329	1.2%	(26,399)	-8.0%
Total	5,657,207	100.0%	5,327,861	100.0%	329,346	6.2%

General Fund expenditures are grouped into the following categories:

- General Government includes City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, Community Support, and payments made under agreements with other agencies, such as revenue sharing agreements with the County.
- Public Safety includes Police and Fire.
- Community Development includes Buildings & Code Enforcement and Planning.
- Human Services and Recreation includes the Cultural Center and Municipal Swimming Pool.
- Public Works includes Engineering, Streets, and Parks.
- Administrative Overhead includes charges for services provided to the General Fund by other City departments (Information Technology, Building Maintenance, Equipment, and Insurance).

Total General Fund expenditures, not including transfers, increased by \$308,228, or 6%, from the prior fiscal year. The primary contributors to this increase include:

- \$164,770 increase in General Government spending, due to several factors: 1) a one-time adjustment of \$51,902 was made to correctly align the timing of a pass-through payment made to the County as part of a revenue sharing agreement, 2) increase of \$38,217 in City Clerk expenses, primarily due to the position being filled by a full-time employee the entire current fiscal year, whereas the position was filled by a temporary employee for part of the prior fiscal year, 3) increase of \$30,197 in Human Resources expenses and \$69,499 in Finance expenses due to a reallocation of labor to various funds.
- \$144,473 increase in Public Safety expenditures. Public Safety includes the Police Department and the Fire Department.
 - Police Department expenditures increased \$47,541 over the prior fiscal year. This includes a one-time decrease of \$107,034 in the City's annual payment to CalPERS (due to CalPERS amortization policies) offset by an increase of \$111,934 in wages and overtime and an increase of \$42,641 in other operational expenses. This includes \$32,224 in animal control services (provided under contract by the County), which used to be managed through the Community Development department but was assigned to the Police Department in the current fiscal year.
 - Fire Department expenditures increased \$96,929 over the prior fiscal year, including \$80,245 increase in stipends for volunteer firefighters due to a new agreement and restructuring. Most Fire Department expenditures are subject to a cost sharing agreement with the Fire District, so increased expenditures are partially offset by increased revenues from the District.
- Decrease of \$82,091 in Community Development, due to moving management of the animal control contract to the Police Department (\$32,224) and a decrease in legal and code enforcement expenses of \$51,110 compared to the prior year.
- Increase of \$118,770 in Human Services and Recreation. This is caused by a decrease of \$19,630 in the Cultural Center, primarily due to a roof repair in the prior fiscal year, and an increase of \$138,400 in the Swimming Pool, primarily due to funding a 10-Year Master Plan and several large repairs to the facility.

	2019		2018		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	904,971	16.6%	740,201	14.4%	164,770	53.5%
Public safety	2,530,048	46.5%	2,385,575	46.5%	144,473	46.9%
Community development	199,954	3.7%	282,045	5.5%	(82,091)	-26.6%
Human services and recreation	712,081	13.1%	593,311	11.6%	118,770	38.5%
Public works	792,488	14.6%	841,522	16.4%	(49,034)	-15.9%
Admin overhead allocation	300,037	5.5%	288,697	5.6%	11,340	3.7%
Total	5,439,579	100.0%	5,131,351	100.0%	308,228	6.0%

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 through the Housing Choice Vouchers (HCV) program. 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, 2019. In fiscal year 2018-19, the Housing Authority experienced a deficit of revenues over expenditures in the amount of \$25,960. This decreased the Housing Authority's fund balance from \$158,679 to \$132,719. 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. In addition, in order to maintain or increase its funding, the Housing Authority must spend the HAP funds it receives without building up a large reserve.

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 project costs and then applies for reimbursement from the State Department of Housing and Community Development, which administers the CDBG program in which the City participates. The fund balance in this fund fluctuates depending on the number and value of projects underway and the timing of related cash flows. Net revenues over expenditures for fiscal year 2018-19 were a negative \$172,995, bringing the fund balance from the prior fiscal year's positive \$10,999 to a negative \$161,996. The negative balance is due to the delay between the City's expenditure of grant project funds and receiving reimbursement from the State.

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 2018-19, the change in net position was a positive \$869,849 which is \$748,650 more than the change in net position in the prior fiscal year. The increase in net position was due to operating revenues exceeding operating expenses plus a capital contribution.

	2019	2018	Variance	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
Sewer Fund				
Operating revenues				
Sewer treatment	4,526,200	4,457,480	68,720	1.5%
Lab revenues	41,513	41,227	286	0.7%
Sewer connections	243,018	334,997	(91,979)	-27.5%
Other	189,820	96,305	93,515	97.1%
Grants	3,995	22,465	(18,470)	-82.2%
Expenses	(4,600,868)	(4,948,555)	347,687	-7.0%
Non-operating revenue (expense)	<u>142,382</u>	<u>53,798</u>	<u>88,584</u>	<u>164.7%</u>
Net changes before transfers and capital contributions	546,060	57,717	488,343	846.1%
Net transfers and capital contributions	<u>323,790</u>	<u>63,483</u>	<u>260,307</u>	<u>410.0%</u>
Change in net position	869,850	121,200	748,650	617.7%

Sewer treatment revenues increased by \$68,720 or 1.5%. This increase was due to an increase in service; there has been no rate increase since 2014. Sewer connection revenue decreased by \$91,979; sewer connection revenue depends solely on the number of connections requested in a given year. In the prior fiscal year, a mobile home park connected to the City system, while there was not a similar large connection in the current year. Other operating revenues increased by \$93,515; this includes revenues from the County for maintaining the CSA and from the Water Fund for providing lab services, as well as charges for new account setup and late fees.

Sewer Fund operating expenses decreased by \$347,687 over the prior fiscal year. This includes a decrease of \$190,893 in personnel costs, largely due to unfilled positions. Repairs and maintenance costs decreased by \$169,309, primarily because the prior fiscal year included several large repairs which were not repeated in the current fiscal year.

In fiscal year 2018-19, there was a grant capital contribution of \$323,790 related to a joint project on the lift stations between the City and County. The County applied for a grant to fund the project, which benefits both agencies, and the City is providing ½ of the required grant match.

The increase in net position of \$869,849 is comprised of a decrease in net investment in capital assets of \$140,066 and an increase of \$1,009,915 in unrestricted net position. Unrestricted net position represents the total net assets available to meet ongoing operations. This is not the same as available cash, as not all assets are cash, and also not the same as working capital. Working capital is the difference between current assets (cash plus receivables expected to be collected within one year) and current liabilities (liabilities due within one year) and can be used as an indication of the fund's ability to meet its near-term obligations. This should be considered in the context of the enterprise fund's capital improvement plan. When capital assets are purchased or constructed with cash, the current asset (cash) is converted to a non-current asset (capital asset) and is no longer available working capital.

Table 6 - Sewer Fund				
For the periods ending June 30				
	2019	2018	Variance	
	Amount	Amount	Amount	Percent
Sewer Fund				
Assets				
Current assets	8,287,381	7,438,821	848,560	11.4%
Capital assets (net of depreciation)	39,422,692	40,962,758	(1,540,066)	-3.8%
Other non-current assets	218,544	-	218,544	
Total assets	47,928,617	48,401,579	(472,962)	-1.0%
Deferred outflows of resources	678,069	726,721	(48,652)	-6.7%
Liabilities				
Current liabilities	1,981,640	1,877,412	104,228	5.6%
Long-term liabilities	38,213,902	39,788,610	(1,574,708)	-4.0%
Total liabilities	40,195,542	41,666,022	(1,470,480)	-3.5%
Deferred inflows of resources	270,743	191,726	79,017	41.2%
Net position	8,140,401	7,270,552	869,849	12.0%
Net investment in capital assets	2,369,439	2,509,505	(140,066)	-5.6%
Unrestricted	5,770,962	4,761,047	1,009,915	21.2%
Total net position	8,140,401	7,270,552	869,849	12.0%
Current assets	8,287,381	7,438,821	848,560	11.4%
Current liabilities	1,981,640	1,877,412	104,228	5.6%
Working capital	6,305,741	5,561,409	744,332	13.4%

Water Fund. In fiscal year 2018-19, the change in net position was a positive \$1,020,601 which is \$242,584 less than the change in net position in the prior fiscal year. The increase is due to operating revenues exceeding operating expenses

**Table 7 - Water Fund
For the periods ending June 30**

	2019	2018	Variance	
	Amount	Amount	Amount	Percent
Water Fund				
Operating revenues				
Water service	2,832,906	2,728,281	104,625	3.8%
Water connections	75,840	64,980	10,860	16.7%
Other	68,589	23,516	45,073	191.7%
Grants	1,167	432,496	(431,329)	-99.7%
Expenses	(2,023,786)	(2,006,626)	(17,160)	0.9%
Non-operating revenue (expense)	65,884	20,538	45,346	220.8%
Change in net position	1,020,601	1,263,185	(242,584)	-19.2%

Water service revenues increased \$104,625 due to increased connections and water usage. Grant revenues in the prior year included \$387,924 related to a grant-funded project to replace an elevated water tank with a pressure-regulated valve system, while there was no corresponding grant revenue in the current year. Expenses increased slightly by \$17,160.

The increase in net position of \$1,020,601 is comprised of an increase in net investment in capital assets of \$481,106, an increase of \$87 in restricted net position, and an increase of \$539,408 in unrestricted net position. Unrestricted net position represents the total net assets available to meet ongoing operations. This is not the same as available cash, as not all assets are cash, and also not the same as working capital. Working capital is the difference between current assets (cash plus receivables expected to be collected within one year) and current liabilities (liabilities due within one year) and can be used as an indication of the fund's ability to meet its near-term obligations. This should be considered in the context of the enterprise fund's capital improvement plan. When capital assets are purchased or constructed with cash, the current asset (cash) is converted to a non-current asset (capital asset) and is no longer available working capital.

