

# City of Crescent City

Crescent City, California

*Annual Audit Report and Financial Statements*

*For the year ended June 30, 2020*



**City of Crescent City**  
**Annual Audit Report and Financial Statements**  
**For the year ended June 30, 2020**

**Table of Contents**

---

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
City Officials .....	5
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors’ Report</b> .....	9
<b>Management Discussion and Analysis</b> .....	15
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	41
Statement of Activities.....	42
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet .....	50
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	51
Statement of Revenues, Expenditures and Changes in Fund Balances .....	52
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities .....	53
Proprietary Fund Financial Statements:	
Statement of Net Position .....	58
Statement of Revenues, Expenses, and Changes in Net Position .....	59
Statement of Cash Flows.....	60
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position .....	66
Statement of Changes in Fiduciary Net Position .....	67
Notes to Basic Financial Statements.....	71

**City of Crescent City**  
**Annual Audit Report and Financial Statements**  
**For the year ended June 30, 2020**

**Table of Contents, Continued**

**Required Supplementary Information:**

Other Post Employment Benefits:

Schedule of Changes in the Net OPEB Liability and Related Ratios Last Ten Years ..... 106  
 Schedule of Contributions Last Ten Fiscal Years ..... 107  
 Schedule of Investment Returns - PARS OPEB Trust Program Last Ten Fiscal Years ..... 108

Defined Benefit Pension Plan:

Schedule of the City's Proportionate Share of the Net Pension Liability Last Ten Years ..... 108  
 Schedule of Contributions Last Ten Years ..... 109

Budgetary Information:

Statements of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund ..... 111  
 Statements of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - Housing Authority Section 8 Fund ..... 112  
 Statements of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual CDBG Fund ..... 113

**Supplementary Information:**

Combining Balance Sheets - Nonmajor Governmental Funds ..... 116  
 Combining Statements of Revenues, Expenditures, and Changes  
 in Fund Balance- Nonmajor Governmental Funds ..... 118  
 Combining Balance Sheets - Internal Service Funds ..... 120  
 Combining Statements of Revenues, Expenses, and Changes  
 in Fund Balance- Internal Service Funds ..... 122  
 Combining Statements of Cash Flows - Internal Service Funds ..... 124

**SINGLE AUDIT SECTION**

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* ..... 129  
 Independent Auditors' Report on Compliance For Each  
 Major Program and on and Internal Control Over  
 Compliance Required By The Uniform Guidance ..... 131  
 Schedule of Expenditures of Federal Awards ..... 133  
 Notes to Schedule of Expenditures of Federal Awards ..... 134  
 Schedule of Findings and Questioned Costs ..... 135

---

# INTRODUCTORY SECTION

---

*This page intentionally left blank*

**City of Crescent City**  
**City Officials**  
**For the year ended June 30, 2020**

---

<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

*This page intentionally left blank*



---

# FINANCIAL SECTION

---

*This page intentionally left blank*



## 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, 2020, 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, 2020, 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 15-36 and 106-113, 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.

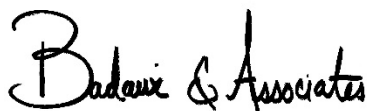
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 has 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  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, 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 23, 2020

*This page intentionally left blank*

---

# MANAGEMENT DISCUSSION AND ANALYSIS

---

*This page intentionally left blank*



**CITY OF CRESCENT CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**

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, 2020. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements (beginning on page 41).

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 41-43) 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 \$79,215,264 and total liabilities and deferred inflows of resources were \$51,447,867 at June 30, 2020. The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$27,767,397 (net position) for the fiscal year reported. This is an increase of \$570,034 from the previous year when assets exceeded liabilities by \$27,230,363.

The increase includes:

- \$1,090,044 increase in net investment in capital assets (capital assets less depreciation and outstanding debt related to the assets) due to capital improvement projects and asset purchases, including grant-funded projects, and debt payments.
- \$20,601 increase in restricted net position, primarily due to an increase of \$197,573 in the Housing Authority net position due to operational results and grant funding, and a decrease of \$203,687 in CDBG net position due to timing of grant expenditures and related revenues.
- \$573,611 decrease in unrestricted net position due to operating results.

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 \$21,505,882 includes real property, construction-in-progress, structures and improvements, equipment, and infrastructure.
- Net position of \$372,016 is restricted for capital projects, community development, and low-income housing.
- Net position of \$350,245 is restricted for debt service.
- Net position of \$152,799 is restricted for other purposes.
- Unrestricted net position of \$5,386,455 represents the portion available to meet the City's ongoing obligations to citizens and creditors.

## Fund Financial Statements

The fund financial statements (pages 50-67) 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 50-53. Individual fund data for each non-major fund is provided in the form of combining statements on pages 116-119.

The City's governmental funds reported total ending fund balance of \$2,478,254 this year. This compares to the prior year ending net position of \$3,226,183 and is a decrease of \$747,929 which includes:

- \$1,171,129 net decrease in the General Fund balance due to expenditures exceeding revenues by approximately 13%. Of this amount, \$651,738 was due to the General Fund contributing to a CIP project (Pebble Beach Bank Stabilization Project) which was not fully grant funded at the time. As of the date of this report, the City has been informed that grant funds have now been allocated and the General Fund will recover this expenditure in future grant revenues. The remaining decrease of \$527,391 was the result of operations.
- \$197,573 net increase in the Housing Authority balance due to revenues exceeding expenditures by approximately 5%. 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.
- \$203,687 net decrease in the CDBG balance due to the timing of the receipt of grant revenues for expenditures incurred.

- \$429,314 net increase in other governmental funds due to the contribution of \$651,738 from the General Fund to the CIP Fund, partially offset by decreases due to the timing of grant revenues for expenditures incurred.

For the fiscal year ending June 30, 2020, the fund balance of the General Fund was \$1,427,571. 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. The original adopted General Fund budget (expenditures plus transfers out) for fiscal year 2020-21 was \$5,601,651, with the fund balance \$1,427,571 being 25%. The City Council has the authority to amend the budget during the fiscal year as needed. As of the date of this report, the budgeted expenditures compared to budgeted revenues for fiscal year 2020-21 are projected to decrease the fund balance by \$302,856 which would bring the fund balance to \$1,124,714 or 19% of 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 58-61. Individual fund data for each internal service fund is provided in the form of combining statements on pages 120-125.

The enterprise funds reported total ending net position of \$19,093,776 as of June 30, 2020. This compares to net position as of the prior year of \$18,880,154 and is an increase of \$213,622 which includes:

- \$392,966 net decrease in the Sewer Fund net position due to operating expenses exceeding revenues by approximately 12%, plus interest income and capital contributions.
- \$602,501 net increase in the Water Fund net position due to operating revenues exceeding expenses by approximately 23% (primarily due to expenses coming in under budget and projects not yet completed), plus interest income.
- \$4,087 net increase in the RV Park Fund net position due to operating revenues exceeding expenses slightly.

The internal service funds reported total ending net position of \$1,191,881 as of June 30, 2020. This represents a net decrease of \$30,190 from the prior year net position of \$1,222,071. This is primarily due to a decrease of \$74,815 in the Equipment Fund caused by asset depreciation and an increase of \$44,681 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 66-67.

## 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.

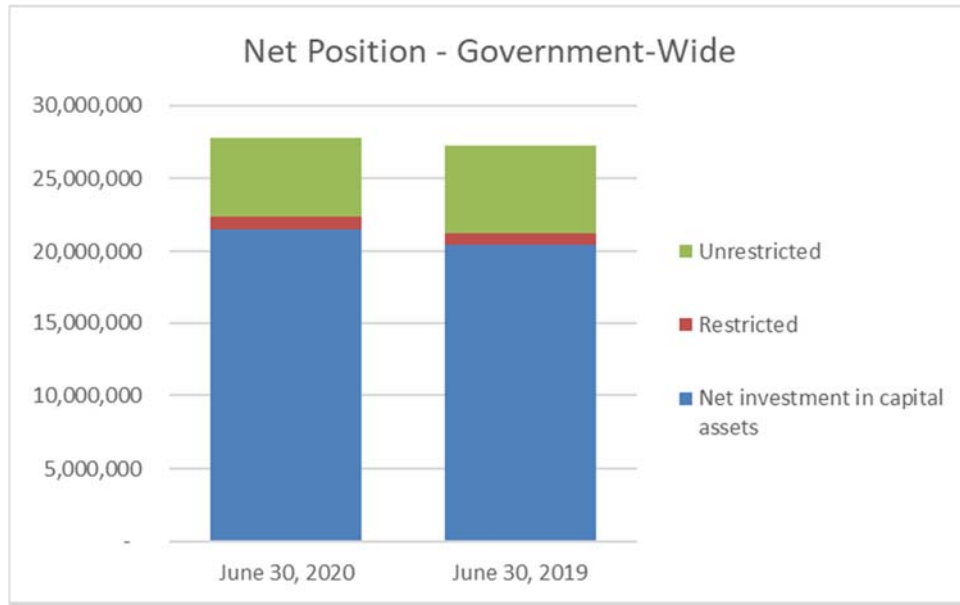
### Supplementary Information

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, 2020. This information is shown in greater detail in the government-wide financial statements on pages 41-43.

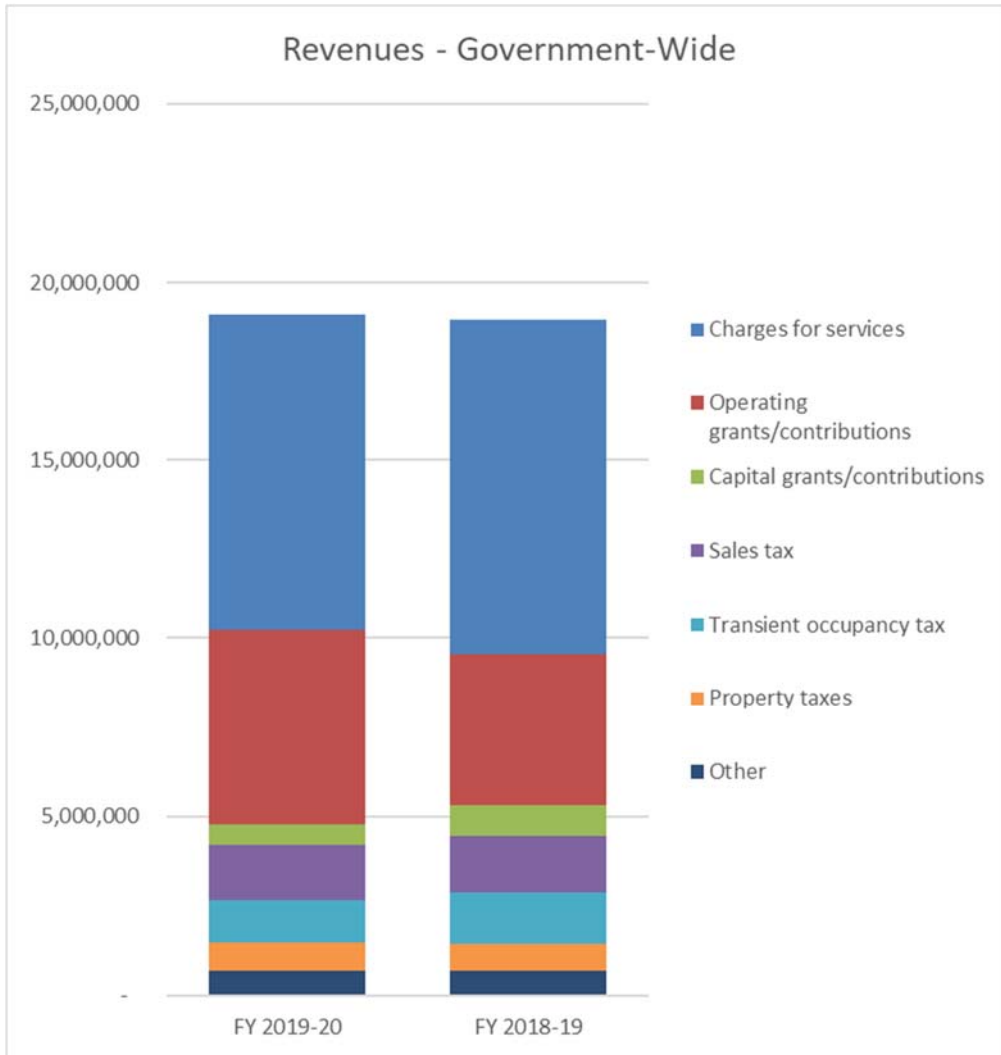
<b>Table 1 - Net Position</b>						
	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	FY 2019-20	FY 2018-19	FY 2019-20	FY 2018-19	FY 2019-20	FY 2018-19
<b>Assets:</b>						
Current and other	4,630,486	4,462,978	13,752,698	13,514,014	18,383,184	17,976,992
Capital assets	11,529,032	10,536,258	46,755,103	48,507,833	58,284,135	59,044,091
<b>Total assets</b>	<b>16,159,518</b>	<b>14,999,236</b>	<b>60,507,801</b>	<b>62,021,847</b>	<b>76,667,319</b>	<b>77,021,083</b>
Deferred outflow of resources	1,548,473	1,607,598	999,472	1,096,701	2,547,945	2,704,299
<b>Total assets and deferred outflows of resources</b>	<b>17,707,991</b>	<b>16,606,834</b>	<b>61,507,273</b>	<b>63,118,548</b>	<b>79,215,264</b>	<b>79,725,382</b>
<b>Liabilities</b>						
Current and other	1,343,265	924,689	2,656,210	2,697,184	3,999,475	3,621,873
Long-term liabilities	7,020,171	6,899,781	39,315,524	41,104,579	46,335,695	48,004,360
<b>Total liabilities</b>	<b>8,363,436</b>	<b>7,824,470</b>	<b>41,971,734</b>	<b>43,801,763</b>	<b>50,335,170</b>	<b>51,626,233</b>
Deferred inflow of resources	670,934	432,155	441,763	436,631	1,112,697	868,786
<b>Total liabilities and deferred inflows of resources</b>	<b>9,034,370</b>	<b>8,256,625</b>	<b>42,413,497</b>	<b>44,238,394</b>	<b>51,447,867</b>	<b>52,495,019</b>
<b>Net Position</b>						
Net investment in capital assets	11,529,032	10,536,258	9,976,850	9,879,580	21,505,882	20,415,838
Restricted	524,815	504,254	350,245	350,205	875,060	854,459
Unrestricted	(3,380,226)	(2,690,303)	8,766,681	8,650,369	5,386,455	5,960,066
<b>Total Net Position</b>	<b>8,673,621</b>	<b>8,350,209</b>	<b>19,093,776</b>	<b>18,880,154</b>	<b>27,767,397</b>	<b>27,230,363</b>