Increases in net position and working capital are largely due to rate increases that were implemented as a result of a 2013 rate study, which called for annual rate increases beginning in 2014 and continuing through 2017. This was to position the fund for several large capital improvement projects, the first of which (SCADA system upgrade) began in fiscal year 2018-19.

**Table 8 - Water Fund
For the periods ending June 30**

	<u>2019</u>	<u>2018</u>	<u>Variance</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
Water Fund				
Assets				
Current assets	3,628,937	2,900,502	728,435	25.1%
Capital assets (net of depreciation)	8,135,096	8,003,990	131,106	1.6%
Other non-current assets	1,203,719	1,203,719	-	0.0%
Total assets	12,967,752	12,108,211	859,541	7.1%
Deferred outflows of resources	418,632	448,324	(29,692)	-6.6%
Liabilities				
Current liabilities	698,108	556,356	141,752	25.5%
Long-term liabilities	2,890,677	3,272,848	(382,171)	-11.7%
Total liabilities	3,588,785	3,829,204	(240,419)	-6.3%
Deferred inflows of resources	165,888	116,221	49,667	42.7%
Net position	9,631,711	8,611,110	1,020,601	11.9%
Net investment in capital assets	6,560,096	6,078,990	481,106	7.9%
Restricted	350,205	350,118	87	0.0%
Unrestricted	2,721,410	2,182,002	539,408	24.7%
Total net position	9,631,711	8,611,110	1,020,601	11.9%
Current assets	3,628,937	2,900,502	728,435	25.1%
Current liabilities	698,108	556,356	141,752	25.5%
Restricted net position	350,205	350,118	87	0.0%
Working capital	2,580,624	1,994,028	586,596	29.4%

Shoreline Recreational Vehicle (RV) Park. Operating revenues in fiscal year 2018-19 decreased by \$18,558. Revenue from rentals 30 days or longer decreased \$23,132 from the prior year, while revenue from rentals less than 30 days increased by \$6,970. Operating expenses increased by \$13,600, mostly in Repairs and Maintenance.

**Table 9 - RV Park Fund
For the periods ending June 30**

	2019	2018	Variance	
	Amount	Amount	Amount	Percent
RV Park Fund				
Operating revenues	366,796	385,354	(18,558)	-4.8%
Expenses	(312,204)	(298,604)	(13,600)	4.6%
Non-operating revenue(expense)	3,019	2,574	445	17.3%
Change in net position	57,611	89,324	(31,713)	-35.5%

The RV Park Fund borrowed \$230,000 from the General Fund for a major rehabilitation project in 2015. The loan was paid off in full in fiscal year 2018-19.

**Table 10 - RV Park Fund
For the periods ending June 30**

	2019	2018	Variance	
	Amount	Amount	Amount	Percent
RV Park Fund				
Assets				
Current assets	175,433	285,136	(109,703)	-38.5%
Capital assets (net of depreciation)	950,045	1,009,023	(58,978)	-5.8%
Total assets	1,125,478	1,294,159	(168,681)	-13.0%
Liabilities				
Current liabilities	17,436	6,838	10,598	155.0%
Long-term liabilities	-	236,890	(236,890)	-100.0%
Total liabilities	17,436	243,728	(226,292)	-92.8%
Net position	1,108,042	1,050,431	57,611	5.5%
Net investment in capital assets	950,045	1,009,023	(58,978)	-5.8%
Unrestricted	157,997	41,408	116,589	281.6%
Total net position	1,108,042	1,050,431	57,611	5.5%
Current assets	175,433	285,136	(109,703)	-38.5%
Current liabilities	17,436	6,838	10,598	155.0%
Working capital	157,997	278,298	(120,301)	-43.2%

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

The final General Fund budget for fiscal year 2018-19 was projected with a deficit of \$423,182. This included an original estimated deficit of \$207,382 for ongoing operations and \$215,800 for one-time projects including several planning projects (10-Year Pool Master Plan, 10-Year Fire Department Master Plan, and an update to the Housing Element), additional wayfinding signs, repairs to the Cultural Center siding, and IT improvements. Budget amendments during the year resulted in a budgeted deficit of \$313,885, due to increased sales tax estimates, additional grant revenues received, and additional projects approved during the year, including a reorganization approved by the City Council at a strategic planning workshop in February 2019. The reorganization included restructuring both recreation and public works, with an emphasis on increasing community events and tourism as well as improving customer service and improving efficiency.

General Fund revenues were under budget \$148,696, approximately 2.6%. Tax revenues came in under budget by \$81,066, which was primarily due to TOT coming in under budget..

As discussed above, the City budgets expenditures conservatively, with all authorized positions funded as well as all anticipated operational needs and projects. Actual expenditures will be under budget when positions are unfilled for all or a portion of the fiscal year, employees do not utilize all of their allowed benefits, projects are deferred, or operational needs come in lower than anticipated.

Actual expenditures in the General Fund were under budget by \$819,252. Of this variance, \$151,809 is due to wages and related benefits due to unfilled positions. An additional \$100,759 is due to unused health benefits. The City updated its budgeting practice for health benefits in fiscal year 2018-19. In previous years, the City had budgeted for 100% of allowed health benefits for all authorized positions, which caused a large budget-to-actual difference due to unfilled positions as well as employees using less than their full benefit allowance. Beginning in fiscal year 2018-19, the City budgeted health benefits based on prior year actual usage plus a contingency. As a result, the budget-to-actual variance in fiscal year 2018-19 was \$100,759, compared to a variance of \$212,867 in the prior year. Materials, parts, and supplies were under budget by \$225,491. Significant variances were caused by a wayfinding sign project and Cultural Center siding project that were delayed to the next fiscal year, as well as various other projects coming in under budget. Maintenance contracts, legal services, and other contract services were under budget \$191,958, primarily due to delayed projects (ground soil testing, Cultural Center repair, and a grant-funded community engagement project) and unused legal services in the code enforcement department. Several projects, including wayfinding signs, soil testing, community engagement project, and the Cultural Center repair, were rebudgeted in fiscal year 2019-20.

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

	2019			2018		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues	5,805,904	5,657,208	(148,696)	5,487,353	5,327,861	(159,492)
Expenditures	(6,258,831)	(5,439,579)	819,252	(5,986,770)	(5,131,351)	855,419
Operating results	(452,927)	217,629	670,556	(499,417)	196,510	695,927
Transfers in	142,000	138,053	(3,947)	222,368	217,207	(5,161)
Transfers out	(2,958)	(2,958)	-	(228,423)	(228,423)	-
Net change in Fund Balance	(313,885)	352,724	666,609	(505,472)	185,294	690,766

Capital Asset and Debt Administration

Capital assets. As of June 30, 2019, the City had a total net investment in capital assets of \$20,415,838 (original value of assets less accumulated depreciation and associated debt). This is an increase of \$462,398 over the net investment in capital assets as of June 30, 2018. 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 2018-19 included a storm drain improvement on Cooper Ave., purchase of a fire service truck, and the donation of the Point of Honor veteran's monument to the City from the Del Norte County Veterans Memorial Monument Committee. Works in progress include a SCADA upgrade to the water system, additional storm drain improvements, Pebble Beach pedestrian improvements, sewer lift station rehabilitation project, and the Sunset Circle multi-use trail.

Governmental Funds			
2019	2018	Variance \$	Variance %
10,536,258	10,355,922	180,336	1.7%
Business-type Funds			
2019	2018	Variance \$	Variance %
9,879,580	9,597,518	282,062	2.9%
Total			
2019	2018	Variance \$	Variance %
20,415,838	19,953,440	462,398	2.3%

Long-term debt. As of June 30, 2019, the City had total debt outstanding of \$38,928,121; this is a decrease of \$1,747,542 from the total debt outstanding at June 30, 2017 of \$40,675,663. This reduction is due to loan principal payments totaling \$1,750,000 and a slight increase in compensated absences payable.

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2019	2018	2019	2018	2019	2018
Capital leases	-	-	-	-	-	-
Compensated absences	186,489	177,761	113,379	119,649	299,868	297,410
Safe Drinking Water Loan	-	-	1,575,000	1,925,000	1,575,000	1,925,000
State Revolving Loan	-	-	37,053,253	38,453,253	37,053,253	38,453,253
Total	186,489	177,761	38,741,632	40,497,902	38,928,121	40,675,663

Economic Factors and Next Year’s Budget and Rates

The City Council, working with City staff, continues to evaluate revenues and expenses closely as well as the future economic trends and capital improvement needs. The City continues to actively seek grant funding to maximize the availability of ongoing revenues to meet ongoing expenses. The City will be working with both the County and the Harbor District to develop a Comprehensive Economic Development Strategy (CEDS) through a joint grant-funded project. Additionally, the City was awarded a Community Development Block Grant (CDBG) for a more targeted, City-focused economic development plan. Those projects are expected to begin in fiscal year 2019-20.

Increasing pension costs in addition to general inflation will continue to put pressure on City budgets, and the City is committed to maintaining prudent financial policies to meet these obligations. The City Council authorized an additional payment of \$35,000 toward unfunded pension liabilities in fiscal year 2019-20 and continues to evaluate long-term strategies for reducing the interest cost of these liabilities.

The City’s budget for fiscal year 2019-20 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 the completion of a 10-year master plan for the Fire Department, additional wayfinding signs, repairs to the Cultural Center, plans for a new City Hall, equipment replacements, and IT/software upgrades for the Police Department, Planning Department, Housing Authority, and Finance Department. This reflects Council and staff’s commitment to prioritize the development of long-term strategies, maximize revenues including grant opportunities, and maintain the City’s assets. The budget, as amended by City Council through the date of this report, includes a deficit of \$802,573. If fiscal year 2019-20 revenues match the budget and all authorized expenditures are spent, the fund balance remaining at the end of fiscal year 2019-20 would be \$1,796,138.

Sewer Fund net position has improved over the last several years as revenues have exceeded operating expenses, however future projections reveal a structural deficit that needs to be addressed. Projected revenues plus the available working capital are not anticipated to be sufficient to meet increasing operational costs as well as capital improvement needs and debt service payments. In addition to the City's successful request for interest relief on the State Revolving Fund loan, the City completed a sewer revenue sufficiency study to determine the rate structure necessary to address the ongoing needs of the Sewer Fund. Although the resulting rate increase was defeated in a referendum, the City remains committed to addressing the long-term health of this fund. The City was also 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 allows the City to invest those funds in needed capital improvements. In August 2019, the City entered into a contract with Operations Maintenance International, Inc. (also known as Jacobs Engineering) to provide the operations, maintenance, and management of the City's Wastewater Treatment Plant. This agreement is expected to save the Sewer Fund ratepayers approximately \$32,000 in the first partial year and \$80,000-85,000 in the second year, while providing increased efficiency and improved maintenance of this critical community asset. Although the fund has experienced actual expenses coming in under budget in prior years, primarily due to staffing shortages and deferred projects, the contract with Jacobs Engineering will ensure staffing is maintained and needed projects are completed. The City continues to examine ways to reduce costs, increase efficiencies, obtain grants, and finally increase revenues.

The Water Fund net position has increased significantly in recent years, due to successful implementation of rate increases in anticipation of capital improvement needs. The final rate increase was effective July 1, 2017. The City has completed the preliminary engineer's report for several major capital projects (water tank rehabilitation, additional water main redundancy, and new water meters) and is evaluating the best approach to funding those improvements. The City is also investing working capital from the Water Fund in additional improvements, including an upgraded SCADA system.

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. In support of this goal, the City applied for and was awarded a Community Development Block Grant (CDBG) for approximately \$243,000 to increase code enforcement in blighted areas of the City. This project is expected to begin in fiscal year 2019-20.

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.

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**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Crescent City
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,389,850	\$ 10,852,518	\$ 14,242,368
Receivables (net)	491,753	1,232,303	1,724,056
Due from other governments	764,097	-	764,097
Prepaid items	43,980	6,930	50,910
Due from RDA Successor Agency	76,634	685,286	761,920
Land held for redevelopment	89,752	-	89,752
Notes receivable	125,345	218,544	343,889
Internal balances	(518,433)	518,433	-
Nondepreciable capital assets	3,439,550	2,021,891	5,461,441
Depreciable capital assets, net	7,096,708	46,485,942	53,582,650
Total Assets	14,999,236	62,021,847	77,021,083
Deferred outflow of resources			
Pension related amounts	1,452,743	998,247	2,450,990
OPEB related amounts	154,855	98,454	253,309
Total deferred outflow of resources	1,607,598	1,096,701	2,704,299
Liabilities			
Accounts payable	605,368	335,541	940,909
Accrued wages	73,020	-	73,020
Deposits	5,326	422,848	428,174
Unearned revenue	69,836	-	69,836
Long term liabilities			
Compensated absences - due within one year	171,139	88,795	259,934
Compensated absences - due in more than one year	15,350	24,584	39,934
Net pension liability	6,204,943	3,869,739	10,074,682
Net OPEB liability	679,488	432,003	1,111,491
Loans payable - due within one year	-	1,850,000	1,850,000
Loans payable - due in more than one year	-	36,778,253	36,778,253
Total Liabilities	7,824,470	43,801,763	51,626,233
Deferred inflow of resources			
Pension related amounts	312,255	360,399	672,654
OPEB related amounts	119,900	76,232	196,132
Total deferred inflow of resources	432,155	436,631	868,786
Net Position			
Net Investment in capital assets	10,536,258	9,879,580	20,415,838
Restricted for:			
Capital projects and community development	372,347	-	372,347
Debt service	-	350,205	350,205
Other purposes	131,907	-	131,907
Unrestricted	(2,690,303)	8,650,369	5,960,066
Total Net Position	\$ 8,350,209	\$ 18,880,154	\$ 27,230,363

City of Crescent City
Statement of Activities
For the year ended June 30, 2019

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 948,018	\$ 169,895	\$ 37,730	\$ -
Public safety	2,860,578	562,579	189,437	-
Community development	225,416	118,534	-	-
Human services and recreation	4,544,811	277,815	3,417,229	294,789
Public works	1,150,349	9,984	520,586	242,088
Administrative overhead allocation	311,001	-	-	-
Total governmental activities	10,040,173	1,138,807	4,164,982	536,877
Business-type activities:				
Sewer	4,600,868	5,000,550	3,995	323,790
Water	2,023,786	2,977,336	1,167	-
RV Park	317,379	366,796	-	-
Total business-type activities	6,942,033	8,344,682	5,162	323,790
Total primary government	\$ 16,982,206	\$ 9,483,489	\$ 4,170,144	\$ 860,667

General Revenues:

Taxes:

Property

Sales tax and Sales Tax in-lieu

Property tax in lieu of VLF

Franchise fees

Transient occupancy taxes

Business Licenses

Total taxes

Unrestricted investment earnings

Other

Total general revenues

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue and Changes in			
Net Position			
Total	Governmental Activities	Business -Type Activities	Total
\$ 207,625	\$ (740,393)	\$ -	\$ (740,393)
752,016	(2,108,562)	-	(2,108,562)
118,534	(106,882)	-	(106,882)
3,989,833	(554,978)	-	(554,978)
772,658	(377,691)	-	(377,691)
-	(311,001)	-	(311,001)
5,840,666	(4,199,507)	-	(4,199,507)
5,328,335	-	727,467	727,467
2,978,503	-	954,717	954,717
366,796	-	49,417	49,417
8,673,634	-	1,731,601	1,731,601
\$ 14,514,300	(4,199,507)	1,731,601	(2,467,906)
	211,494	-	211,494
	1,578,057	-	1,578,057
	548,393	-	548,393
	225,847	-	225,847
	1,437,343	-	1,437,343
	50,336	-	50,336
	4,051,470	-	4,051,470
	107,505	216,460	323,965
	67,631	-	67,631
	4,226,606	216,460	4,443,066
	27,099	1,948,061	1,975,160
	8,323,110	16,932,093	25,255,203
\$	8,350,209	\$ 18,880,154	\$ 27,230,363

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FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Proprietary Funds Financial Statements

Fiduciary Funds Financial Statements

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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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 State Department of Housing and Community 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, 2019

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
ASSETS					
Cash and investments	\$ 2,468,979	\$ 129,817	\$ 37,959	\$ 421,077	\$ 3,057,832
Receivables:					
Consumers and others	421,902	-	-	-	421,902
County/State/Federal Government	494,953	-	223,447	45,697	764,097
Interest receivable	14,656	584	6	2,289	17,535
Due from RDA Successor Agency	-	-	-	76,634	76,634
Due from other funds	220,000	-	-	-	220,000
Prepaid items	10,079	4,290	-	-	14,369
Land held for redevelopment	-	-	-	89,752	89,752
Note receivable	-	-	56,037	69,308	125,345
Total assets	\$ 3,630,569	\$ 134,691	\$ 317,449	\$ 704,757	\$ 4,787,466
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	364,815	1,972	60,998	47,469	\$ 475,254
Unearned revenue	69,836	-	-	-	69,836
Deposits	5,326	-	-	-	5,326
Advance from other funds	518,433	-	-	-	518,433
Due to other funds	-	-	195,000	-	195,000
Total liabilities	958,410	1,972	255,998	47,469	1,263,849
Deferred inflows of resources:					
Unavailable revenues	73,459	-	223,447	528	297,434
Total deferred inflow of resources	73,459	-	223,447	528	297,434
Fund balances:					
Nonspendable	10,079	4,290	-	-	14,369
Restricted:					
Low and moderate income housing	-	128,429	-	401,624	530,053
Other purposes	-	-	-	131,907	131,907
Assigned:					
Capital improvement and vehicle replacement	-	-	-	123,229	123,229
PD explorer's program	2,035	-	-	-	2,035
Business improvement district	946	-	-	-	946
Unassigned	2,585,640	-	(161,996)	-	2,423,644
Total fund balances	2,598,700	132,719	(161,996)	656,760	3,226,183
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,630,569	\$ 134,691	\$ 317,449	\$ 704,757	\$ 4,787,466

City of Crescent City

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2019

Total Fund Balance - Governmental Funds	\$ 3,226,183
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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:	1,222,071
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,499,998
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Revenues from Grants, Taxes, and Miscellaneous Revenue that are funded in this fiscal year that will not be collected for several months after the City's fiscal year ends are not considered "available" revenue and are classified as deferred inflow of resources in the governmental funds	297,434
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Employer contributions for pension and OPEB were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	688,164
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In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension and OPEB are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.	487,279
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences - due within one year	(171,139)
Compensated absences - due in more than one year	(15,350)
Net pension liability	(6,204,943)
Net OPEB Liability	(679,488)