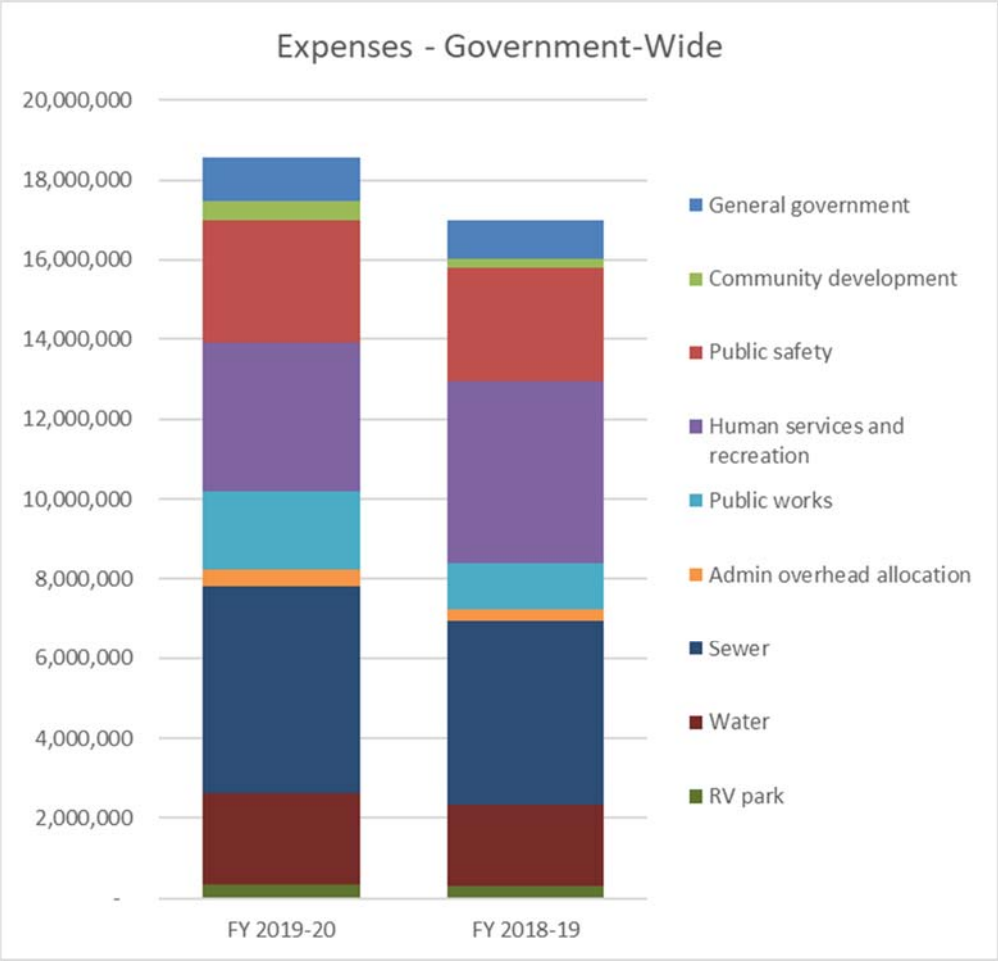


In fiscal year 2019-20, governmental activities increased the City’s net position by \$323,412 and business-type activities increased the City’s net position by \$213,622 as compared to the prior fiscal year. Including grants, fiscal year 2019-20 government-wide revenues increased by \$128,791 and expenses increased \$1,578,201 compared to the prior year. Revenues in governmental activities increased by \$998,236 compared to the prior year, and expenses increased by \$701,923. In business-type activities, revenues decreased by \$848,135 and expenses increased by \$886,304.

<b>Table 2 - Changes in Net Position</b>						
<b>For the periods ending June 30</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Government-Wide Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>						
Program revenues:					-	-
Charges for services	1,140,181	1,138,807	7,729,552	8,269,937	8,869,733	9,408,744
Operating grants / contributions	5,464,020	4,164,982	-	79,907	5,464,020	4,244,889
Capital grants / contributions	487,960	536,877	93,511	323,790	581,471	860,667
General revenues:						
Sales tax	1,554,752	1,578,057	-	-	1,554,752	1,578,057
Transient occupancy tax	1,191,592	1,437,343	-	-	1,191,592	1,437,343
Property taxes	785,996	759,887	-	-	785,996	759,887
Other	441,007	451,319	218,896	216,460	659,903	667,779
<b>Total Revenues</b>	<b>11,065,508</b>	<b>10,067,272</b>	<b>8,041,959</b>	<b>8,890,094</b>	<b>19,107,467</b>	<b>18,957,366</b>
<b>Expenses:</b>						
General government	1,085,185	948,018	-	-	1,085,185	948,018
Public safety	3,068,297	2,860,578	-	-	3,068,297	2,860,578
Community development	490,766	225,247	-	-	490,766	225,247
Human services and recreation	3,749,669	4,544,980	-	-	3,749,669	4,544,980
Public works	1,946,888	1,150,349	-	-	1,946,888	1,150,349
Admin overhead allocation	401,291	311,001	-	-	401,291	311,001
Sewer	-	-	5,190,626	4,600,868	5,190,626	4,600,868
Water	-	-	2,287,188	2,023,786	2,287,188	2,023,786
RV park	-	-	350,523	317,379	350,523	317,379
<b>Total Expenses</b>	<b>10,742,096</b>	<b>10,040,173</b>	<b>7,828,337</b>	<b>6,942,033</b>	<b>18,570,433</b>	<b>16,982,206</b>
<b>Excess (Deficiency) before other items</b>	<b>323,412</b>	<b>27,099</b>	<b>213,622</b>	<b>1,948,061</b>	<b>537,034</b>	<b>1,975,160</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Extraordinary Item</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in net position</b>	<b>323,412</b>	<b>27,099</b>	<b>213,622</b>	<b>1,948,061</b>	<b>537,034</b>	<b>1,975,160</b>
<b>Net position - beginning of year</b>	<b>8,350,209</b>	<b>8,323,110</b>	<b>18,884,539</b>	<b>16,936,478</b>	<b>27,234,748</b>	<b>25,259,588</b>
<b>Net position - end of year</b>	<b>8,673,621</b>	<b>8,350,209</b>	<b>19,098,161</b>	<b>18,884,539</b>	<b>27,771,782</b>	<b>27,234,748</b>







**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 50, and in detail in the combining statements beginning on page 116.

*General Fund.* The General Fund is the chief operating fund of the City of Crescent City. The General Fund experienced an excess of expenditures over revenues in the amount of \$700,681; transfers in and out netted to a negative \$470,448. This resulted in a net decrease in Fund Balance of \$1,171,129.

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 2019-20 General Fund revenue decreased by \$430,294 (approximately 7.6%), in comparison with the prior year. Primary variations from the prior fiscal year include:

- Tax revenue decreased \$242,946 (approximately 6%) from \$3,775,286 in fiscal year 2018-19 to \$3,532,340 in fiscal year 2019-20. The primary impacts were in sales tax and transient occupancy tax, with minor variations in other tax revenues. Sales tax decreased \$22,043 (approximately 1%) and transient occupancy tax decreased \$242,659 (approximately 17%). Both of these revenues were impacted by the COVID-19 pandemic.
- Intergovernmental revenues decreased \$198,135 (approximately 46%) from \$426,583 in fiscal year 2018-19 to \$228,448 in fiscal year 2019-20. This was primarily due to grant revenues received in the prior fiscal year for street projects which were not repeated in the current fiscal year.
- Charges for services decreased by \$94,133 (approximately 10%) from \$905,207 in fiscal year 2018-19 to \$811,074 in fiscal year 2019-20. Fire service fees are charged to the Crescent Fire Protection District for the District’s share of combined operational expenses, and were \$93,222 lower than the prior year. Swimming pool revenues decreased by \$50,210 due to the pool being closed for the COVID-19 pandemic. Partially offsetting these decreases, the City changed its allocation method for Human Resources costs to treat it as an interfund service department. Under this new methodology, the General Fund recognized \$34,465 in revenue from providing services to other funds.
- Other revenues increased by \$95,892 from \$36,930 in fiscal year 2018-19 to \$132,822 in fiscal year 2019-20. The main driver of this increase was in reimbursements from the Del Norte Unified School District for the City to provide a School Resource Officer (increase of \$71,056).

<b>Table 3 - General Fund Revenues by Source</b>						
<b>For the periods ending June 30</b>						
	<b>2020</b>		<b>2019</b>		<b>Increase/(Decrease)</b>	
	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>	<b>Percent of Total</b>
Taxes and assessments	3,532,340	67.6%	3,775,286	72.2%	(242,946)	56.5%
Use of money and property:						
Interest	52,282	1.0%	63,872	1.2%	(11,590)	2.7%
Rental Income	40,320	0.8%	44,230	0.8%	(3,910)	0.9%
Licenses and permits	378,288	7.2%	353,070	6.8%	25,218	-5.9%
Fines and penalties	31,899	0.6%	32,629	0.6%	(730)	0.2%
Intergovernmental revenue	228,448	4.4%	426,583	8.2%	(198,135)	46.0%
Charges for services	811,074	15.5%	905,207	17.3%	(94,133)	21.9%
Gifts and donations	19,440	0.4%	19,400	0.4%	40	0.0%
Other revenue	132,822	2.5%	36,930	0.7%	95,892	-22.3%
<b>Total</b>	<b>5,226,913</b>	<b>100.0%</b>	<b>5,657,207</b>	<b>108.2%</b>	<b>(430,294)</b>	<b>-7.6%</b>

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 Building Inspection, 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 \$488,015, or 9%, from the prior fiscal year. The primary contributors to this increase include:

- \$112,425 increase in General Government spending, due to several factors: 1) decrease of \$45,077 in non-department expenses because fiscal year 2018-19 included a one-time adjustment to correct the timing of a revenue sharing payment, 2) increase of \$54,505 in the City Manager department primarily related to economic sustainability projects to deal with the COVID-19 pandemic and which were grant funded, 3) increase of \$52,154 in the Human Resources department due to a change in cost methodology (in prior years, costs were charged directly to various funds; in fiscal year 2019-20 to ease the administrative burden, all costs are charged to the General Fund and then a portion is recovered from the other funds as revenue based on the number of employees in each fund), and 4) increase of \$43,561 in the Finance Department due to a computer upgrade, increased wages and benefits costs, and costs of preparing grant applications.
- \$230,384 increase in Public Safety expenditures. Public Safety includes the Police Department and the Fire Department.
  - Police Department expenditures increased \$257,364 over the prior fiscal year. This includes an increase of \$34,144 in wages (some wages and benefits are offset by revenues from Del Norte Unified School District for providing a School Resource Officer), increase of \$55,624 in pension costs including payments toward the unfunded liability, increase of \$116,884 for a major computer system upgrade (partially grant-funded), and \$50,712 in other operational costs.
  - Fire Department expenditures decreased \$26,980 compared to the prior fiscal year. Most Fire Department expenditures are subject to a cost sharing agreement with the Fire District, so a decrease in expenditures often results in a decrease in revenue and vice versa.
- Increase of \$83,955 in Community Development, due to a grant-funded Comprehensive Economic Development Strategy (\$39,880) and contract planning services.
- Decrease of \$67,123 in Human Services and Recreation. This is caused by an increase of \$141,211 in the Cultural Center for major siding repair, and a decrease of \$208,334 in the Swimming Pool, partly because fiscal year 2018-19 included significant repairs and partly because the pool was closed beginning in mid-March due to the COVID-19 pandemic and has not yet reopened.
- Increase of \$45,777 in Public Works, primarily due to grant-funded projects to update the Beachfront Park Master Plan (\$33,075).
- Increase of \$82,597 in overhead allocation due to an increase of \$16,541 in IT costs for equipment upgrades, increase of \$32,822 in building maintenance costs for repairs, an increase of \$30,950 in equipment/vehicle maintenance costs for replacements, and a slight increase in insurance costs.

<b>Table 4 - Expenditures by Type</b>						
<b>General Fund</b>						
<b>For the periods ending June 30</b>						
	<b>2020</b>		<b>2019</b>		<b>Increase/(Decrease)</b>	
	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>	<b>Percent of Total</b>
General government	1,017,396	17.2%	904,971	15.3%	112,425	23.0%
Public safety	2,760,432	46.6%	2,530,048	42.7%	230,384	47.2%
Community development	283,909	4.8%	199,954	3.4%	83,955	17.2%
Human services and recreation	644,958	10.9%	712,081	12.0%	(67,123)	-13.8%
Public works	838,265	14.1%	792,488	13.4%	45,777	9.4%
Admin overhead allocation	382,634	6.5%	300,037	5.1%	82,597	16.9%
<b>Total</b>	<b>5,927,594</b>	<b>100.0%</b>	<b>5,439,579</b>	<b>91.8%</b>	<b>488,015</b>	<b>9.0%</b>

*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, 2020. In fiscal year 2019-20, the Housing Authority experienced a surplus of revenues over expenditures in the amount of \$197,573. This increased the Housing Authority's fund balance from \$132,719 to \$330,292. 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 compared to expenditures for fiscal year 2019-20 were a negative \$203,687, bringing the fund balance from the prior fiscal year's negative \$161,996 to a negative \$365,683. 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 2019-20, the change in net position was a negative \$392,966. The decrease in net position was due to operating expenses exceeding operating revenues plus interest and capital contribution.

<b>Table 5 - Sewer Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Sewer Fund				
Operating revenues				
Sewer treatment	4,233,630	4,526,200	(292,570)	-6.5%
External lab revenues	39,780	41,513	(1,732)	-4.2%
Sewer connections	154,517	243,018	(88,502)	-36.4%
Other	125,577	189,820	(64,243)	-33.8%
Grants	-	3,995	(3,995)	-100.0%
Expenses	(5,190,626)	(4,600,868)	(589,758)	12.8%
Non-operating revenue (expense)	150,645	142,382	8,263	5.8%
Net changes before transfers and capital contributions	(486,477)	546,060	(1,032,537)	-189.1%
Net transfers and capital contributions	93,511	323,790	(230,279)	-71.1%
<b>Change in net position</b>	<b>(392,966)</b>	<b>869,850</b>	<b>(1,262,816)</b>	<b>-145.2%</b>

Sewer operating revenues decreased by a total of \$447,047. This is largely due to the economic impacts of the COVID-19 pandemic and a decrease in requested sewer connections. Operating expenses increased by \$589,758 over the prior fiscal year. This includes a decrease of \$414,408 in personnel costs and an increase of \$1,072,454 in materials, supplies, and services. This shift represents the City's shift from in-house operations of the Wastewater Treatment Plant (WWTP) to a third party contractor. As part of this shift, the City is increasing the funds spent on maintenance, repair, and capital improvements to address the unmet needs of the facility. Changing to contract operations of the WWTP resulted in budgeted savings when comparing the budget for in-house operations compared to the contract cost. However, in prior years the City was unable to fully staff the WWTP and complete the necessary maintenance, repairs, and capital improvements, which resulted in lower actual expenses due to deferred projects.

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. In fiscal year 2019-20, the benefit to the City from this project was \$93,511. The project is expected to be completed in fiscal year 2020-21.

The decrease in net position of \$392,966 is comprised of a decrease in net investment in capital assets of \$122,577 and a decrease of \$270,389 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**

	2020	2019	Variance	
	Amount	Amount	Amount	Percent
Sewer Fund				
Assets				
Current assets	8,068,348	8,287,381	(219,033)	-2.6%
Capital assets (net of depreciation)	37,800,115	39,422,692	(1,622,577)	-4.1%
Other non-current assets	208,507	218,544	(10,037)	
Total assets	46,076,970	47,928,617	(1,851,647)	-3.9%
Deferred outflows of resources	618,008	678,069	(60,061)	-8.9%
Liabilities				
Current liabilities	1,956,929	1,981,640	(24,711)	-1.2%
Long-term liabilities	36,712,393	38,213,902	(1,501,509)	-3.9%
Total liabilities	38,669,322	40,195,542	(1,526,220)	-3.8%
Deferred inflows of resources	278,221	270,743	7,478	2.8%
Net position	<b>7,747,435</b>	<b>8,140,401</b>	<b>(392,966)</b>	-4.8%
Net investment in capital assets (net of depreciation and related debt)	2,246,862	2,369,439	(122,577)	-5.2%
Unrestricted	5,500,573	5,770,962	(270,389)	-4.7%
Total net position	<b>7,747,435</b>	<b>8,140,401</b>	<b>(392,966)</b>	-4.8%
Current assets	8,068,348	8,287,381	(219,033)	-2.6%
Current liabilities	1,956,929	1,981,640	(24,711)	-1.2%
Working capital	<b>6,111,419</b>	<b>6,305,741</b>	<b>(194,322)</b>	-3.1%

Water Fund. In fiscal year 2019-20, the change in net position was a positive \$602,501 due to revenues exceeding expenses.

<b>Table 7 - Water Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Water Fund				
Operating revenues				
Water service	2,730,067	2,832,906	(102,839)	-3.6%
Water connections	57,525	75,840	(18,315)	-24.1%
Other	38,789	68,589	(29,800)	-43.4%
Grants	-	1,167	(1,167)	-100.0%
Expenses	(2,287,188)	(2,023,786)	(263,402)	13.0%
Non-operating revenue (expense)	63,308	65,884	(2,576)	-3.9%
<b>Change in net position</b>	<b>602,501</b>	<b>1,020,601</b>	<b>(418,100)</b>	<b>-41.0%</b>

Water operating revenues decreased a total of \$150,955 This is largely due to the economic impacts of the COVID-19 pandemic and a decrease in requested water connections. Operating expenses increased by \$263,402 largely due to a reallocation of labor. With the City moving to contract operations of the WWTP, City staff time was reassigned to other funds including the water fund, to meet previously unmet needs.

The increase in net position of \$602,501 is comprised of an increase in net investment in capital assets of \$278,825, an increase of \$40 in restricted net position, and an increase of \$323,636 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. Working capital was also impacted in fiscal year 2019-20 by converting a current asset (cash) to a long-term asset (advance to other fund). The water fund loaned \$651,738 to the General Fund, which will be repaid with interest. The maximum term of the loan is 20 years, although the General Fund expects to receive grant reimbursement which will allow it to repay the loan early.

Water fund net position has increased over the last several years due to a series of rate increases implemented in 2013 – 2017. These funds are intended to be used for several large capital improvement projects, including the SCADA upgrade anticipated to be completed in fiscal year 2020-21 and upcoming projects for tank rehabilitation, water main redundancy, and water meter upgrades.



<b>Table 8 - Water Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Water Fund				
Assets				
Current assets	3,379,786	3,628,937	(249,151)	-6.9%
Capital assets (net of depreciation)	8,063,921	8,135,096	(71,175)	-0.9%
Other non-current assets	1,855,457	1,203,719	651,738	54.1%
Total assets	13,299,164	12,967,752	331,412	2.6%
Deferred outflows of resources	381,464	418,632	(37,168)	-8.9%
Liabilities				
Current liabilities	683,563	698,108	(14,545)	-2.1%
Long-term liabilities	2,599,311	2,890,677	(291,366)	-10.1%
Total liabilities	3,282,874	3,588,785	(305,911)	-8.5%
Deferred inflows of resources	163,542	165,888	(2,346)	-1.4%
Net position	<b>10,234,212</b>	<b>9,631,711</b>	<b>602,501</b>	<b>6.3%</b>
Net investment in capital assets (net of depreciation and related debt)	6,838,921	6,560,096	278,825	4.3%
Restricted	350,245	350,205	40	0.0%
Unrestricted	3,045,046	2,721,410	323,636	11.9%
Total net position	<b>10,234,212</b>	<b>9,631,711</b>	<b>602,501</b>	<b>6.3%</b>
Current assets	3,379,786	3,628,937	(249,151)	-6.9%
Current liabilities	683,563	698,108	(14,545)	-2.1%
Restricted net position	350,245	350,205	40	0.0%
Working capital	<b>2,345,978</b>	<b>2,580,624</b>	<b>(234,646)</b>	<b>-9.1%</b>

Shoreline Recreational Vehicle (RV) Park. Shoreline RV Park Fund revenues exceeded expenses by \$4,087 in fiscal year 2019-20. Operating revenues in fiscal year 2019-20 decreased by \$24,420. Revenue increases due to high occupancy and a new rate structure were offset by losses due to the COVID-19 pandemic. Operating expenses increased by \$38,319, due to hiring part-time staff and making repairs.

<b>Table 9 - RV Park Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
RV Park Fund				
Operating revenues	342,376	366,796	(24,420)	-6.7%
Other	7,291	-	7,291	
Expenses	(350,523)	(312,204)	(38,319)	12.3%
Non-operating revenue (expense)	4,943	3,019	1,924	63.7%
<b>Change in net position</b>	<b>4,087</b>	<b>57,611</b>	<b>(53,524)</b>	<b>-92.9%</b>

The increase in net position of \$4,087 is a combination of a decrease of \$58,978 in net investment in capital assets (due to depreciation) and an increase of \$63,065 in unrestricted net position.

<b>Table 10 - RV Park Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
RV Park Fund				
Assets				
Current assets	240,600	175,433	65,167	37.1%
Capital assets (net of depreciation)	891,067	950,045	(58,978)	-6.2%
Total assets	1,131,667	1,125,478	6,189	0.5%
Liabilities				
Current liabilities	15,718	17,436	(1,718)	-9.9%
Long-term liabilities	3,820	-	3,820	
Total liabilities	19,538	17,436	2,102	12.1%
Net position	<b>1,112,129</b>	<b>1,108,042</b>	<b>4,087</b>	<b>0.4%</b>
Net investment in capital assets (net of depreciation and related debt)	891,067	950,045	(58,978)	-6.2%
Unrestricted	221,062	157,997	63,065	39.9%
Total net position	<b>1,112,129</b>	<b>1,108,042</b>	<b>4,087</b>	<b>0.4%</b>
Current assets	240,600	175,433	65,167	37.1%
Current liabilities	15,718	17,436	(1,718)	-9.9%
Working capital	<b>224,882</b>	<b>157,997</b>	<b>66,885</b>	<b>42.3%</b>

*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 original adopted General Fund budget for fiscal year 2019-20 was projected with a deficit of \$594,263 which would be taken from existing General Fund reserves. This included an operational deficit of \$233,851 (which is due to conservative budgeting techniques, whereby actual expenses typically come in lower than budgeted resulting in a “budget to actual” savings) plus \$360,412 in approved projects. These included the City’s portion of partially grant-funded software for the Police Department, plans and specifications for the new City Hall building, siding repair at the Cultural Center, new permit software, equipment and IT purchases, a new public restroom downtown, and other projects.

Budget amendments during the year included items such as additional repair costs for the Cultural Center, finalization of the Fire Department 10-Year Master Plan, additional streetlight maintenance, marketing, and various other projects. At the time of the mid-year budget review, the budgeted deficit was \$852,598 which would have reduced the General Fund reserve to \$1,746,102. However, shortly after the mid-year budget was adopted, state and local governments including the City declared an emergency due to the COVID-19 pandemic. The City anticipated that General Fund revenues, particularly sales tax and transient occupancy tax, would be heavily impacted. In May 2020, the City adopted a budget amendment to reduce General Fund expenditures by \$499,630.

In addition to these impacts, the City was working on a capital improvement project to address storm damage to the bluff along Pebble Beach Drive. The City was awarded disaster relief funding for the project, but the funding was not sufficient to complete the preliminary engineering (PE) phase. Under a process called Advanced Construction, the City had the option to fund the rest of the PE phase and apply for additional disaster funding. In order to continue this project, the City Council approved using Advanced Construction in the amount of \$651,738 for the contractor costs plus \$100,000 in staff time and other project costs. If the additional disaster funding was ultimately approved, the City would be reimbursed. This was accounted as a direct expense to the General Fund in fiscal year 2019-20 (via a transfer out to the CIP Fund), as the additional disaster funding was not awarded as of June 30, 2020. However, as of the date of this report, the City has been informed the additional funding was approved and will be recovered through future grant reimbursements.

General Fund revenues were under budget \$687,130, approximately 11.6%. Transient occupancy tax (TOT) came in \$254,481 under budget due to travel restrictions related to the pandemic. Sales tax was not impacted during fiscal year 2019-20 as initially anticipated, probably due to an increase in online shopping and increased benefits made available to the public through the CARES Act. Budgeted grant revenues of \$198,700 were not received but are anticipated to be received in the following fiscal year. Police Department revenue came in \$43,000 under budget for COPS/SLESF revenue due to the City receiving only the minimum allocation, and \$74,012 under budget in grant revenue due to a planned grant-funded position being unfilled (which reduced both expenditures and revenues). Other revenues that came in under budget include transfers from gas tax (\$28,941) and abatement revenue (\$50,000).

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. Additionally, the City intentionally tried to reduce expenditures as much as possible in the last months of the fiscal year due to the pandemic.