Net position of governmental activities	\$ 8,350,209
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City of Crescent City
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
REVENUES:					
Taxes	\$ 3,775,286	\$ -	\$ -	-	\$ 3,775,286
Use of money and property:					
Interest	63,872	1,330	170	7,782	73,154
Rental income	44,230	-	-	-	44,230
Licenses and permits	353,070	-	-	-	353,070
Fines and forfeitures	32,629	-	-	-	32,629
Intergovernmental	426,584	3,469,705	151,679	537,292	4,585,260
Charges for services	905,207	-	-	-	905,207
Gifts and donations	19,400	-	-	-	19,400
Other reimbursements	20,411	197	-	-	20,608
Other revenue	16,519	26,162	44,833	-	87,514
Total revenues	5,657,208	3,497,394	196,682	545,074	9,896,358
EXPENDITURES:					
Current:					
General government	904,971	-	-	-	904,971
Public safety	2,530,048	-	-	33,160	2,563,208
Community development	199,954	-	169	-	200,123
Human services and recreation	712,081	3,512,390	363,383	-	4,587,854
Public works	792,488	-	-	214,365	1,006,853
Administrative overhead allocation	300,037	10,964	-	-	311,001
Total expenditures	5,439,579	3,523,354	363,552	247,525	9,574,010
REVENUES OVER (UNDER) EXPENDITURES	217,629	(25,960)	(166,870)	297,549	322,348
OTHER FINANCING SOURCES (USES):					
Transfers in	138,053	-	-	9,083	147,136
Transfers out	(2,958)	-	(6,125)	(138,053)	(147,136)
Total other financing sources (uses)	135,095	-	(6,125)	(128,970)	-
Net change in fund balances	352,724	(25,960)	(172,995)	168,579	322,348
FUND BALANCES:					
Beginning of year	2,245,976	158,679	10,999	488,181	2,903,835
End of year	\$ 2,598,700	\$ 132,719	\$ (161,996)	\$ 656,760	\$ 3,226,183

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, 2019

Net change in fund balance - governmental funds	\$ 322,348
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, \$42,309).	198,359
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, \$119,438).	(235,683)
Donated capital assets did not require the use of current financial resources and therefore not reported in the Governmental Funds but are recorded in the Government-Wide Statement of Activities	294,789
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.	(15,477)
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	(221,138)
Current year employer pension and OPEB 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.	688,164
Pension and OPEB expenses are recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(995,535)
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.	(8,728)
Change in net position of governmental activities	\$ 27,099

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PROPRIETARY FUND FINANCIAL STATEMENTS

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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, 2019

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 7,532,431	\$ 3,146,428	\$ 173,659	\$ 10,852,518	\$ 332,018
Accounts receivable	716,862	459,152	-	1,176,014	51,419
Interest receivable	38,088	16,427	1,774	56,289	897
Prepaid items	-	6,930	-	6,930	29,611
Total current assets	8,287,381	3,628,937	175,433	12,091,751	413,945
Noncurrent assets:					
Notes receivable	218,544	-	-	218,544	-
Due from RDA Successor Agency	-	685,286	-	685,286	-
Advance to other funds	-	518,433	-	518,433	-
Capital assets:					
Non-depreciable	469,393	1,544,872	7,626	2,021,891	42,525
Depreciable, net	38,953,299	6,590,224	942,419	46,485,942	993,735
Total capital assets	39,422,692	8,135,096	950,045	48,507,833	1,036,260
Total noncurrent assets	39,641,236	9,338,815	950,045	49,930,096	1,036,260
Total assets	47,928,617	12,967,752	1,125,478	62,021,847	1,450,205
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	615,307	382,940	-	998,247	-
OPEB related amounts	62,762	35,692	-	98,454	-
Total deferred outflows of resources	678,069	418,632	-	1,096,701	-
LIABILITIES					
Current liabilities:					
Accounts payable	148,037	171,990	15,514	335,541	130,114
Accrued wages	-	-	-	-	73,020
Deposits	276,591	146,257	-	422,848	-
Due to other funds	-	-	-	-	25,000
Current maturities of long term debt:					
Compensated absences payable	57,012	29,861	1,922	88,795	-
Current portion of loans payable	1,500,000	350,000	-	1,850,000	-
Total current liabilities	1,981,640	698,108	17,436	2,697,184	228,134
Noncurrent liabilities:					
Compensated absences payable	-	24,584	-	24,584	-
Net pension liability	2,385,258	1,484,481	-	3,869,739	-
Net OPEB liability	275,391	156,612	-	432,003	-
Loans payable - due in more than one year	35,553,253	1,225,000	-	36,778,253	-
Total noncurrent liabilities	38,213,902	2,890,677	-	41,104,579	-
Total liabilities	40,195,542	3,588,785	17,436	43,801,763	228,134
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	222,146	138,253	-	360,399	-
OPEB related amounts	48,597	27,635	-	76,232	-
Total deferred inflows of resources	270,743	165,888	-	436,631	-
NET POSITION					
Net investment in capital assets	2,369,439	6,560,096	950,045	9,879,580	1,036,260
Restricted for debt service	-	350,205	-	350,205	-
Unrestricted	5,770,962	2,721,410	157,997	8,650,369	185,811
Total net position	\$ 8,140,401	\$ 9,631,711	\$ 1,108,042	\$ 18,880,154	\$ 1,222,071

City of Crescent City
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2019

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
OPERATING REVENUES:					
Charges for services	\$ 4,957,091	\$ 2,946,050	\$ 366,796	\$ 8,269,937	\$ 1,040,467
Other	43,459	31,286	-	74,745	50,000
Total operating revenues	5,000,550	2,977,336	366,796	8,344,682	1,090,467
OPERATING EXPENSES:					
Personnel services	1,458,269	904,235	71,738	2,434,242	603,333
Materials, supplies, rent, and services	677,762	408,444	100,723	1,186,929	329,926
Repair and maintenance	184,117	131,224	40,071	355,412	100,510
Administrative overhead	323,431	351,872	40,694	715,997	-
Depreciation	1,957,289	228,011	58,978	2,244,278	119,438
Total operating expenses	4,600,868	2,023,786	312,204	6,936,858	1,153,207
OPERATING INCOME (LOSS)	399,682	953,550	54,592	1,407,824	(62,740)
NONOPERATING REVENUES (EXPENSES):					
Interest income	142,382	65,884	8,194	216,460	2,190
Grant revenue	3,995	1,167	-	5,162	8,343
Interest expense	-	-	(5,175)	(5,175)	-
Total nonoperating revenues (expenses)	146,377	67,051	3,019	216,447	10,533
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	546,059	1,020,601	57,611	1,624,271	(52,207)
Contributions	323,790	-	-	323,790	36,730
Total contributions and transfers	323,790	-	-	323,790	36,730
Change in net position	869,849	1,020,601	57,611	1,948,061	(15,477)
NET POSITION					
Beginning of year	7,270,552	8,611,110	1,050,431	16,932,093	1,237,548
End of year	\$ 8,140,401	\$ 9,631,711	\$ 1,108,042	\$ 18,880,154	\$ 1,222,071

City of Crescent City
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 4,898,433	\$ 2,986,993	\$ 366,796	\$ 8,252,222	\$ -
Cash received from other funds	-	-	-	-	1,100,183
Cash payments to suppliers for goods and services	(1,158,001)	(760,919)	(171,900)	(2,090,820)	(425,965)
Cash paid to employees	(1,393,367)	(853,879)	(77,618)	(2,324,864)	(603,333)
Net cash provided by (used in) operating activities	2,347,065	1,372,195	117,278	3,836,538	70,885
CASH FLOWS FROM NONCAPITAL					
FINANCING ACTIVITIES:					
Grant cash receipts	3,995	1,167	-	5,162	8,343
Cash received from other funds	-	-	-	-	25,000
Cash disbursements to other funds	-	-	(230,000)	(230,000)	(14,000)
Net cash provided by noncapital financing activities	3,995	1,167	(230,000)	(224,838)	19,343
CASH FLOWS FROM CAPITAL AND RELATED					
FINANCING ACTIVITIES:					
Cash capital contributions	323,790	-	-	323,790	36,730
Acquisition of capital assets	(417,223)	(359,117)	-	(776,340)	(42,309)
Long-term debt repayments	(1,400,000)	(350,000)	-	(1,750,000)	-
Interest paid and fiscal charges	-	-	(5,175)	(5,175)	-
Net cash used in capital and related financing activities	(1,493,433)	(709,117)	(5,175)	(2,207,725)	(5,579)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income received	127,478	58,678	7,491	193,647	1,498
Net cash provided by investing activities	127,478	58,678	7,491	193,647	1,498
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	985,105	722,923	(110,406)	1,597,622	86,147
CASH AND CASH EQUIVALENTS - Beginning of year	6,547,326	2,423,505	284,065	9,254,896	245,871
CASH AND CASH EQUIVALENTS - End of year	\$ 7,532,431	\$ 3,146,428	\$ 173,659	\$ 10,852,518	\$ 332,018

City of Crescent City
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET					
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 399,682	\$ 953,550	\$ 54,592	\$ 1,407,824	(62,740)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,957,289	228,011	58,978	2,244,278	119,438
Changes in assets, deferred outflows and inflows of resources, and liabilities					
Receivables	(67,095)	2,323	-	(64,772)	9,716
Prepaid items	-	(630)	-	(630)	(28,366)
Deferred outflows of resources - pension	37,712	23,471	-	61,183	-
Deferred outflows of resources - OPEB	10,940	6,221	-	17,161	-
Accounts payable	27,309	131,251	9,588	168,148	21,801
Accrued wages	-	-	-	-	11,036
Deposits payable	(8,997)	22,272	-	13,275	-
Unearned revenue	(26,025)	(14,938)	-	(40,963)	-
Compensated leaves payable	(6,089)	5,699	(5,880)	(6,270)	-
Net pension liability	(46,015)	(28,638)	-	(74,653)	-
Net OPEB liability	(10,663)	(6,064)	-	(16,727)	-
Deferred inflows of resources - pension	88,173	54,875	-	143,048	-
Deferred inflows of resources - OPEB	(9,156)	(5,208)	-	(14,364)	-
Total adjustments	1,947,383	418,645	62,686	2,428,714	133,625
Net cash provided by (used in) operating activities	\$ 2,347,065	\$ 1,372,195	\$ 117,278	\$ 3,836,538	\$ 70,885

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FIDUCIARY FUND FINANCIAL STATEMENTS