Actual expenditures in the General Fund were under budget by \$580,232. Of this variance, \$123,467 wages and benefits due to unfilled positions and unused health benefits. Materials, parts, and supplies were under budget by \$128,508 across multiple departments. Maintenance contracts, legal services, and other contract services were under budget \$198,844, which includes a grant-funded project to update the Beachfront Park Master Plan, economic resiliency projects, and a grant-funded cultural diversity project, which were carried over to fiscal year 2020-21.

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

<b>Table 8 - General Fund Budget-to-Actual</b>						
<b>For the periods ending June 30</b>						
	<b>2020</b>			<b>2019</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues	5,914,043	5,226,913	(687,130)	5,805,904	5,657,208	(148,696)
Expenditures	(6,507,826)	(5,927,594)	580,232	(6,258,831)	(5,439,579)	819,252
Operating results	(593,783)	(700,681)	(106,898)	(452,927)	217,629	670,556
Transfers in	246,500	186,290	(60,210)	142,000	138,053	(3,947)
Transfers out	(656,738)	(656,738)	-	(2,958)	(2,958)	-
<b>Net change in Fund Balance</b>	<b>(1,004,021)</b>	<b>(1,171,129)</b>	<b>(167,108)</b>	<b>(313,885)</b>	<b>352,724</b>	<b>666,609</b>

### Capital Asset and Debt Administration

*Capital assets.* As of June 30, 2020, the City had a total net investment in capital assets of \$21,505,882 (original value of assets less accumulated depreciation and associated debt). This is an increase of \$1,090,044 over the net investment in capital assets as of June 30, 2019. 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 2019-20 included upgrading the water system SCADA, storm drain improvement project on C Street and Front Street, Sunset Circle multi-use trail, sewer lift station project, drainage improvements and generator upgrades at the WWTP, and water tank rehab design.

<b>Table 9 - Net Investment in Capital Assets</b>			
<b>Governmental Funds</b>			
<b>2020</b>	<b>2019</b>	<b>Variance \$</b>	<b>Variance %</b>
11,529,032	10,536,258	992,774	9.4%
<b>Business-type Funds</b>			
<b>2020</b>	<b>2019</b>	<b>Variance \$</b>	<b>Variance %</b>
9,976,850	9,879,580	97,270	1.0%
<b>Total</b>			
<b>2020</b>	<b>2019</b>	<b>Variance \$</b>	<b>Variance %</b>
<b>21,505,882</b>	<b>20,415,838</b>	<b>1,090,044</b>	<b>5.3%</b>

*Long-term debt.* As of June 30, 2020, the City had total debt outstanding of \$37,100,407; this is a decrease of \$1,827,714 from the total debt outstanding at June 30, 2019 of \$38,928,121. This reduction is due to loan principal payments totaling \$1,850,000 and a slight increase in compensated absences payable.

<b>Table 10 - Total Debt</b>						
<b>For the periods ending June 30</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Government-Wide Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Compensated absences	205,726	186,489	116,428	113,379	322,154	299,868
Safe Drinking Water Loan	-	-	1,225,000	1,575,000	1,225,000	1,575,000
State Revolving Loan	-	-	35,553,253	37,053,253	35,553,253	37,053,253
<b>Total</b>	<b>205,726</b>	<b>186,489</b>	<b>36,894,681</b>	<b>38,741,632</b>	<b>37,100,407</b>	<b>38,928,121</b>

### **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 future economic trends and capital improvement needs. For many years, the City has been challenged to allocate limited resources to the needs of the community. One strategy the City continues to implement is to actively seek grant funding for projects to maximize the availability of ongoing revenues to meet ongoing expenses. Current and upcoming grant-funded projects include the Front Street, C Street, and F Street storm drain improvement project, Pebble Beach bank stabilization, Sunset Circle multi-use trail, Amador water tank rehab, economic development projects for microenterprise assistance and business loans, updating the Beachfront Park Master Plan, and housing development planning grants.

The City recently completed 10-Year Master Plans for both the Fire Department and the municipal swimming pool, as well as a staffing plan update for the Police Department. In order to fund these goals and other general fund needs such as street maintenance, the City proposed a 1% transactions and use tax (local sales tax) which was approved by voters in November 2020. This tax, effective April 1, 2021, is anticipated to increase General Fund revenues by \$1.3 million annually.

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 COVID-19 pandemic has put significant pressure on General Fund revenues, mostly in transient occupancy tax, and also on water and sewer fund operational revenues. The City Council adopted a very conservative budget for fiscal year 2020-21, including closing the municipal swimming pool, eliminating seasonal maintenance workers for spring 2021, and reducing budgets in all departments. The General Fund budget, as amended by City Council through the date of this report, includes a deficit of \$302,856. If fiscal year 2020-21 revenues match the budget and all authorized expenditures are spent, the fund balance remaining at the end of fiscal year 2020-21 would be \$1,124,714. The City Council and City staff continue to review both revenues and

expenses on a regular basis throughout the pandemic and associated economic downturn. In addition, the City has committed resources to providing economic resiliency support for local businesses during this time. This includes both City-funded and grant-funded initiatives, with staff time, expert consultants to provide direct technical support to businesses, and applying for grants for a microenterprise assistance program and a business loan program.

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 \$80,000 per 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. This also means that the City will have the personnel and consultant resources to implement the deferred projects, which will improve the reliability and efficiency of the facilities but will also reduce available working capital as reserves are spent on these projects. 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. Design has begun for one of the water tank rehab projects, grant-funded in a partnership with Elk Valley Rancheria. The City is also investing working capital from the Water Fund in additional improvements, including an upgraded SCADA system.

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

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

---

**BASIC  
FINANCIAL STATEMENTS**

---

*This page intentionally left blank*



---

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

---

*This page intentionally left blank*

**City of Crescent City**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 3,508,759	\$ 10,721,451	\$ 14,230,210
Receivables (net)	253,459	967,283	1,220,742
Due from other governments	1,784,658	-	1,784,658
Prepaid items	17,600	-	17,600
Due from RDA Successor Agency	35,300	685,286	720,586
Land held for redevelopment	89,752	-	89,752
Notes receivable	111,129	208,507	319,636
Internal balances	(1,170,171)	1,170,171	-
Nondepreciable capital assets	4,721,972	2,446,695	7,168,667
Depreciable capital assets, net	6,807,060	44,308,408	51,115,468
Total Assets	16,159,518	60,507,801	76,667,319
<b>Deferred outflow of resources</b>			
Pension related amounts	1,403,495	907,185	2,310,680
OPEB related amounts	144,978	92,287	237,265
Total deferred outflow of resources	1,548,473	999,472	2,547,945
<b>Liabilities</b>			
Accounts payable	884,136	201,053	1,085,189
Accrued wages	85,403	-	85,403
Deposits	8,825	432,834	441,659
Unearned revenue	179,653	-	179,653
Long term liabilities			
Compensated absences - due within one year	185,248	72,323	257,571
Compensated absences - due in more than one year	20,478	44,105	64,583
Net pension liability	6,489,924	4,119,066	10,608,990
Net OPEB liability	509,769	324,100	833,869
Loans payable - due within one year	-	1,950,000	1,950,000
Loans payable - due in more than one year	-	34,828,253	34,828,253
Total Liabilities	8,363,436	41,971,734	50,335,170
<b>Deferred inflow of resources</b>			
Pension related amounts	444,132	297,454	741,586
OPEB related amounts	226,802	144,309	371,111
Total deferred inflow of resources	670,934	441,763	1,112,697
<b>Net Position</b>			
Net Investment in capital assets	11,529,032	9,976,850	21,505,882
Restricted for:			
Capital projects and community development	372,016	-	372,016
Debt service	-	350,245	350,245
Other purposes	152,799	-	152,799
Unrestricted	(3,380,226)	8,766,681	5,386,455
Total Net Position	\$ 8,673,621	\$ 19,093,776	\$ 27,767,397

**City of Crescent City**  
**Statement of Activities**  
**For the year ended June 30, 2020**

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government	\$ 1,085,185	\$ 231,348	\$ -	\$ -
Public safety	3,068,297	549,955	202,980	-
Community development	490,766	126,685	409,014	-
Human services and recreation	3,749,669	223,410	4,165,334	-
Public works	1,946,888	8,783	686,692	487,960
Administrative overhead allocation	401,291	-	-	-
Total governmental activities	10,742,096	1,140,181	5,464,020	487,960
<b>Business-type activities:</b>				
Sewer	5,190,626	4,553,504	-	93,511
Water	2,287,188	2,826,381	-	-
RV Park	350,523	349,667	-	-
Total business-type activities	7,828,337	7,729,552	-	93,511
Total primary government	\$ 18,570,433	\$ 8,869,733	\$ 5,464,020	\$ 581,471

**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
\$ 231,348	\$ (853,837)	\$ -	\$ (853,837)
752,935	(2,315,362)	-	(2,315,362)
535,699	44,933	-	44,933
4,388,744	639,075	-	639,075
1,183,435	(763,453)	-	(763,453)
-	(401,291)	-	(401,291)
7,092,161	(3,649,935)	-	(3,649,935)
4,647,015	-	(543,611)	(543,611)
2,826,381	-	539,193	539,193
349,667	-	(856)	(856)
7,823,063	-	(5,274)	(5,274)
<u>\$ 14,915,224</u>	<u>(3,649,935)</u>	<u>(5,274)</u>	<u>(3,655,209)</u>
	224,327	-	224,327
	1,554,752	-	1,554,752
	561,669	-	561,669
	222,406	-	222,406
	1,191,592	-	1,191,592
	54,853	-	54,853
	3,809,599	-	3,809,599
	98,492	218,896	317,388
	65,256	-	65,256
	3,973,347	218,896	4,192,243
	323,412	213,622	537,034
	8,350,209	18,880,154	27,230,363
<u>\$ 8,673,621</u>	<u>\$ 19,093,776</u>	<u>\$ 27,767,397</u>	

*This page intentionally left blank*

---

# FUND FINANCIAL STATEMENTS

---

*Governmental Funds Financial Statements*

*Proprietary Funds Financial Statements*

*Fiduciary Funds Financial Statements*

*This page intentionally left blank*



**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

*This page intentionally left blank*

## 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, 2020**

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
<b>ASSETS</b>					
Cash and investments	\$ 1,804,251	\$ 374,809	\$ 14,682	\$ 933,989	\$ 3,127,731
Receivables:					
Consumers and others	241,217	-	-	-	241,217
County/State/Federal Government	636,861	32	857,923	289,842	1,784,658
Interest receivable	8,055	486	3	1,776	10,320
Due from RDA Successor Agency	-	-	-	35,300	35,300
Due from other funds	506,200	-	-	-	506,200
Prepaid items	3,712	6,349	-	-	10,061
Land held for redevelopment	-	-	-	89,752	89,752
Note receivable	-	-	41,821	69,308	111,129
<b>Total assets</b>	<b>\$ 3,200,296</b>	<b>\$ 381,676</b>	<b>\$ 914,429</b>	<b>\$ 1,419,967</b>	<b>\$ 5,916,368</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	346,062	2,985	390,142	64,266	\$ 803,455
Unearned revenue	131,254	48,399	-	-	179,653
Deposits	8,825	-	-	-	8,825
Advance from other funds	1,170,171	-	-	-	1,170,171
Due to other funds	-	-	506,200	-	506,200
<b>Total liabilities</b>	<b>1,656,312</b>	<b>51,384</b>	<b>896,342</b>	<b>64,266</b>	<b>2,668,304</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues	116,413	-	383,770	269,627	769,810
<b>Total deferred inflow of resources</b>	<b>116,413</b>	<b>-</b>	<b>383,770</b>	<b>269,627</b>	<b>769,810</b>
<b>Fund balances:</b>					
Nonspendable	3,712	6,349	-	-	10,061
Restricted:					
Low and moderate income housing	-	323,943	-	407,407	731,350
Other purposes	-	-	-	152,799	152,799
Assigned:					
Capital improvement and vehicle replacement	-	-	-	525,868	525,868
PD explorer's program	9,535	-	-	-	9,535
Business improvement district	946	-	-	-	946
Unassigned	1,413,378	-	(365,683)	-	1,047,695
<b>Total fund balances</b>	<b>1,427,571</b>	<b>330,292</b>	<b>(365,683)</b>	<b>1,086,074</b>	<b>2,478,254</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,200,296</b>	<b>\$ 381,676</b>	<b>\$ 914,429</b>	<b>\$ 1,419,967</b>	<b>\$ 5,916,368</b>

# City of Crescent City

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2020

---

---

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 2,478,254</b>
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:	1,191,881
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,561,556
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	769,810
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.	781,969
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.	95,570
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	(185,248)
Compensated absences - due in more than one year	(20,478)
Net pension liability	(6,489,924)
Net OPEB Liability	(509,769)
<b>Net position of governmental activities</b>	<b>\$ 8,673,621</b>