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FIDUCIARY FUNDS FINANCIAL STATEMENTS

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

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

City of Crescent City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Retired Employees Health Care Plan	Successor Agency RDA
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 547,031	\$ 120,597
Due from the City of Crescent City	60,021	-
Interest receivable	-	681
Land held for redevelopment	-	51,300
Total assets	<u>607,052</u>	<u>172,578</u>
LIABILITIES		
Due to Other Agency	-	9,496
Due to the City of Crescent City	-	76,634
Due to the City of Crescent City (Water Utility Fund)	-	685,286
Total liabilities	<u> </u>	<u>771,416</u>
NET POSITION		
Restricted for other postemployment benefits	607,052	-
Restricted for dissolution of RDA	-	(598,838)
Total net position	<u>\$ 607,052</u>	<u>\$ (598,838)</u>

City of Crescent City
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended June 30, 2019

	Retired Employees Health Care Plan	Successor Agency RDA
ADDITIONS:		
Taxes	\$ -	\$ 19,263
Use of money and property:		
Interest	-	4,437
Contributions:		
Employer	216,531	
Investment Income:		
Net appreciation in fair value of investments	35,535	-
Investment fees	(1,543)	
Total additions	250,523	23,700
DEDUCTIONS:		
Benefit payments	96,190	-
Loss on sale of land held for resale	-	16,200
Other	3,900	-
Total deductions	100,090	16,200
Change in net position	150,433	7,500
NET POSITION:		
Beginning of year	456,619	(606,338)
End of year	\$ 607,052	\$ (598,838)

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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, 2019

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, 2019

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, 2019

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 State Department of Housing and Community Development.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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, 2019

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, 2019

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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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

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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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

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

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by the City Council, the government's highest level of decision making authority. 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, 2019

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 2019, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of this statement did not apply to the City for the current fiscal year.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. Cash and Investments

As of June 30, 2019, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 14,242,368
Fiduciary Funds	<u>667,628</u>
Total Cash and Investments	<u>\$ 14,909,996</u>

As of June 30, 2019, the City's cash and investments consisted of the following:

Cash:

Cash on hand	\$ 1,300
Deposits	<u>2,542,299</u>
Total Cash	<u>2,543,599</u>

As of June 30, 2019 the City's investments consisted of the following:

Investments:

In California Local Agency Investment Fund (at fair value)	<u>11,819,366</u>
Total Investments	<u>11,819,366</u>

Investments held in trust for other postemployment benefits	<u>547,031</u>
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Total Cash and Investments	<u>\$ 14,909,996</u>
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At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$2,542,299 and the bank balance was \$2,977,076. 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.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, CONTINUED

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.

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, 2019, 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, 2019 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, 2019, the City had \$11,819,366 invested in LAIF, which had 1.77% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.00171179 to the total investments held by LAIF.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, CONTINUED

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.

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, 2019, the trust had a balance of \$547,031. 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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	60.00%
Global Fixed Income	35.00%
Liquidity	<u>5.00%</u>
Total	100.00%

At June 30, 2019, 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, 2019, the annual money-weighted rate of return on investments, net of investment expenses, was 7.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

Business Enterprise Notes	\$ 218,544
Rehab & Sidewalk Notes	69,308
Housing Rehabilitation and Affordable Housing Notes	<u>56,037</u>
	<u>\$ 343,889</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Adjustments/ Retirements	Transfers	Balance June 30, 2019
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,823,284	\$ -	\$ -	\$ -	\$ 2,823,284
Construction in progress	454,355	214,711	-	(52,800)	616,266
Total Capital Assets, Not Being Depreciated	3,277,639	214,711	-	(52,800)	3,439,550
Capital Assets, Being Depreciated:					
Building and improvements	8,392,765	294,790	-	8,188	8,695,743
Machinery and equipment	3,634,725	5,577	(34,856)	44,612	3,650,058
Infrastructure	2,729,412	20,379	-	-	2,749,791
Total Capital Assets, Being Depreciated:	14,756,902	320,746	(34,856)	52,800	15,042,792
Less Accumulated Depreciation	(7,678,619)	(355,121)	34,856	-	(7,998,884)
Total Capital Assets, Being Depreciated, Net	7,078,283	(34,375)	-	52,800	7,096,708
Total Governmental Activities, Net	\$ 10,355,922	\$ 180,336	\$ -	\$ -	\$ 10,536,258
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 493,855	\$ -	\$ -	\$ -	\$ 493,855
Construction in progress	757,050	770,986	-	-	1,528,036
Total Capital Assets, Not Being Depreciated	1,250,905	770,986	-	-	2,021,891
Capital Assets, Being Depreciated:					
Structures and improvements	42,494,252	-	-	-	42,494,252
Machinery and equipment	9,838,175	5,354	(324,417)	-	9,519,112
Infrastructure	21,701,772	-	-	-	21,701,772
Total Capital Assets, Being Depreciated:	74,034,199	5,354	(324,417)	-	73,715,136
Less Accumulated Depreciation	(25,309,333)	(2,244,278)	324,417	-	(27,229,194)
Total Capital Assets, Being Depreciated, Net	48,724,866	(2,238,924)	-	-	46,485,942
Total Business-Type Activities, Net	\$ 49,975,771	\$ (1,467,938)	\$ -	\$ -	\$ 48,507,833

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

4. CAPITAL ASSETS, CONTINUED

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$	27,222
Public ways and facilities		85,699
Public protections		139,168
Culture and recreation		103,032
Total Depreciation Expense - Governmental Functions	\$	<u>355,121</u>

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

Sewer	\$	1,957,289
Water		228,011
RV Park		58,978
Total Depreciation Expense - Business-Type Functions	\$	<u>2,244,278</u>

5. LONG-TERM DEBT

Long-term debt for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Adjustments/ Retirements	Balance June 30, 2019	Amounts Due Within One year	Amounts Due in More Than One year
Governmental Activities						
Compensated Absences (Note 1)	\$ 177,761	\$ 178,740	\$ (170,012)	\$ 186,489	\$ 171,139	\$ 15,350
Total Governmental Activities	<u>\$ 177,761</u>	<u>\$ 178,740</u>	<u>\$ (170,012)</u>	<u>\$ 186,489</u>	<u>\$ 171,139</u>	<u>\$ 15,350</u>
Business-Type Activities						
Loans Payable:						
Safe Water Revolving Loan	\$ 1,925,000	\$ -	\$ (350,000)	\$ 1,575,000	\$ 350,000	\$ 1,225,000
State Water Resources - Safe Water Loan	38,453,253	-	(1,400,000)	37,053,253	1,500,000	35,553,253
Subtotal Loans Payable	40,378,253	-	(1,750,000)	38,628,253	1,850,000	36,778,253
Compensated Absences (Note 1)	119,649	90,252	(96,522)	113,379	88,795	24,584
Total Business-Type Activities	<u>\$ 40,497,902</u>	<u>\$ 90,252</u>	<u>\$ (3,596,522)</u>	<u>\$ 36,991,632</u>	<u>\$ 3,788,795</u>	<u>\$ 73,581,090</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. LONG-TERM DEBT, CONTINUED

At June 30, 2019, loans consisted of the following:

		Activities
California Water Resources Control Board, Safe Drinking Water Revolving Loan in the amount of \$45,407,931, dated June 10, 2011, payable on a graduated plan with an interest rate of 0% and maturity date in fiscal year 2041. Loan proceeds were used for wastewater system improvements.	\$	37,053,253
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.		1,575,000
Total Loans	\$	38,628,253

The annual aggregate maturities for the years subsequent to June 30, 2019 are as follows:

Year Ended June 30	Loans				Total
	Safe Drinking Water		Water Resources Control Board		
	Principal	Interest	Principal	Interest	
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	350,000	-	1,697,663	-	2,047,663
2024	175,000	-	1,697,663	-	1,872,663
2025-2029	-	-	8,488,313	-	8,488,313
2030-2034	-	-	8,488,313	-	8,488,313
2035-2039	-	-	8,488,313	-	8,488,313
2040-2041	-	-	3,395,325	-	3,395,325
Total	\$ 1,575,000	\$ -	\$ 37,053,253	\$ -	\$ 38,628,253

Compensated Absences

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. Employees accrue vacation up to certain maximums based on the employee's bargaining unit or employee contract. The City accrues the liability for compensated leave as it is earned by employees. The amount of compensated leaves payable outstanding was \$299,868. Compensated absences will be paid from: General Fund, Housing Authority Fund, RV Park Fund, Sewer Fund, Water Fund, Equipment Fund, Building Maintenance Fund, and IT Fund.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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, 2019:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 220,000	\$ -
CDBG Special Revenue Fund	-	195,000
Internal Service Funds	-	25,000
Total	<u>\$ 220,000</u>	<u>\$ 220,000</u>

Advance To/From Other Funds

There was a \$518,433 loan from Water Fund to General Fund. This was originally part of a loan from the Water Fund to the RDA. The State disallowed this portion of the loan from being a recognized obligation of the Successor Agency. The Council approved the General Fund assuming the loan. The repayment will begin when the Successor Agency begins to repay the portion of the loan that was allowed as a recognized obligation, which will be after the SERAF loan is paid off. The City projects that will begin in fiscal year 2021.

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, 2019:

Transfers Out	Transfers In	
	General Fund	Non-Major Governmental Funds
Major Funds:		
General Fund	\$ -	\$ 2,958
CDBG Special Revenue	-	6,125
Non-Major Governmental Funds	138,053	-
Total	<u>\$ 138,053</u>	<u>\$ 9,083</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

6. INTERFUND TRANSACTIONS, CONTINUED

Transfers, Continued

- The purpose of the transfer from Non-Major Governmental Funds (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 Special Revenue Fund and General Fund to Non-Major Governmental Funds (Beachfront Park Capital Projects Fund) was to provide funding for the Dog Park capital project.