---

---

**City of Crescent City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2020**

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General	Housing Authority Section 8	CDBG		
<b>REVENUES:</b>					
Taxes	\$ 3,532,340	\$ -	\$ -	-	\$ 3,532,340
Use of money and property:					
Interest	52,282	1,224	32	12,938	66,476
Rental income	40,320	-	-	-	40,320
Licenses and permits	378,288	-	-	-	378,288
Fines and forfeitures	31,899	-	-	-	31,899
Intergovernmental	228,448	3,835,595	1,036,973	366,264	5,467,280
Charges for services	811,074	-	-	-	811,074
Gifts and donations	19,440	-	-	-	19,440
Other reimbursements	124,820	838	-	-	125,658
Other revenue	8,002	43,111	-	-	51,113
<b>Total revenues</b>	<b>5,226,913</b>	<b>3,880,768</b>	<b>1,037,005</b>	<b>379,202</b>	<b>10,523,888</b>
<b>EXPENDITURES:</b>					
Current:					
General government	1,017,396	-	-	-	1,017,396
Public safety	2,760,432	-	18,043	-	2,778,475
Community development	283,909	-	96,679	-	380,588
Human services and recreation	644,958	3,664,538	313,610	-	4,623,106
Public works	838,265	-	783,301	472,098	2,093,664
Administrative overhead allocation	382,634	18,657	-	-	401,291
<b>Total expenditures</b>	<b>5,927,594</b>	<b>3,683,195</b>	<b>1,211,633</b>	<b>472,098</b>	<b>11,294,520</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(700,681)</b>	<b>197,573</b>	<b>(174,628)</b>	<b>(92,896)</b>	<b>(770,632)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	186,290	-	5,000	679,738	871,028
Transfers out	(656,738)	-	(34,059)	(157,528)	(848,325)
<b>Total other financing sources (uses)</b>	<b>(470,448)</b>	<b>-</b>	<b>(29,059)</b>	<b>522,210</b>	<b>22,703</b>
<b>Net change in fund balances</b>	<b>(1,171,129)</b>	<b>197,573</b>	<b>(203,687)</b>	<b>429,314</b>	<b>(747,929)</b>
<b>FUND BALANCES:</b>					
Beginning of year	2,598,700	132,719	(161,996)	656,760	3,226,183
End of year	\$ 1,427,571	\$ 330,292	\$ (365,683)	\$ 1,086,074	\$ 2,478,254

**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, 2020**

---

Net change in fund balance - governmental funds	\$ (747,929)
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, \$35,413).	1,289,575
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, \$104,197).	(228,017)
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.	(30,190)
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	472,376
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.	781,969
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.	(1,195,135)
Compensated absences 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 funds. In addition, some expenditures recorded in the governmental funds have already been expensed in the government-wide in prior years.	<u>(19,237)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 323,412</u></u>

*This page intentionally left blank*



**PROPRIETARY FUND FINANCIAL STATEMENTS**

*This page intentionally left blank*

## 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, 2020**

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 7,473,957	\$ 3,007,671	\$ 239,823	\$ 10,721,451	\$ 381,028
Accounts receivable	569,836	361,541	-	931,377	1,248
Interest receivable	24,555	10,574	777	35,906	674
Prepaid items	-	-	-	-	7,539
Total current assets	8,068,348	3,379,786	240,600	11,688,734	390,489
Noncurrent assets:					
Notes receivable	208,507	-	-	208,507	-
Due from RDA Successor Agency	-	685,286	-	685,286	-
Advance to other funds	-	1,170,171	-	1,170,171	-
Capital assets:					
Non-depreciable	736,847	1,702,222	7,626	2,446,695	42,525
Depreciable, net	37,063,268	6,361,699	883,441	44,308,408	924,951
Total capital assets	37,800,115	8,063,921	891,067	46,755,103	967,476
Total noncurrent assets	38,008,622	9,919,378	891,067	48,819,067	967,476
<b>Total assets</b>	<b>46,076,970</b>	<b>13,299,164</b>	<b>1,131,667</b>	<b>60,507,801</b>	<b>1,357,965</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	559,177	348,008	-	907,185	-
OPEB related amounts	58,831	33,456	-	92,287	-
<b>Total deferred outflows of resources</b>	<b>618,008</b>	<b>381,464</b>	<b>-</b>	<b>999,472</b>	<b>-</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	50,371	137,029	13,653	201,053	80,681
Accrued wages	-	-	-	-	85,403
Deposits	271,792	161,042	-	432,834	-
Current maturities of long term debt:					
Compensated absences payable	34,766	35,492	2,065	72,323	-
Current portion of loans payable	1,600,000	350,000	-	1,950,000	-
Total current liabilities	1,956,929	683,563	15,718	2,656,210	166,084
Noncurrent liabilities:					
Compensated absences payable	13,594	26,691	3,820	44,105	-
Net pension liability	2,538,940	1,580,126	-	4,119,066	-
Net OPEB liability	206,606	117,494	-	324,100	-
Loans payable - due in more than one year	33,953,253	875,000	-	34,828,253	-
Total noncurrent liabilities	36,712,393	2,599,311	3,820	39,315,524	-
<b>Total liabilities</b>	<b>38,669,322</b>	<b>3,282,874</b>	<b>19,538</b>	<b>41,971,734</b>	<b>166,084</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	186,226	111,228	-	297,454	-
OPEB related amounts	91,995	52,314	-	144,309	-
<b>Total deferred inflows of resources</b>	<b>278,221</b>	<b>163,542</b>	<b>-</b>	<b>441,763</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	2,246,862	6,838,921	891,067	9,976,850	967,476
Restricted for debt service	-	350,245	-	350,245	-
Unrestricted	5,500,573	3,045,046	221,062	8,766,681	224,405
<b>Total net position</b>	<b>\$ 7,747,435</b>	<b>\$ 10,234,212</b>	<b>\$ 1,112,129</b>	<b>\$ 19,093,776</b>	<b>\$ 1,191,881</b>

**City of Crescent City**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 4,553,504	\$ 2,820,758	\$ 349,667	\$ 7,723,929	\$ 1,190,832
Other	-	5,623	-	5,623	54,463
<b>Total operating revenues</b>	<b>4,553,504</b>	<b>2,826,381</b>	<b>349,667</b>	<b>7,729,552</b>	<b>1,245,295</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	1,043,873	1,002,278	106,707	2,152,858	630,249
Materials, supplies, rent, and services	1,771,526	491,616	105,857	2,368,999	415,860
Repair and maintenance	138,190	138,121	30,356	306,667	117,257
Administrative overhead	326,853	426,648	48,625	802,126	-
Depreciation	1,910,184	228,525	58,978	2,197,687	104,197
<b>Total operating expenses</b>	<b>5,190,626</b>	<b>2,287,188</b>	<b>350,523</b>	<b>7,828,337</b>	<b>1,267,563</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(637,122)</b>	<b>539,193</b>	<b>(856)</b>	<b>(98,785)</b>	<b>(22,268)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	150,645	63,308	4,943	218,896	2,594
Grant revenue	-	-	-	-	12,187
<b>Total nonoperating revenues (expenses)</b>	<b>150,645</b>	<b>63,308</b>	<b>4,943</b>	<b>218,896</b>	<b>14,781</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(486,477)</b>	<b>602,501</b>	<b>4,087</b>	<b>120,111</b>	<b>(7,487)</b>
Contributions	93,511	-	-	93,511	-
Transfers out	-	-	-	-	(22,703)
<b>Total contributions and transfers</b>	<b>93,511</b>	<b>-</b>	<b>-</b>	<b>93,511</b>	<b>(22,703)</b>
<b>Change in net position</b>	<b>(392,966)</b>	<b>602,501</b>	<b>4,087</b>	<b>213,622</b>	<b>(30,190)</b>
<b>NET POSITION</b>					
Beginning of year	8,140,401	9,631,711	1,108,042	18,880,154	1,222,071
End of year	\$ 7,747,435	\$ 10,234,212	\$ 1,112,129	\$ 19,093,776	\$ 1,191,881

**City of Crescent City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 4,705,768	\$ 2,938,777	\$ 349,667	\$ 7,994,212	\$ -
Cash received from other funds	-	-	-	-	1,295,466
Cash payments to suppliers for goods and services	(2,334,235)	(1,084,416)	(186,699)	(3,605,350)	(548,095)
Cash paid to employees	(900,089)	(903,191)	(102,744)	(1,906,024)	(630,249)
<b>Net cash provided (used) by operating activities</b>	<b>1,471,444</b>	<b>951,170</b>	<b>60,224</b>	<b>2,482,838</b>	<b>117,122</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Grant cash receipts	-	-	-	-	12,187
Cash disbursements to other funds	-	(651,738)	-	(651,738)	(47,703)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>(651,738)</b>	<b>-</b>	<b>(651,738)</b>	<b>(35,516)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Cash capital contributions	93,511	-	-	93,511	-
Acquisition of capital assets	(287,607)	(157,350)	-	(444,957)	(35,413)
Long-term debt repayments	(1,500,000)	(350,000)	-	(1,850,000)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,694,096)</b>	<b>(507,350)</b>	<b>-</b>	<b>(2,201,446)</b>	<b>(35,413)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income received	164,178	69,161	5,940	239,279	2,817
<b>Net cash provided (used) by investing activities</b>	<b>164,178</b>	<b>69,161</b>	<b>5,940</b>	<b>239,279</b>	<b>2,817</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(58,474)</b>	<b>(138,757)</b>	<b>66,164</b>	<b>(131,067)</b>	<b>49,010</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>7,532,431</b>	<b>3,146,428</b>	<b>173,659</b>	<b>10,852,518</b>	<b>332,018</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 7,473,957</b>	<b>\$ 3,007,671</b>	<b>\$ 239,823</b>	<b>\$ 10,721,451</b>	<b>\$ 381,028</b>

**City of Crescent City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>					
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (637,122)	\$ 539,193	\$ (856)	\$ (98,785)	(22,268)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,910,184	228,525	58,978	2,197,687	104,197
Changes in assets, deferred outflows and inflows of resources, and liabilities					
Receivables	157,063	97,611	-	254,674	50,171
Prepaid items	-	6,930	-	6,930	22,072
Deferred outflows of resources - pension	56,130	34,932	-	91,062	-
Deferred outflows of resources - OPEB	3,931	2,236	-	6,167	-
Accounts payable	(97,666)	(34,961)	(1,861)	(134,488)	(49,433)
Accrued wages	-	-	-	-	12,383
Deposits payable	(4,799)	14,785	-	9,986	-
Compensated leaves payable	(8,652)	7,738	3,963	3,049	-
Net pension liability	153,682	95,645	-	249,327	-
Net OPEB liability	(68,785)	(39,118)	-	(107,903)	-
Deferred inflows of resources - pension	(35,920)	(27,025)	-	(62,945)	-
Deferred inflows of resources - OPEB	43,398	24,679	-	68,077	-
<b>Total adjustments</b>	<b>2,108,566</b>	<b>411,977</b>	<b>61,080</b>	<b>2,581,623</b>	<b>139,390</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,471,444</b>	<b>\$ 951,170</b>	<b>\$ 60,224</b>	<b>\$ 2,482,838</b>	<b>\$ 117,122</b>

*This page intentionally left blank*



**FIDUCIARY FUND FINANCIAL STATEMENTS**

*This page intentionally left blank*

## 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, 2020**

---

	Retired Employees Health Care Plan	Successor Agency RDA
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and investments	\$ 683,970	\$ 99,956
Interest receivable	-	324
<b>Total assets</b>	<u>683,970</u>	<u>100,280</u>
<b>LIABILITIES</b>		
Unearned revenues	-	2,500
Due to the City of Crescent City	-	35,300
Due to the City of Crescent City (Water Utility Fund)	-	685,286
<b>Total liabilities</b>	<u>                    </u>	<u>723,086</u>
<b>NET POSITION</b>		
Restricted for other postemployment benefits	683,970	-
Restricted for dissolution of RDA	-	(622,806)
<b>Total net position</b>	<u>\$ 683,970</u>	<u>\$ (622,806)</u>

**City of Crescent City**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2020**

	Retired Employees Health Care Plan	Successor Agency RDA
<b>ADDITIONS:</b>		
Taxes	\$ -	\$ 28,098
Use of money and property:		
Interest	-	2,361
Contributions:		
Employer	161,094	-
Investment Income:		
Net appreciation in fair value of investments	19,241	-
Investment fees	(2,024)	-
<b>Total additions</b>	<b>178,311</b>	<b>30,459</b>
<b>DEDUCTIONS:</b>		
Benefit payments	101,393	-
Payroll	-	1,557
Loss on sale of land held for resale	-	16,783
Other	-	36,087
<b>Total deductions</b>	<b>101,393</b>	<b>54,427</b>
<b>Change in net position</b>	<b>76,918</b>	<b>(23,968)</b>
<b>NET POSITION:</b>		
Beginning of year	607,052	(598,838)
End of year	<b>\$ 683,970</b>	<b>\$ (622,806)</b>

*This page intentionally left blank*

---

# NOTES TO BASIC FINANCIAL STATEMENTS

---

*This page intentionally left blank*



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**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, 2020**

---

**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, 2020**

---

**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, 2020**

---

**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, 2020**

---

**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.

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

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

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

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

***Assets, Liabilities and Net Position or Equity***

**Cash and Investments**

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

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

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

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 assets with an initial cost of more than \$5,000 and an estimated useful life in excess of three years. Such depreciation has been provided over the estimated useful lives using the straight-line method.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

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

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

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

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

**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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

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

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.

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



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

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

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, then 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.

**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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

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

**New Pronouncements**

In 2020, the City did not adopt any new accounting standards.