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 PEPRA, safety police classic, safety police PEPRA 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.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

The Plans' provisions and benefits in effect at June 30, 2019 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	8.000%	6.250%	9.000%	11.500%
Required employer contribution rates	10.022%	6.842%	15.719%	11.500%
Required employer dollar UAL payment (annual)	\$ 462,586	\$ 722	\$ 7,601	\$ -
	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	15.719%	12.141%		
Required employer dollar UAL payment (annual)	\$ 134,595	\$ 102		

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 measurement period ended June 30, 2018, the contributions recognized against net pension liability for the Plan were \$948,296.

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

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan \$10,074,682.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

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, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2017 rolled forward to June 30, 2018 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 the measurement dates June 30, 2017 and 2018 were as follows:

Proportion - June 30, 2017	0.10412000%
Proportion - June 30, 2018	0.10455000%
Change - Increase (Decrease)	<u>0.00043000%</u>

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,427,571. At June 30, 2019, 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
Pension contributions subsequent to measurement date	\$ 968,710	
Changes of assumptions	1,102,976	239,313
Differences between expected and actual experience	318,717	74,915
Changes in employer's proportion	5,539	265,038
Differences between the employer's contribution and the employer's proportionate share of contributions	-	93,388
Net differences between projected and actual earnings on plan investments	55,047	-
Total	<u>\$ 2,450,989</u>	<u>\$ 672,654</u>

\$968,710 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, 2020.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

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

Fiscal Year Ending	
June 30:	
2020	\$
2020	826,751
2021	437,633
2022	(370,074)
2023	(84,685)

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, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by entry age and service
Investment of return ⁽¹⁾	7.15%
Maturity Rate Table	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.

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 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 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. EMPLOYEE RETIREMENT PLANS, CONTINUED

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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		6.15%
Net Pension Liability	\$	14,951,664
Current Discount Rate		7.15%
Net Pension Liability	\$	10,074,682
1% Increase		8.15%
Net Pension Liability	\$	6,058,009

D. Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City has established an Other Postemployment Benefit plan (OPEB Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan. 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 (\$136 per month for 2019)
- b) The amounts shown in the table below (pursuant to collective bargaining or other employee agreements)

Monthly Subsidy Toward Medical	
CCMEA Council Elected	\$ 296
CCPOA	150
CECC	250
CCEA	150

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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

B. Employees Covered

As of the July 1, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	58
Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to, but not yet receiving benefits	-
	82

C. Contributions

The contribution requirements of plan members and the City are established and may be amended by the City's governing board. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the City's cash contribution were \$126,141 in payments to the trust and the estimated implied subsidy was \$30,070 resulting in total payments of \$156,211.

D. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumption

Discount Rate	6.30%
General Inflation	2.75% per annum
Salary Increases	3.25% per year
Assumed Wage Inflation	3.00% per year
Investment Rate of Return	6.30%
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	8.00% for 2018, decreasing to an ultimate rate of 5.00% in 2025 and later years

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Large Cap Core	32.00%	6.70%
Mid Cap Core	6.00%	7.00%
Small Cap Core	9.00%	7.90%
Real Estate	2.00%	5.70%
International	7.00%	7.30%
Emerging Markets	4.00%	9.70%
Fixed Income	35.00%	
Short Term Bond	6.75%	3.80%
Intermediate Term Bond	27.00%	4.60%
High Yield	1.25%	6.00%
Cash	5.00%	2.10%
TOTAL	100.00%	

At the time the valuation was prepared, the City was invested in the Balanced Portfolio, which had an expected return of 6.85%. Based on the City's OPEB trust balance, the City assumed 55 basis points in non-imbedded fees for a net expected return of 6.30%.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.30 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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

F. Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2018			
(Measurement date 06/30/2017)	\$ 1,522,973	\$ 368,445	\$ 1,154,528
Changes in the year:			
Service cost	71,573	-	71,573
Interest	96,582	-	96,582
Investment experience	-	-	-
Plan experience	-	-	-
Assumption changes	-	-	-
Contribution - employer	-	179,438	(179,438)
Expected investment income	-	31,754	(31,754)
Benefit payments	(123,018)	(123,018)	-
Net changes	45,137	88,174	(43,037)
Balance at June 30, 2019			
(Measurement date 06/30/2018)	<u>\$ 1,568,110</u>	<u>\$ 456,619</u>	<u>\$ 1,111,491</u>

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	Current		
	1% Decrease	Discount Rate	1% Increase
	5.30%	6.30%	7.30%
Net OPEB Liability (Asset)	\$ 1,296,983	\$ 1,111,491	\$ 956,748

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

	Current		
	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability (Asset)	\$ 955,779	\$ 1,111,491	\$ 1,382,821

I. OPEB Plan Fiduciary Net Position

PARS issues a publicly available financial report that may be obtained from the Public Agency Retirement Services, 4350 Von Karman Ave, Newport Beach, CA 92660.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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

J. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Straight-line recognition over 6.64 years, the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive members are counted, with the latter two groups having 0 remaining service years.

K. OPEB Expense and Deferred Outflows/ (Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$27,753. For the fiscal year ended June 30, 2019, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 156,211	\$ -
Differences Between Expected and Actual Experience	-	179,978
Changes of Assumptions	97,098	-
Net differences between projected and actual earnings on plan investments	-	16,154
Total	<u>\$ 253,309</u>	<u>\$ 196,132</u>

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

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

The \$156,211 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June, 30, 2020. Amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/Inflows of Resources
2020	\$ 22,794
2021	22,794
2022	22,792
2023	19,218
2024	11,436

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.

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.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

9. RISK MANAGEMENT, CONTINUED

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, 2019, the City incurred costs of \$560,285 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 \$37,053,253.

Principal and interest paid for the current year and net system revenues were \$1,400,000 and \$2,582,384 respectively.

City of Crescent City
Notes to Basic Financial Statements
For the year ended June 30, 2019

11. PLEDGED REVENUE, CONTINUED

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 \$1,575,000.

Principal and interest paid for the current year and net system revenues were \$350,000, and \$1,181,562 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, 2019

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, 2019, cash and investments in the amount of \$120,597 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 \$76,634 and \$685,286 respectively. Of these amounts, \$76,634 and \$685,286 were advanced to the Crescent City Redevelopment Agency prior to its dissolution under State law. Activity relating to these obligations were as follows for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Additions	Adjustments/ Retirements	Balance June 30, 2019	Amounts Due Within One year	Amounts Due in More Than One year
Fiduciary Fund Debt						
Successor Housing Agency	\$ 179,690	\$ -	\$ (103,056)	\$ 76,634	\$ -	\$ -
City Water Fund	685,286	-	-	685,286	-	-
Total Fiduciary Fund Debt	\$ 864,976	\$ -	\$ (103,056)	\$ 761,920	\$ -	\$ -

13. SUBSEQUENT EVENTS

In August 2019, the City entered into a contract with Operations Maintenance International, Inc. (also known as Jacobs Engineering) to provide the operations, maintenance, and management of the City's Wastewater Treatment Plant. This agreement is expected to save the Sewer Fund ratepayers approximately \$32,000 in the first partial year and \$80,000-85,000 in the second year, while providing increased efficiency and improved maintenance of this critical community asset. Although the fund has experienced actual expenses coming in under budget in prior years, primarily due to staffing shortages and deferred projects, the contract with Jacobs Engineering will ensure staffing is maintained and needed projects are completed.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Crescent City
Required Supplementary Information
For the year ended June 30, 2019

1. OTHER POST EMPLOYMENT BENEFITS

A. Schedule of Changes in the Net OPEB Liability and Related Ratios

<i>Measurement Period</i>	2018	2017
Total OPEB Liability		
Service Cost	\$ 71,573	\$ 84,805
Interest on the total OPEB liability	96,582	111,248
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(257,555)
Changes of assumptions	-	138,952
Benefit payments, including refunds of employee contributions	(123,018)	(117,859)
Net change in total OPEB liability	<u>45,137</u>	<u>(40,409)</u>
Total OPEB liability - beginning	1,522,973	1,563,382
Total OPEB liability - ending (a)	<u>\$ 1,568,110</u>	<u>\$ 1,522,973</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 179,438	\$ 156,803
Contributions - employee		
Net investment income	31,754	39,562
Benefit payments, including refunds of employee contributions	(123,018)	(117,859)
Administrative expense	-	-
Other	-	-
Net change in plan fiduciary net position	<u>88,174</u>	<u>78,506</u>
Plan fiduciary net position - beginning	368,445	289,939
Plan fiduciary net position - ending (b)	<u>\$ 456,619</u>	<u>\$ 368,445</u>
 Net OPEB liability/(asset) - ending (a) - (b)	 \$ 1,111,491	 \$ 1,154,528
 Plan fiduciary net position as a percentage of the total OPEB liability	 29%	 24%
 Covered-employee payroll	 3,217,205	 3,045,658
 Net OPEB liability as a percentage of covered-employee payroll	 34.55%	 37.91%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

City of Crescent City
Required Supplementary Information
For the year ended June 30, 2019

1. OTHER POST EMPLOYMENT BENEFITS, Continued

B. Schedule of Contributions Last Ten Fiscal Years

	2019	2018
Actuarially Determined Contribution (ADC)	\$ 156,211	\$ 179,438
Contributions in relation to the ADC	(156,211)	(179,438)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	3,466,680	3,217,205
Contributions as a percentage of covered-employee payroll	4.51%	5.58%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Valuation Date used to determine ADC	7/1/2017	7/1/2015
Discount rate used to determine ADC	6.30%	7.00%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Pay	Level % of Pay
Amortization Period	21 Years Closed	22 Years Closed
Asset Valuation Method	Market Value	Market Value
Inflation	2.75%	2.75%
Payroll Growth	3.25%	3.25%
Healthcare cost-trend rates	8.0% in 2018 to 5.0%	7.5% in 2017 to 4.5%
Retirement Age	50 to 75	50 to 75
Mortality	MW Scale 2017 generationally	MW Scale 2017 generationally