**2. CASH AND INVESTMENTS**

As of June 30, 2020, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 14,230,210
Fiduciary Funds	783,926
Total Cash and Investments	<u>\$ 15,014,136</u>
As of June 30, 2020, the City's cash and investments consisted of the following:	
Cash:	
Cash on hand	\$ 1,300
Deposits	843,141
Total Cash	<u>844,441</u>
As of June 30, 2020 the City's investments consisted of the following:	
Investments:	
In California Local Agency Investment Fund (at fair value)	13,485,725
Total Investments	<u>13,485,725</u>
Investments held in trust for other postemployment benefits	<u>683,970</u>
Total Cash and Investments	<u>\$ 15,014,136</u>

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$843,191 and the bank balance was \$1,634,474. 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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**2. CASH AND INVESTMENTS, CONTINUED**

**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.

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, 2020, 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, 2020 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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**2. CASH AND INVESTMENTS, CONTINUED**

As of June 30, 2020, the City had \$13,485,725 invested in LAIF, which had 3.37% 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 1.004912795 to the total investments held by LAIF.

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

**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, 2020, the trust had a balance of \$683,970. 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, 2020:

<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, 2020, 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, 2020, the annual money-weighted rate of return on investments, net of investment expenses, was 3.17%. 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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**3. NOTES RECEIVABLE, CONTINUED**

Outstanding notes receivable for the year ended June 30, 2020 were as follows:

Business Enterprise Notes	\$	208,507
Rehab & Sidewalk Notes		69,308
CDBG 03/04 Program Loans		41,821
	\$	<u>319,636</u>

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Adjustments/ Retirements	Transfers	Balance June 30, 2020
<b>Governmental Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,823,284	\$ -	\$ -	\$ -	\$ 2,823,284
Construction in progress	616,266	1,287,424	-	(5,002)	1,898,688
Total Capital Assets, Not Being Depreciated	<u>3,439,550</u>	<u>1,287,424</u>	<u>-</u>	<u>(5,002)</u>	<u>4,721,972</u>
Capital Assets, Being Depreciated:					
Building and improvements	8,695,743	-	-	5,002	8,700,744
Machinery and equipment	3,650,058	43,174	(5,610)	-	3,687,622
Infrastructure	2,749,791	-	-	-	2,749,791
Total Capital Assets, Being Depreciated:	<u>15,042,792</u>	<u>43,174</u>	<u>(5,610)</u>	<u>5,002</u>	<u>15,080,356</u>
Less Accumulated Depreciation	<u>(7,998,884)</u>	<u>(337,824)</u>	<u>5,610</u>	<u>-</u>	<u>(8,331,098)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,096,708</u>	<u>(294,650)</u>	<u>-</u>	<u>5,002</u>	<u>6,807,060</u>
<b>Total Governmental Activities, Net</b>	<u>\$ 10,536,258</u>	<u>\$ 992,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,529,032</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**4. CAPITAL ASSETS, CONTINUED**

	Balance June 30, 2019	Additions	Adjustments/ Retirements	Transfers	Balance June 30, 2019
<b>Business-Type Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 493,855	\$ -	\$ -	\$ -	\$ 493,855
Construction in progress	1,528,036	424,804	-	-	1,952,840
Total Capital Assets, Not Being Depreciated	2,021,891	424,804	-	-	2,446,695
Capital Assets, Being Depreciated:					
Structures and improvements	42,494,252	-	-	-	42,494,252
Machinery and equipment	9,519,112	20,153	-	-	9,539,265
Infrastructure	21,701,772	-	-	-	21,701,772
Total Capital Assets, Being Depreciated:	73,715,136	20,153	-	-	73,735,289
Less Accumulated Depreciation	(27,229,194)	(2,197,687)	-	-	(29,426,881)
Total Capital Assets, Being Depreciated, Net	46,485,942	(2,177,534)	-	-	44,308,408
Total Business-Type Activities, Net	\$ 48,507,833	\$ (1,752,729)	\$ -	\$ -	\$ 46,755,104

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 26,111
Public ways and facilities	88,856
Public protections	119,829
Culture and recreation	103,028
Total Depreciation Expense - Governmental Functions	<u>\$ 337,824</u>

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

Sewer	\$ 1,910,184
Water	228,525
RV Park	58,978
Total Depreciation Expense - Business-Type Functions	<u>\$ 2,197,687</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**5. LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Adjustments/ Retirements	Balance June 30, 2020	Amounts Due Within One year	Amounts Due in More Than One year
<b>Governmental Activities</b>						
Compensated Absences (Note 1)	\$ 186,489	\$ 185,413	\$ (166,176)	\$ 205,726	\$ 185,248	\$ 20,478
Total Governmental Activities	<u>\$ 186,489</u>	<u>\$ 185,413</u>	<u>\$ (166,176)</u>	<u>\$ 205,726</u>	<u>\$ 185,248</u>	<u>\$ 20,478</u>
	Balance June 30, 2019	Additions	Adjustments/ Retirements	Balance June 30, 2020	Amounts Due Within One year	Amounts Due in More Than One year
<b>Business-Type Activities</b>						
Loans Payable:						
Safe Water Revolving Loan	\$ 1,575,000	\$ -	\$ (350,000)	\$ 1,225,000	\$ 350,000	\$ 875,000
State Water Resources - Safe Water Loan	37,053,253	-	(1,500,000)	35,553,253	1,600,000	33,953,253
Subtotal Loans Payable	38,628,253	-	(1,850,000)	36,778,253	1,950,000	34,828,253
Compensated Absences (Note 1)	113,379	78,284	(75,235)	116,428	72,323	44,105
Total Business-Type Activities	<u>\$ 38,741,632</u>	<u>\$ 78,284</u>	<u>\$ (3,775,235)</u>	<u>\$ 35,044,681</u>	<u>\$ 3,972,323</u>	<u>\$ 69,700,611</u>

At June 30, 2020, loans consisted of the following:

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

	Business-Type Activities
	\$ 35,553,253

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.

	1,225,000
Total Loans	<u>\$ 36,778,253</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**5. LONG-TERM DEBT, CONTINUED**

The annual aggregate maturities for the years subsequent to June 30, 2020 are as follows:

Year Ended June 30	Loans				Total
	Safe Drinking Water		Water Resources Control Board		
	Principal	Interest	Principal	Interest	
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	-	-	1,697,663	-	1,697,663
2026-2030	-	-	8,488,313	-	8,488,313
2031-2035	-	-	8,488,313	-	8,488,313
2036-2040	-	-	8,488,313	-	8,488,313
2041	-	-	1,697,662	-	1,697,662
Total	\$ 1,225,000	\$ -	\$ 35,553,253	\$ -	\$ 36,778,253

**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 \$322,154. 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.

**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, 2020:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 506,200	\$ -
CDBG Special Revenue Fund	-	506,200
Total	\$ 506,200	\$ 506,200



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**6. INTERFUND TRANSACTIONS, CONTINUED**

**Advance To/From Other Funds**

Advances to and from funds represent longer term loans between those funds. The City had two such loans between the Water Fund and the General Fund as of June 30, 2020 totaling \$1,170,171.

There was a \$518,433 loan from the Water Fund to the 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 2022.

In fiscal year 2020, City Council approved a loan from the Water Fund to the General Fund in the amount of \$651,738 for the Pebble Beach Bank Stabilization Project. Payments commence June 30, 2021 through June 30, 2040. Interest is 2.03%. Below is the payment schedule for this loan:

Year Ended	Pebble Beach Bank Stabilization Loan			
	June 30	Principal	Interest	Total
2021	\$ -	\$ -	\$ 13,230	\$ 13,230
2022	-	-	13,230	13,230
2023	-	-	13,230	13,230
2024	32,486	32,486	13,231	45,717
2025	33,146	33,146	12,571	45,717
2026-2030	176,099	176,099	52,483	228,582
2031-2035	194,712	194,712	33,869	228,581
2036-2040	215,295	215,295	13,288	228,583
Total	\$ 651,738	\$ 651,738	\$ 165,132	\$ 816,870

**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 schedule on the following page presents the interfund transfers for fiscal year ended June 30, 2020:

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**6. INTERFUND TRANSACTIONS, CONTINUED**

**Transfers, Continued**

Transfers Out	Transfers In			Total
	General Fund	CDBG	Non-Major Governmental Funds	
Major Funds:				
General Fund	\$ -	\$ 5,000	\$ 651,738	\$ 656,738
CDBG	6,059	-	28,000	34,059
Non-Major Governmental Funds	157,528	-	-	157,528
Internal Service Funds	22,703	-	-	22,703
<b>Total</b>	<b>\$ 186,290</b>	<b>\$ 5,000</b>	<b>\$ 679,738</b>	<b>\$ 871,028</b>

- 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 to the General Fund was for grant-writing services.
- The purpose of the transfer from the CDBG Special Revenue Fund to Non-Major Governmental Funds (Capital Improvement Fund) was to provide funding for a future project.
- The purpose of the transfer from the General Fund to the Non-Major Governmental Funds (Capital Improvement Fund) was to provide funding for the Pebble Beach Bank Stabilization 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 six rate plans (miscellaneous classic, miscellaneous PEPRA, safety police classic, safety police PEPRA, safety fire classic, and safety fire PEPRA). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**7. EMPLOYEE RETIREMENT PLANS, CONTINUED**

**B. Benefits Provided**

of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

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

The Plans' provisions and benefits in effect at June 30, 2020 are summarized as follows:

	<b>Miscellaneous</b>			
	<b>Prior to</b>	<b>On or after</b>		
Hire date	January 1, 2013	January 1, 2013		
Benefit formula	2% @ 55	2% @ 62		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Retirement age	50 - 55	52-62		
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%		
Required employee contribution rates	8.000%	6.750%		
Required employer contribution rates	10.823%	6.985%		
Required employer dollar UAL payment (annual)	\$578,275	\$1,506		
	<b>Safety (Police)</b>		<b>Safety (Fire)</b>	
	<b>Prior to</b>	<b>On or after</b>	<b>Prior to</b>	<b>On or after</b>
Hire date	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2% @ 50	2.7% @ 57	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	50-57	50	50-57
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.000%	12.000%	9.000%	12.000%
Required employer contribution rates	16.636%	13.034%	16.636%	13.034%
Required employer dollar UAL payment (annual)	\$168,642	\$331	\$9,790	\$0

**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

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**7. EMPLOYEE RETIREMENT PLANS, CONTINUED**

**B. Benefits Provided, Continued**

required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2019, the contributions recognized against net pension liability for the Plan were \$968,710.

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan \$10,608,990.

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, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 were as follows:

Proportion - June 30, 2018	0.10455%
Proportion - June 30, 2019	<u>0.10353%</u>
Change - Increase (Decrease)	<u><u>-0.00102%</u></u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**7. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

For the year ended June 30, 2020, the City recognized pension expense of \$1,851,723. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Pension contributions subsequent to measurement date	\$ 1,108,169	
Changes of assumptions	486,210	153,165
Differences between expected and actual experience	716,301	32,972
Changes in employer's proportion	-	228,948
Differences between the employer's contribution and the employer's proportionate share of contributions	-	151,976
Net differences between projected and actual earnings on plan investments	-	174,525
Total	<u>\$ 2,310,680</u>	<u>\$ 741,586</u>

\$1,108,169 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, 2021. 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:	
<u>                    </u>	
2020	\$ 589,039
2021	(211,203)
2022	48,120
2023	34,969

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**7. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by entry age and service
Investment of return	7.15%
Maturity Rate Table <sup>(1)</sup>	Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. <sup>1</sup>

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvement using Society of Actuaries Scale 90% of scale MP2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS) demographic data from 1997 to 2015) that can be 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.

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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**7. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

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 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
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.

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

The following schedule 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	\$	15,615,988
Current Discount Rate		7.15%
Net Pension Liability	\$	10,608,990
1% Increase		8.15%
Net Pension Liability	\$	6,484,581

**D. Payable to the Pension Plan**

At June 30, 2020, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**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 (\$139 per month for 2020)
- 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

*B. Employees Covered*

As of the July 1, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	42
Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to, but not yet receiving benefits	38
	102

*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, 2020, the City's cash contribution was \$134,579 in payments to the trust and the estimated implicit subsidy was \$26,515 resulting in total payments of \$161,094.



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

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

*D. Net OPEB Liability*

The City’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2019 that was used to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

**Actuarial Assumptions**

Discount Rate	6.3%
General Inflation	2.5% per annum
Salary Increases	3.0% per year
Investment Rate of Return	6.3%
Funding Method	Entry Age Normal Cost, level percent of pay
Mortality Improvement <sup>(1)</sup>	MacLeod Watts Scale 2020 applied generationally from 2015
Healthcare Trend Rate	Actual for 2020, 6.5% for 2021, decreasing to an ultimate rate of 4.00% in 2076 and later years

Notes:

(1) Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of CalPERS using data from 1997 to 2015, except for a different basis used to project future mortality improvements. The representative mortality rates were the published CalPERS rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

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 table on the following page:

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

*D. Net OPEB Liability, Continued*

<b>Investment Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	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%
<b>Fixed Income</b>	35.00%	
Short Term Bond	6.75%	3.80%
Intermediate Term Bond	27.00%	4.60%
High Yield	1.25%	6.00%
<b>Cash</b>	5.00%	2.10%
<b>TOTAL</b>	<b>100.00%</b>	

At the time the valuation was prepared, the City was invested in the Balanced Portfolio, which had an expected return of 6.82%. Based on the City's OPEB trust balance, the City assumed 50 basis points in non-imbedded fees for a net expected return of 6.32%. The City approved 6.3% as the assumed long term return on trust assets, providing some margin for potential adverse returns.