C. Schedule of Investment Returns - PARS OPEB Trust Program - Last 10 Years*

Year*	Annual Money-weighted Rate of Return, Net of Investment Expenses
2017	9.38%
2018	7.16%
2019	7.09%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Crescent City
Required Supplementary Information
For the year ended June 30, 2019

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the City's Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal Year	2019	2018	2017	2016	2015
Measurement Date	6/30/2017	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.10454965%	0.10411817%	0.10614935%	0.10970704%	0.10061430%
Proportionate share of the net pension liability	\$10,074,682	\$10,325,662	\$9,185,205	\$ 7,530,194	\$ 6,260,676
Covered payroll	\$ 3,217,205	\$ 3,045,658	\$ 2,979,180	\$ 2,915,615	\$ 2,782,613
Proportionate Share of the net pension liability as percentage of covered payroll	313.15%	339.03%	308.31%	258.27%	224.99%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

Notes to Schedule:

* - Fiscal year 2015 was the 1st year of implementation

B. Schedule of Contributions - Last 10 Years*

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 968,710	\$ 948,296	\$ 851,158	\$ 763,462	\$ 625,852
Contribution in relation to the actuarially determined contributions	(968,710)	(948,296)	(851,158)	(763,462)	(625,852)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,466,680	\$ 3,217,205	\$ 3,045,658	\$ 2,979,180	\$ 2,915,615
Contributions as a percentage of covered payroll	27.94%	29.48%	27.95%	25.63%	21.47%

Note to Schedule

Valuation date: 6/30/2017 6/30/2016 6/30/2015 6/30/2014 6/30/2013

* - Fiscal year 2015 was the 1st year of implementation

City of Crescent City
Notes to the Required Supplementary Information
For the year ended June 30, 2019

3. BUDGETARY INFORMATION

The City Council has the responsibility for adoption of the City's budgets. Budgets are adopted for governmental and proprietary 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 the General Fund and Major Special Revenue Funds that have 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, 2019 '(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,735,316	\$ 3,860,493	\$ 3,775,286	\$ (85,207)
Use of money and property:				
Interest	19,789	38,609	63,872	25,263
Rental income	43,907	44,029	44,230	201
Licenses and permits	338,160	340,182	353,070	12,888
Fines and forfeitures	73,900	73,900	32,629	(41,271)
Intergovernmental	199,540	436,290	426,584	(9,706)
Charges for services	880,417	933,351	905,207	(28,144)
Gifts and donations	3,000	29,200	19,400	(9,800)
Other reimbursements	31,000	31,000	20,411	(10,589)
Other revenue	18,850	18,850	16,519	(2,331)
Total revenues	5,343,879	5,805,904	5,657,208	(148,696)
EXPENDITURES:				
Current:				
General government	943,420	1,015,640	904,971	110,669
Public safety	2,659,916	2,724,108	2,530,048	194,060
Community development	299,196	327,132	199,954	127,178
Human services and recreation	743,623	858,607	712,081	146,526
Public works	934,721	990,582	792,488	198,094
Administrative overhead allocation	341,185	342,762	300,037	42,725
Total expenditures	5,922,061	6,258,831	5,439,579	819,252
REVENUES OVER (UNDER) EXPENDITURES	(578,182)	(452,927)	217,629	670,556
OTHER FINANCING SOURCES (USES)				
Transfers in	155,000	142,000	138,053	(3,947)
Transfers out	-	(2,958)	(2,958)	-
Total other financing sources (uses)	155,000	139,042	135,095	(3,947)
Net change in fund balance	\$ (423,182)	\$ (313,885)	352,724	\$ 666,609
FUND BALANCE:				
Beginning of year			2,245,976	
End of year			<u>2,598,700</u>	

City of Crescent City

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

Housing Section 8 Special Revenue Fund

For the year ended June 30, 2019 '(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property:				
Interest	\$ 140	\$ 140	\$ 1,330	\$ 1,190
Intergovernmental	3,519,147	3,494,277	3,469,705	(24,572)
Other reimbursements	-	-	197	197
Other revenue	27,200	24,682	26,162	1,480
Total revenues	3,546,487	3,519,099	3,497,394	(21,705)
EXPENDITURES:				
Current:				
Human services and recreation	3,532,622	3,548,550	3,512,390	36,160
Administrative overhead allocation	12,587	12,578	10,964	1,614
Total expenditures	3,545,209	3,561,128	3,523,354	37,774
Net change in fund balance	\$ 1,278	\$ (42,029)	(25,960)	\$ 16,069
FUND BALANCE:				
Beginning of year			158,679	
End of year			\$ 132,719	

City of Crescent City

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

CDBG Special Revenue Fund

For the year ended June 30, 2019 '(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property:				
Interest	\$ -	\$ -	\$ 170	\$ 170
Intergovernmental	490,108	5,487,416	151,679	(5,335,737)
Other revenue	-	-	44,833	44,833
Total revenues	490,108	5,487,416	196,682	(5,290,734)
EXPENDITURES:				
Current:				
Public safety	26,137	25,507	-	25,507
Human services and recreation	463,971	5,177,525	363,383	4,814,142
Total expenditures	490,108	5,447,014	363,552	5,083,462
REVENUES OVER (UNDER) EXPENDITURES	-	40,402	(166,870)	(207,272)
OTHER FINANCING SOURCES (USES)				
Transfers in	13,500	13,500	-	(13,500)
Transfers out	(23,500)	(23,500)	(6,125)	17,375
Total other financing sources (uses)	(10,000)	(10,000)	(6,125)	3,875
Net change in fund balance	\$ (10,000)	\$ 30,402	(172,995)	\$ (203,397)
FUND BALANCE:				
Beginning of year			10,999	
End of year			\$ (161,996)	

SUPPLEMENTARY INFORMATION

City of Crescent City
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds					Capital Pr
	Fund 106 89-93 Rehab & Sidewalk Funds	Fund 115 Gas Tax Fund	Fund 116 Successor Housing Fund	Fund 117 RMRA Fund	Fund 901 Capital Improvement Fund	Fund 902 Beachfront Park CIP Fund
ASSETS						
Cash and investments	\$ 20,011	\$ 23,265	\$ 233,917	\$ 40,650	\$ 30,927	\$ 1,373
Receivables:						
County/State/Federal Government	-	-	-	25,014	20,683	-
Interest receivable	113	147	1,321	287	-	19
Due from RDA Successor Agency	-	-	76,634	-	-	-
Land held for redevelopment	-	-	89,752	-	-	-
Note Receivable	69,308	-	-	-	-	-
Total assets	\$ 89,432	\$ 23,412	\$ 401,624	\$ 65,951	\$ 51,610	\$ 1,392
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	-	6,045	-	40,843	581	-
Total liabilities	-	6,045	-	40,843	581	-
Deferred inflows of resources:						
Unavailable revenue	-	-	-	-	528	-
Total deferred inflows of resources	-	-	-	-	528	-
Fund Balances:						
Restricted						
Low and moderate income housing	-	-	401,624	-	-	-
Other Purposes	89,432	17,367	-	25,108	-	-
Assigned for Capital Improvement and Vehicle Replacement	-	-	-	-	50,501	1,392
Total fund balances	89,432	17,367	401,624	25,108	50,501	1,392
Total liabilities, deferred inflows of resources, and fund balances	\$ 89,432	\$ 23,412	\$ 401,624	\$ 65,951	\$ 51,610	\$ 1,392

Objects Funds		
Fund 930	Fund 940	Total
Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	Nonmajor Governmental Funds
\$ 53,156	\$ 17,778	\$ 421,077
-	-	45,697
301	101	2,289
-	-	76,634
-	-	89,752
-	-	69,308
<u>\$ 53,457</u>	<u>\$ 17,879</u>	<u>\$ 704,757</u>
-	-	\$ 47,469
-	-	47,469
-	-	528
-	-	528
-	-	401,624
-	-	131,907
53,457	17,879	123,229
53,457	17,879	656,760
<u>\$ 53,457</u>	<u>\$ 17,879</u>	<u>\$ 704,757</u>

City of Crescent City
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds					Capital Proj
	Fund 106	Fund 115	Fund 116	Fund 117	Fund 901	Fund 902
	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund	RMRA Fund	Capital Improvement Fund	Beachfront Park CIP Fund
REVENUES:						
Use of money and property						
Interest	\$ 452	\$ 458	\$ 4,434	\$ 809	\$ 224	\$ 19
Intergovernmental	-	155,045	-	140,159	225,633	-
Total revenues	452	155,503	4,434	140,968	225,857	19
EXPENDITURES:						
Current:						
Public safety	-	-	-	-	-	-
Public works	-	17,451	-	115,860	76,405	4,649
Total expenditures	-	17,451	-	115,860	76,405	4,649
REVENUES OVER (UNDER) EXPENDITURES	452	138,052	4,434	25,108	149,452	(4,630)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	9,083
Transfers out	-	(138,053)	-	-	-	-
Total other financing sources (uses)	-	(138,053)	-	-	-	9,083
Net change in fund balance	452	(1)	4,434	25,108	149,452	4,453
FUND BALANCES:						
Beginning of year	88,980	17,368	397,190	-	(98,951)	(3,061)
End of year	\$ 89,432	\$ 17,367	\$ 401,624	\$ 25,108	\$ 50,501	\$ 1,392

Projects Funds		
Fund 930	Fund 940	
Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	Total Nonmajor Governmental Funds
\$ 1,010	\$ 376	\$ 7,782
16,455	-	537,292
17,465	376	545,074
33,160	-	33,160
-	-	214,365
33,160	-	247,525
(15,695)	376	297,549
-	-	9,083
-	-	(138,053)
-	-	(128,970)
(15,695)	376	168,579
69,152	17,503	488,181
\$ 53,457	\$ 17,879	\$ 656,760

City of Crescent City
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	Fund 420 Information Tech Fund	Fund 506 Maintenance Building Fund	Fund 508 Equipment Fund	Fund 610 Payroll Trust Fund
ASSETS				
Current assets:				
Cash and investments	\$ 1,052	\$ 6,020	\$ 89,627	\$ 180,011
Accounts receivable	-	-	1,412	7
Interest receivable	-	-	366	-
Prepaid items	28,503	-	-	1,108
Total current assets	29,555	6,020	91,405	181,126
Noncurrent assets:				
Capital assets:				
Non-depreciable	-	-	42,525	-
Depreciable, net	-	-	993,735	-
Total capital assets	-	-	1,036,260	-
Total noncurrent assets	-	-	1,036,260	-
Total assets	29,555	6,020	1,127,665	181,126
LIABILITIES				
Current liabilities:				
Accounts payable	4,555	5,920	10,633	108,106
Accrued wages	-	-	-	73,020
Due to other funds	25,000	-	-	-
Total current liabilities	29,555	5,920	10,633	181,126
Total liabilities	29,555	5,920	10,633	181,126
NET POSITION				
Net investment in capital assets	-	-	1,036,260	-
Unrestricted	-	100	80,772	-
Total net position	\$ -	\$ 100	\$ 1,117,032	\$ -

Fund 620 Insurance Reserve Fund	Fund 630 OPEB Trust Contributions Fund	Total
\$ 54,646	\$ 662	\$ 332,018
50,000	-	51,419
293	238	897
-	-	29,611
<u>104,939</u>	<u>900</u>	<u>413,945</u>
-	-	42,525
-	-	993,735
-	-	1,036,260
-	-	1,036,260
<u>104,939</u>	<u>900</u>	<u>1,450,205</u>
-	900	130,114
-	-	73,020
-	-	25,000
-	<u>900</u>	<u>228,134</u>
-	<u>900</u>	<u>228,134</u>
-	-	1,036,260
104,939	-	185,811
<u>\$ 104,939</u>	<u>\$ -</u>	<u>\$ 1,222,071</u>

City of Crescent City
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the year ended June 30, 2019

	Fund 420 Information Tech Fund	Fund 506 Maintenance Building Fund	Fund 508 Equipment Fund	Fund 610 Payroll Trust Fund
OPERATING REVENUES:				
Charges for services	\$ 199,852	\$ 149,579	\$ 292,619	\$ -
Other	-	-	-	-
Total operating revenues	199,852	149,579	292,619	-
OPERATING EXPENSES:				
Personnel services	150,858	123,537	172,427	-
Materials, supplies, rent, and services	14,521	8,984	64,041	-
Repair and maintenance	34,473	17,060	48,977	-
Depreciation	-	-	119,438	-
Total operating expenses	199,852	149,581	404,883	-
OPERATING INCOME (LOSS)	-	(2)	(112,264)	-
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	-	1,174	-
Grant revenue	-	-	-	-
Total nonoperating revenues (expenses)	-	-	1,174	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	-	(2)	(111,090)	-
Contributions	-	-	36,730	-
Total contributions and transfers	-	-	36,730	-
Change in net position	-	(2)	(74,360)	-
NET POSITION				
Beginning of year	-	102	1,191,392	-
End of year	\$ -	\$ 100	\$ 1,117,032	\$ -

Fund 620 Insurance Reserve Fund	Fund 630 OPEB Trust Contributions Fund	Total
\$ 238,779	\$ 159,638	\$ 1,040,467
50,000	-	50,000
<u>288,779</u>	<u>159,638</u>	<u>1,090,467</u>
-	156,511	603,333
238,780	3,600	329,926
-	-	100,510
-	-	119,438
<u>238,780</u>	<u>160,111</u>	<u>1,153,207</u>
<u>49,999</u>	<u>(473)</u>	<u>(62,740)</u>
543	473	2,190
<u>8,343</u>	<u>-</u>	<u>8,343</u>
<u>8,886</u>	<u>473</u>	<u>10,533</u>
58,885	-	(52,207)
<u>-</u>	<u>-</u>	<u>36,730</u>
<u>-</u>	<u>-</u>	<u>36,730</u>
58,885	-	(15,477)
<u>46,054</u>	<u>-</u>	<u>1,237,548</u>
<u>\$ 104,939</u>	<u>\$ -</u>	<u>\$ 1,222,071</u>

City of Crescent City
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2019

	Fund 420 Information Tech Fund	Fund 506 Maintenance Building Fund	Fund 508 Equipment Fund	Fund 610 Payroll Trust Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ 199,852	\$ 149,579	\$ 292,724	\$ (7)
Cash payments to suppliers for goods and services	(76,094)	(36,495)	(120,017)	48,721
Cash paid to employees	(150,858)	(123,537)	(172,427)	-
Net cash provided by (used in) operating activities	(27,100)	(10,453)	280	48,714
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant cash receipts	-	-	-	-
Cash received from other funds	25,000	-	-	-
Cash disbursements to other funds	-	-	-	-
Net cash provided by noncapital financing activities	25,000	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash capital contributions	-	-	36,730	-
Acquisition of capital assets	-	-	(42,309)	-
Net cash used in capital and related financing activities	-	-	(5,579)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	-	-	1,013	-
Net cash provided by investing activities	-	-	1,013	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,100)	(10,453)	(4,286)	48,714
CASH AND CASH EQUIVALENTS - Beginning of year	3,152	16,473	93,913	131,297
CASH AND CASH EQUIVALENTS - End of year	\$ 1,052	\$ 6,020	\$ 89,627	\$ 180,011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ (2)	\$ (112,264)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	119,438	-
Changes in assets, deferred outflows and inflows of resources, and liabilities				
Accounts receivable, net	-	-	105	(7)
Prepaid items	(28,503)	-	-	137
Accounts payable	1,403	(10,451)	(6,999)	37,548
Accrued wages	-	-	-	11,036
Total adjustments	(27,100)	(10,451)	112,544	48,714
Net cash provided by (used in) operating activities	\$ (27,100)	\$ (10,453)	\$ 280	\$ 48,714

Fund 620 Insurance Reserve Fund	Fund 630 OPEB Trust Contributions Fund	Total
\$ 298,397	\$ 159,638	\$ 1,100,183
(238,780)	(3,300)	(425,965)
-	(156,511)	(603,333)
59,617	(173)	70,885
8,343	-	8,343
-	-	25,000
(14,000)	-	(14,000)
(5,657)	-	19,343
-	-	36,730
-	-	(42,309)
-	-	(5,579)
250	235	1,498
250	235	1,498
54,210	62	86,147
436	600	245,871
\$ 54,646	\$ 662	\$ 332,018
\$ 49,999	\$ (473)	\$ (62,740)
-	-	119,438
9,618	-	9,716
-	-	(28,366)
-	300	21,801
-	-	11,036
9,618	300	133,625
\$ 59,617	\$ (173)	\$ 70,885

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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, 2019, 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 24, 2019.

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.

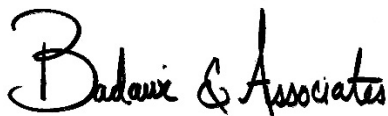
To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California
Page 2

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
Berkeley, California
December 24, 2019



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, 2019. 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, 2019.

To the Honorable Mayor and Members of the City Council
of the City of Crescent City
Crescent City, California
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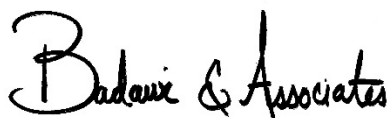
Report on Internal Control Over Compliance

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
Berkeley, California
December 24, 2019

City of Crescent City
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Subrecipient Payment
<u>U.S. Department of Housing and Urban Development:</u>				
Housing Voucher Cluster:				
<i>Direct Programs:</i>				
Section 8 Housing Choice Vouchers	14.871	n/a	\$ 3,523,354	\$ -
		Housing Voucher Cluster Total	<u>3,523,354</u>	<u>-</u>
CDBG State Administered Program:				
<i>Passed through State of California Department of Housing And Community Development:</i>				
Community Development Block Grant	14.228	16-CDBG-11136	291,576	273,056
Community Development Block Grant	14.228	17-CDBG-12092	69,476	26,748
Community Development Block Grant	14.228	Loans Outstanding	56,037	-
		CDBG State Administered Program Total	<u>417,089</u>	<u>299,804</u>
Total U.S. Department of Housing and Urban Development			<u>3,940,443</u>	<u>299,804</u>
<u>U.S. Department of Justice:</u>				
<i>Direct Programs:</i>				
2018 Bulletproof Vest Partnership	16.607	2018BUBX18095585	1,141	-
Total U.S. Department of Justice			<u>1,141</u>	<u>-</u>
<u>U.S. Department of Homeland Security:</u>				
<i>Passed through California Emergency Services and Del Norte County Office of Emergency Services:</i>				
Homeland Security Grant Program - Escape Breathers	97.042	2018-0008	465	-
Homeland Security Grant Program - Portable Gas Detectors	97.042	2018-0008	1,195	-
Homeland Security Grant Program - Radios	97.042	2018-0008	7,173	-
		Subtotal CFDA #97.042	<u>8,833</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>8,833</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 3,950,417</u>	<u>\$ 299,804</u>

City of Crescent City
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

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, 2019

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	Housing Voucher Cluster	3,523,354
	Total Expenditures of all Major Programs	\$ 3,523,354
	Total Expenditures of Federal Award	\$ 3,950,417
	Percentage of Total Expenditure of Federal Award	89%

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, 2019

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.