*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, 2020**

**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)
<b>Balance at June 30, 2019</b> (Measurement date 06/30/2018)	\$ 1,568,110	\$ 456,619	\$ 1,111,491
<b>Changes in the year:</b>			
Service cost	73,899	-	73,899
Interest	100,416	-	100,416
Differences between expected and actual experience	(147,813)	-	(147,813)
Assumption changes	(57,501)	-	(57,501)
Contribution - employer	-	156,211	(156,211)
Expected investment income	-	33,991	(33,991)
Benefit payments	(96,190)	(96,190)	-
Other adjustments	-	56,421	(56,421)
<b>Net changes</b>	<b>(127,189)</b>	<b>150,433</b>	<b>(277,622)</b>
<b>Balance at June 30, 2020</b> (Measurement date 06/30/2019)	<b>\$ 1,440,921</b>	<b>\$ 607,052</b>	<b>\$ 833,869</b>

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

	1% Decrease	Current Discount Rate	1% Increase
	5.30%	6.30%	7.30%
Net OPEB Liability (Asset)	\$ 997,160	\$ 833,869	\$ 696,687

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

	1% Decrease	Current Trend Rate	1% Increase
	Net OPEB Liability (Asset)	\$ 731,257	\$ 833,869

**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, 2020**

---

**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 and is calculated using the 4 different employee groups' Expected Average Remaining Service Life (EARSL). The recognition periods for various gains and losses created in the June 30, 2019 measurement are as follows:

Net difference between projected and actual earnings on OPEB plan investments	5 years
Changes in assumption	EARSL of 7.79 years
Differences between expected and actual experience	EARSL of 11.46 years

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

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$85,780. For the fiscal year ended June 30, 2020, 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	\$ 161,094	\$ -
Differences Between Expected and Actual Experience	-	276,101
Changes of Assumptions	76,171	50,115
Net differences between projected and actual earnings on plan investments	-	44,895
Total	<u>\$ 237,265</u>	<u>\$ 371,111</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**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
2021	\$ (54,322)
2022	(54,320)
2023	(50,742)
2024	(31,682)
2025	(20,288)
Thereafter	(83,586)

**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, 2020**

---

**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, 2020, the City contributed of \$544,629 to GSRMA for general liability, property, and workers compensation.

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 \$35,553,253.

Principal and interest paid for the current year and net system revenues were \$1,500,000 and \$1,423,707 respectively.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**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 \$1,225,000.

Principal and interest paid for the current year and net system revenues were \$350,000, and \$831,026 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, 2020**

**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, 2020, cash and investments in the amount of \$99,956 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 \$35,300 and \$685,286 respectively. Of these amounts, \$35,300 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, 2020:

	Balance June 30, 2019	Additions	Adjustments/ Retirements	Balance June 30, 2020	Amounts Due Within One year	Amounts Due in More Than One year
<b>Fiduciary Fund Debt</b>						
Successor Housing Agency	\$ 76,634	\$ -	\$ (41,334)	\$ 35,300	\$ -	\$ -
City Water Fund	685,286	-	-	685,286	-	-
Total Fiduciary Fund Debt	<u>\$ 761,920</u>	<u>\$ -</u>	<u>\$ (41,334)</u>	<u>\$ 720,586</u>	<u>\$ -</u>	<u>\$ -</u>

**13. COVID-19 PANDEMIC**

During December 2019, a novel coronavirus disease (COVID-19) was discovered. COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization on March 11, 2020. On March 4, 2020, the California State Governor proclaimed a State of Emergency as a result of the threat of the COVID-19 in the State of California, ultimately leading to a state-wide shelter-in-place order commencing March 19, 2020.

COVID-19 had an immediate impact on the City's tax revenues. While 2019-20 property tax revenues were insulated from COVID-19 due to the lien date (and change in California Consumer Price Index) of



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**13. COVID-19 PANDEMIC, CONTINUED**

January 1, 2019, preceding the onset of COVID-19 in March 2020, as evident in the City's basic financial statements, transient occupancy tax (TOT) was susceptible to the economic impact of COVID-19, and to a lesser extent, sales taxes. The drop in TOT revenues was directly attributable to the restrictions on the travel industry.

In response to the economic impact, the City adopted a budgeted amendment in May 2020 to reduce General Fund expenditures by \$499,630. The budget adopted for fiscal year 2020-21 was extremely conservative (\$906,175 less than the final General Fund budget for fiscal year 2019-20), including keeping the municipal swimming pool closed for an indefinite period. The agreements with all four employee associations expired June 30, 2020, and management successfully negotiated with all four groups to extend the agreements for an additional year with no increase in wages or benefits. Additionally, the City created and dedicated staff time to the Economic Resiliency Task Force to provide technical assistance and resources to local businesses. The City is dedicating funding from multiple sources, including private foundations, CDBG grants, City funds, and CARES Act funding to provide economic development consultants and small loans to help local businesses stay afloat.

Actual sales tax and transient occupancy tax revenues thus far have not been impacted as severely as initially projected. Additionally, the City voters passed a 1% transactions (sales) tax on the November 2020 ballot, which will be effective April 2021 and provide an estimated \$1.3 million annually to the General Fund for essential City services.

*This page intentionally left blank*

---

**REQUIRED  
SUPPLEMENTARY INFORMATION**

---

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**1. OTHER POST EMPLOYMENT BENEFITS**

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

<i>Measurement Period</i>	2019	2018	2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 73,899	\$ 71,573	\$ 84,805
Interest on the total OPEB liability	100,416	96,582	111,248
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(147,813)	-	(257,555)
Changes of assumptions	(57,501)	-	138,952
Benefit paymens, including refunds of employee contributions	(96,190)	(123,018)	(117,859)
<b>Net change in total OPEB liability</b>	<b>(127,189)</b>	<b>45,137</b>	<b>(40,409)</b>
<b>Total OPEB liability - beginning</b>	<b>1,568,110</b>	<b>1,522,973</b>	<b>1,563,382</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 1,440,921</b>	<b>\$ 1,568,110</b>	<b>\$ 1,522,973</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 156,211	\$ 179,438	\$ 156,803
Contributions - employee			
Net investment income	33,991	31,754	39,562
Benefit payments, including refunds of employee contributions	(96,190)	(123,018)	(117,859)
Administrative expense	-	-	-
Other	56,421	-	-
<b>Net change in plan fiduciary net position</b>	<b>150,433</b>	<b>88,174</b>	<b>78,506</b>
<b>Plan fiduciary net position - beginning</b>	<b>456,619</b>	<b>368,445</b>	<b>289,939</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 607,052</b>	<b>\$ 456,619</b>	<b>\$ 368,445</b>
<b>Net OPEB liability/(asset) - ending (a) - (b)</b>	<b>\$ 833,869</b>	<b>\$ 1,111,491</b>	<b>\$ 1,154,528</b>
Plan fiduciary net position as a percentage of the total OPEB liability	42%	29%	24%
Covered-employee payroll	3,466,680	3,217,205	3,045,658
Net OPEB liability as a percentage of covered-employee payroll	24.05%	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, 2020**

**1. OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

**B. Schedule of Contributions Last Ten Fiscal Years**

	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 161,094	\$ 156,211	\$ 179,438
Contributions in relation to the ADC	(161,094)	(156,211)	(179,438)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	2,941,134	3,466,680	3,217,205
Contributions as a percentage of covered-employee payroll	5.48%	4.51%	5.58%

**Notes to Schedule:**

**Methods and assumptions used to determine contributions:**

Valuation Date used to determine ADC	7/1/2017	7/1/2017	7/1/2015
Discount rate used to determine ADC	6.30%	6.30%	7.00%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Pay	Level % of Pay	Level % of Pay
Amortization Period	20 Years Closed	21 Years Closed	22 Years Closed
Asset Valuation Method	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.25%	3.25%	3.25%
Healthcare cost-trend rates	8.0% in 2018 to 5.0%	8.0% in 2018 to 5.0%	7.5% in 2017 to 4.5%
Retirement Age	50 to 75	50 to 75	50 to 75
Mortality	MW Scale 2017 generationally	MW Scale 2017 generationally	MW Scale 2017 generationally

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, 2020**

**1. OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

*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%
2020	3.17%

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

**2. DEFINED BENEFIT PENSION PLAN**

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

Fiscal Year	2020	2019	2018	2017	2016	2015
Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.10353226%	0.10454965%	0.10411817%	0.10614935%	0.10970704%	0.10061430%
Proportionate share of the net pension liability	\$ 10,608,990	\$ 10,074,682	\$ 10,325,662	\$ 9,185,205	\$ 7,530,194	\$ 6,260,676
Covered payroll	\$ 3,466,680	\$ 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	306.03%	313.15%	339.03%	308.31%	258.27%	224.99%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

**Notes to Schedule:**

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

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**2. DEFINED BENEFIT PENSION PLAN, CONTINUED**

***B. Schedule of Contributions - Last 10 Years\****

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 1,108,169	\$ 968,710	\$ 948,296	\$ 851,158	\$ 763,462	\$ 625,852
Contribution in relation to the actuarially determined contributions	<u>(1,108,169)</u>	<u>(968,710)</u>	<u>(948,296)</u>	<u>(851,158)</u>	<u>(763,462)</u>	<u>(625,852)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,272,924	\$ 3,466,680	\$ 3,217,205	\$ 3,045,658	\$ 2,979,180	\$ 2,915,615
Contributions as a percentage of covered payroll	33.86%	27.94%	29.48%	27.95%	25.63%	21.47%

**Note to Schedule**

Valuation date:	6/30/2018	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, 2020**

---

**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, 2020 (Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 3,760,537	\$ 3,770,905	\$ 3,532,340	\$ (238,565)
Use of money and property:				
Interest	38,639	50,333	52,282	1,949
Rental income	44,029	44,029	40,320	(3,709)
Licenses and permits	351,002	350,766	378,288	27,522
Fines and forfeitures	59,900	59,900	31,899	(28,001)
Intergovernmental	424,695	541,858	228,448	(313,410)
Charges for services	921,724	938,635	811,074	(127,561)
Gifts and donations	3,000	22,600	19,440	(3,160)
Other reimbursements	98,258	112,787	124,820	12,033
Other revenue	18,850	22,230	8,002	(14,228)
<b>Total revenues</b>	<b>5,720,634</b>	<b>5,914,043</b>	<b>5,226,913</b>	<b>(687,130)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,033,743	1,089,056	1,017,396	71,660
Public safety	3,002,842	2,929,069	2,760,432	168,637
Community development	334,434	306,889	283,909	22,980
Human services and recreation	743,213	740,566	644,958	95,608
Public works	951,554	1,034,889	838,265	196,624
Administrative overhead allocation	375,111	407,357	382,634	24,723
<b>Total expenditures</b>	<b>6,440,897</b>	<b>6,507,826</b>	<b>5,927,594</b>	<b>580,232</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(720,263)</b>	<b>(593,783)</b>	<b>(700,681)</b>	<b>(106,898)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	201,000	246,500	186,290	(60,210)
Transfers out	(75,000)	(656,738)	(656,738)	-
<b>Total other financing sources (uses)</b>	<b>126,000</b>	<b>(410,238)</b>	<b>(470,448)</b>	<b>(60,210)</b>
<b>Net change in fund balance</b>	<b>\$ (594,263)</b>	<b>\$ (1,004,021)</b>	<b>(1,171,129)</b>	<b>\$ (167,108)</b>
<b>FUND BALANCE:</b>				
Beginning of year			2,598,700	
End of year			<u>\$ 1,427,571</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, 2020 (Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property:				
Interest	\$ 140	\$ 140	\$ 1,224	\$ 1,084
Intergovernmental	3,694,112	3,787,626	3,835,595	47,969
Other reimbursements	574	574	838	264
Other revenue	25,548	25,548	43,111	17,563
<b>Total revenues</b>	<b>3,720,374</b>	<b>3,813,888</b>	<b>3,880,768</b>	<b>66,880</b>
<b>EXPENDITURES:</b>				
Current:				
Human services and recreation	3,710,381	3,804,285	3,664,538	139,747
Administrative overhead allocation	18,703	19,158	18,657	501
<b>Total expenditures</b>	<b>3,729,084</b>	<b>3,823,443</b>	<b>3,683,195</b>	<b>140,248</b>
<b>Net change in fund balance</b>	<b>\$ (8,710)</b>	<b>\$ (9,555)</b>	197,573	<b>\$ 207,128</b>
<b>FUND BALANCE:</b>				
Beginning of year			132,719	
End of year			\$ 330,292	

# 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, 2020 (Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property:				
Interest	\$ -	\$ -	\$ 32	\$ 32
Intergovernmental	5,175,433	5,335,737	1,036,973	(4,298,764)
<b>Total revenues</b>	<b>5,175,433</b>	<b>5,335,737</b>	<b>1,037,005</b>	<b>(4,298,732)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	26,375	26,375	18,043	8,332
Community development	342,005	341,836	96,679	245,157
Human services and recreation	714,030	627,106	313,610	313,496
Public works	4,093,023	4,093,023	783,301	3,309,722
<b>Total expenditures</b>	<b>5,175,433</b>	<b>5,088,340</b>	<b>1,211,633</b>	<b>3,876,707</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>247,397</b>	<b>(174,628)</b>	<b>(422,025)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,800	40,000	5,000	(35,000)
Transfers out	(42,800)	(70,015)	(34,059)	35,956
<b>Total other financing sources (uses)</b>	<b>(35,000)</b>	<b>(30,015)</b>	<b>(29,059)</b>	<b>956</b>
<b>Net change in fund balance</b>	<b>\$ (35,000)</b>	<b>\$ 217,382</b>	<b>(203,687)</b>	<b>\$ (421,069)</b>
<b>FUND BALANCE:</b>				
Beginning of year			(161,996)	
End of year			<u>\$ (365,683)</u>	

*This page intentionally left blank*

---

# SUPPLEMENTARY INFORMATION

---

**City of Crescent City**  
**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2020**

	Special Revenue Funds		
	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund
<b>ASSETS</b>			
Cash and investments	\$ 20,499	\$ 21,290	\$ 281,413
Receivables:			
County/State/Federal Government	-	-	-
Interest receivable	69	122	942
Due from RDA Successor Agency	-	-	35,300
Land held for redevelopment	-	-	89,752
Note Receivable	69,308	-	-
<b>Total assets</b>	<b>\$ 89,876</b>	<b>\$ 21,412</b>	<b>\$ 407,407</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	-	4,040	-
<b>Total liabilities</b>	<b>-</b>	<b>4,040</b>	<b>-</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Restricted			
Low and moderate income housing	-	-	407,407
Other Purposes	89,876	17,372	-
Assigned for Capital Improvement and Vehicle Replacement	-	-	-
<b>Total fund balances</b>	<b>89,876</b>	<b>17,372</b>	<b>407,407</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 89,876</b>	<b>\$ 21,412</b>	<b>\$ 407,407</b>

Capital Projects Funds						
RMRA Fund	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	Nonmajor Governmental Funds	
\$ 36,722	\$ 500,242	\$ 1,061	\$ 54,523	\$ 18,239	\$ 933,989	
20,215	269,627	-	-	-	289,842	
97	298	4	183	61	1,776	
-	-	-	-	-	35,300	
-	-	-	-	-	89,752	
-	-	-	-	-	69,308	
<u>\$ 57,034</u>	<u>\$ 770,167</u>	<u>\$ 1,065</u>	<u>\$ 54,706</u>	<u>\$ 18,300</u>	<u>\$ 1,419,967</u>	
11,483	48,743	-	-	-	64,266	
11,483	48,743	-	-	-	64,266	
-	269,627	-	-	-	269,627	
-	269,627	-	-	-	269,627	
-	-	-	-	-	407,407	
45,551	-	-	-	-	152,799	
-	451,797	1,065	54,706	18,300	525,868	
45,551	451,797	1,065	54,706	18,300	1,086,074	
<u>\$ 57,034</u>	<u>\$ 770,167</u>	<u>\$ 1,065</u>	<u>\$ 54,706</u>	<u>\$ 18,300</u>	<u>\$ 1,419,967</u>	

**City of Crescent City**  
**Combining Statements of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2020**

	Special Revenue Funds		
	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund
<b>REVENUES:</b>			
Use of money and property			
Interest	\$ 444	\$ 624	\$ 5,783
Intergovernmental	-	173,474	-
<b>Total revenues</b>	<b>444</b>	<b>174,098</b>	<b>5,783</b>
<b>EXPENDITURES:</b>			
Current:			
Public works	-	16,565	-
<b>Total expenditures</b>	<b>-</b>	<b>16,565</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>444</b>	<b>157,533</b>	<b>5,783</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	-	(157,528)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(157,528)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>444</b>	<b>5</b>	<b>5,783</b>
<b>FUND BALANCES:</b>			
Beginning of year	89,432	17,367	401,624
End of year	\$ 89,876	\$ 17,372	\$ 407,407



Capital Projects Funds					
RMRA Fund	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	Total Nonmajor Governmental Funds
\$ 238	\$ 4,153	\$ 26	\$ 1,249	\$ 421	\$ 12,938
132,376	60,414	-	-	-	366,264
132,614	64,567	26	1,249	421	379,202
112,171	343,009	353	-	-	472,098
112,171	343,009	353	-	-	472,098
20,443	(278,442)	(327)	1,249	421	(92,896)
-	679,738	-	-	-	679,738
-	-	-	-	-	(157,528)
-	679,738	-	-	-	522,210
20,443	401,296	(327)	1,249	421	429,314
25,108	50,501	1,392	53,457	17,879	656,760
\$ 45,551	\$ 451,797	\$ 1,065	\$ 54,706	\$ 18,300	\$ 1,086,074

**City of Crescent City**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2020**

	Information Tech Fund	Maintenance Building Fund	Equipment Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,128	\$ 1,420	\$ 84,057
Accounts receivable	-	-	1,030
Interest receivable	-	-	249
Prepaid items	6,549	-	-
<b>Total current assets</b>	<u>7,677</u>	<u>1,420</u>	<u>85,336</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	-	42,525
Depreciable, net	-	-	924,951
<b>Total capital assets</b>	<u>-</u>	<u>-</u>	<u>967,476</u>
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>967,476</u>
<b>Total assets</b>	<u>7,677</u>	<u>1,420</u>	<u>1,052,812</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	7,633	1,420	10,595
Accrued wages	-	-	-
Due to other funds	-	-	-
<b>Total current liabilities</b>	<u>7,633</u>	<u>1,420</u>	<u>10,595</u>
<b>Total liabilities</b>	<u>7,633</u>	<u>1,420</u>	<u>10,595</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	-	967,476
Unrestricted	44	-	74,741
<b>Total net position</b>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 1,042,217</u>

Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ 144,628	\$ 149,257	\$ 538	\$ 381,028
218	-	-	1,248
-	363	62	674
990	-	-	7,539
<u>145,836</u>	<u>149,620</u>	<u>600</u>	<u>390,489</u>
-	-	-	42,525
-	-	-	924,951
-	-	-	967,476
-	-	-	967,476
<u>145,836</u>	<u>149,620</u>	<u>600</u>	<u>1,357,965</u>
60,433	-	600	80,681
85,403	-	-	85,403
-	-	-	-
<u>145,836</u>	<u>-</u>	<u>600</u>	<u>166,084</u>
<u>145,836</u>	<u>-</u>	<u>600</u>	<u>166,084</u>
-	-	-	967,476
-	149,620	-	224,405
<u>\$ -</u>	<u>\$ 149,620</u>	<u>\$ -</u>	<u>\$ 1,191,881</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, 2020**

	Information Tech Fund	Maintenance Building Fund	Equipment Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 261,112	\$ 187,699	\$ 328,044
Other	-	-	-
<b>Total operating revenues</b>	<b>261,112</b>	<b>187,699</b>	<b>328,044</b>
<b>OPERATING EXPENSES:</b>			
Personnel services	145,741	130,437	192,977
Materials, supplies, rent, and services	51,679	48,151	62,823
Repair and maintenance	63,648	9,211	44,398
Depreciation	-	-	104,197
<b>Total operating expenses</b>	<b>261,068</b>	<b>187,799</b>	<b>404,395</b>
<b>OPERATING INCOME (LOSS)</b>	<b>44</b>	<b>(100)</b>	<b>(76,351)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	-	-	1,536
Grant revenue	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>-</b>	<b>1,536</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>44</b>	<b>(100)</b>	<b>(74,815)</b>
Transfers out	-	-	-
<b>Total contributions and transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>44</b>	<b>(100)</b>	<b>(74,815)</b>
<b>NET POSITION</b>			
Beginning of year	-	100	1,117,032
End of year	<b>\$ 44</b>	<b>\$ -</b>	<b>\$ 1,042,217</b>

Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ -	\$ 249,239	\$ 164,738	\$ 1,190,832
-	54,463	-	54,463
-	303,702	164,738	1,245,295
-	-	161,094	630,249
-	249,239	3,968	415,860
-	-	-	117,257
-	-	-	104,197
-	249,239	165,062	1,267,563
-	54,463	(324)	(22,268)
-	734	324	2,594
-	12,187	-	12,187
-	12,921	324	14,781
-	67,384	-	(7,487)
-	(22,703)	-	(22,703)
-	(22,703)	-	(22,703)
-	44,681	-	(30,190)
-	104,939	-	1,222,071
\$ -	\$ 149,620	\$ -	\$ 1,191,881

**City of Crescent City**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2020**

	Information Tech Fund	Maintenance Building Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from other funds	\$ 261,112	\$ 187,699
Cash payments to suppliers for goods and services	(90,295)	(61,862)
Cash paid to employees	(145,741)	(130,437)
<b>Net cash provided (used) by operating activities</b>	<b>25,076</b>	<b>(4,600)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Grant cash receipts	-	-
Cash disbursements to other funds	(25,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(25,000)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income received	-	-
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>76</b>	<b>(4,600)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>1,052</b>	<b>6,020</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,128</b>	<b>\$ 1,420</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 44	\$ (100)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	-	-
Changes in assets, deferred outflows and inflows of resources, and liabilities		
Accounts receivable, net	-	-
Prepaid items	21,954	-
Accounts payable	3,078	(4,500)
Accrued wages	-	-
<b>Total adjustments</b>	<b>25,032</b>	<b>(4,500)</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 25,076</b>	<b>\$ (4,600)</b>

Equipment Fund	Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ 328,426	\$ (211)	\$ 353,702	\$ 164,738	\$ 1,295,466
(107,259)	(35,172)	(249,239)	(4,268)	(548,095)
(192,977)	-	-	(161,094)	(630,249)
28,190	(35,383)	104,463	(624)	117,122
-	-	12,187	-	12,187
-	-	(22,703)	-	(47,703)
-	-	(10,516)	-	(35,516)
(35,413)	-	-	-	(35,413)
(35,413)	-	-	-	(35,413)
1,653	-	664	500	2,817
1,653	-	664	500	2,817
(5,570)	(35,383)	94,611	(124)	49,010
89,627	180,011	54,646	662	332,018
\$ 84,057	\$ 144,628	\$ 149,257	\$ 538	\$ 381,028
\$ (76,351)	\$ -	\$ 54,463	\$ (324)	\$ (22,268)
104,197	-	-	-	104,197
382	(211)	50,000	-	50,171
-	118	-	-	22,072
(38)	(47,673)	-	(300)	(49,433)
-	12,383	-	-	12,383
104,541	(35,383)	50,000	(300)	139,390
\$ 28,190	\$ (35,383)	\$ 104,463	\$ (624)	\$ 117,122

*This page intentionally left blank*



---

# SINGLE AUDIT SECTION

---

*This page intentionally left blank*



**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, 2020, 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 23, 2020.

**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) as a basis for designing 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.

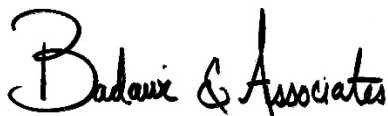
To the Honorable Mayor and Members of the City Council  
of the City of Crescent City  
Crescent City, California  
Page 2

### **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 financial statements. 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 23, 2020



## 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, 2020. 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, 2020.

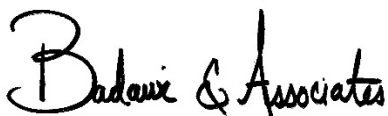
## Report on Internal Control Over Compliance

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 23, 2020

**City of Crescent City**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2020**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Subrecipient Payment
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
Housing Voucher Cluster:				
<i>Direct Programs:</i>				
Section 8 Housing Choice Vouchers	14.871	n/a	\$ 3,638,080	\$ -
COVID-19 - Section 8 Housing Choice Vouchers	14.871	n/a	45,115	-
Housing Voucher Cluster Total			<u>3,683,195</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	136,961	85,798
Community Development Block Grant	14.228	17-CDBG-12092	1,032,299	48,928
Community Development Block Grant	14.228	Loans Outstanding	41,821	-
CDBG State Administered Program Total			<u>1,211,081</u>	<u>134,726</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>4,894,276</u>	<u>134,726</u>
<b><u>Department of Transportation</u></b>				
<i>Passed through California Department of Transportation:</i>				
Highway Planning and Construction	20.205	ER-32D0(013)	49,511	-
<b>Total Department of Transportation</b>			<u>49,511</u>	<u>-</u>
<b><u>U.S. Department of Agriculture</u></b>				
<i>Direct Programs:</i>				
Rural Rental Housing Loans	10.415	8-27-2018	64,460	-
<b>Total Department of Commerce</b>			<u>64,460</u>	<u>-</u>
<b><u>Department of Commerce</u></b>				
Economic Development Cluster:				
<i>Direct Programs:</i>				
Investments for Public Works and Economic Development Facilities	11.300	ED18SEA3020013	37,406	-
Economic Development Cluster Total			<u>37,406</u>	<u>-</u>
<b>Total Department of Commerce</b>			<u>37,406</u>	<u>-</u>
<b><u>U.S. Department of Justice:</u></b>				
<i>Direct Programs:</i>				
2018 Bulletproof Vest Partnership	16.607	2018BUBX18095585	897	-
<b>Total U.S. Department of Justice</b>			<u>897</u>	<u>-</u>
<b>Total Federal Expenditures</b>			<u>\$ 5,046,550</u>	<u>\$ 134,726</u>

**City of Crescent City**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2020**

---

**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, 2020**

---

**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
14.228	CDBG State Administered Protram	1,211,081
	Total Expenditures of all Major Programs	\$ 1,211,081
	Total Expenditures of Federal Award	\$ 5,046,550
	Percentage of Total Expenditure of Federal Award	24%

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, 2020**

---

**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.