

# City of Crescent City

Crescent City, California

*Annual Audit Report and Financial Statements*

*For the year ended June 30, 2022*



**City of Crescent City**  
**Annual Audit Report and Financial Statements**  
**For the year ended June 30, 2022**

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# INTRODUCTORY SECTION

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**City of Crescent City**  
**City Officials**  
**For the year ended June 30, 2022**

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**Name**

**Office**

Jason Greenough

Mayor

Isaiah Wright

Mayor Pro Tem

Ray Altman

Council Member

Blake Inscore

Council Member

Beau Smith

Council Member

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crescent City, California (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, other post-employment benefit plans information, and pension plan information on pages 15-36 and 104-114 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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

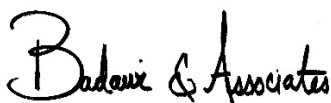
The combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards on pages 118-127, and 135 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information Included in the Annual Audit Report and Financial Statements***

Management is responsible for the other information included in the Annual Audit Report and Financial Statements. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Badawi & Associates, CPAs  
Berkeley, California  
December 29, 2022

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# MANAGEMENT DISCUSSION AND ANALYSIS

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**CITY OF CRESCENT CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2022**

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, 2022. 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. This means that all assets and liabilities (both short-term and long-term) are presented, and revenues are recorded when they are earned and expenditures or expenses are recorded when they are incurred, regardless of the timing of cash flows. For the most part, transactions between funds have been removed, except when eliminating the interfund transactions would obscure the costs of providing services.

Total assets and deferred outflows of resources of the City were \$87,746,455 and total liabilities and deferred inflows of resources were \$51,317,344 on June 30, 2022. The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$36,429,111 (net position) for the fiscal year reported. This is an increase of \$1,447,406 from the previous year when assets exceeded liabilities by \$34,981,705.

The increase includes:

- \$897,723 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.
- \$154,967 increase in restricted net position, which includes a decrease of \$40,832 in the Housing Authority Fund (for low and moderate-income housing programs), increase of \$597,216 in the CDBG Fund (representing reimbursements for prior year expenditures), increase of \$141,205 in the Successor Housing Fund (representing a reclass of amounts due from the Successor Agency), and smaller increase in the RMRA and Gas Tax Funds (for street projects).
- \$394,716 increase 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 \$28,565,370 includes real property, construction-in-progress, structures and improvements, equipment, and infrastructure.
- Net position of \$1,270,344 is restricted for capital projects, community development, low-income housing, and other purposes.

- Net position of \$350,291 is restricted for debt service.
- Unrestricted net position of \$6,243,106 represents the portion available to meet the City's ongoing obligations to citizens and creditors.

### Fund Financial Statements

The fund financial statements (pages 50-57) 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 two major governmental funds (General Fund and Housing Authority Fund) and eleven 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 118-121.

The City's governmental funds reported total ending fund balance of \$6,670,348 this year. This compares to the prior year ending net position of \$3,178,696 and is an increase of \$3,491,652 which includes:

- \$551,994 net increase in the General Fund balance due to total revenues exceeding total expenditures. (See the section on General Fund budget comparison for more details.)
- \$40,832 net decrease in the Housing Authority fund balance due to expenditures exceeding revenues. The fund balance is restricted to low and moderate-income housing programs.
- \$2,980,490 net increase in other governmental fund, including an increase of \$597,216 in the CDBG Fund for reimbursement of prior year expenditures, \$2,034,828 increase in the General Capital Improvement Fund for grant revenues and transfers from the General Fund for use in planned capital projects, increase of \$141,205 in the Successor Housing Fund for reclass of amounts due from the Successor Agency due to State regulation, increases of \$96,502 in the Fire Vehicle Replacement Fund and \$55,402 in the Police Vehicle Replacement Fund for transfers from the

General Fund to be used for future equipment and apparatus purchases, and small increases and decreases in other minor funds.

For the fiscal year ending June 30, 2022, the fund balance of the General Fund was \$4,049,517. 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, including an estimate that 5% of the adopted budget will not be spent. The original adopted General Fund budget (expenditures plus transfers out) for the next fiscal year 2022-23 was \$10,393,380, with the fund balance from fiscal year 2021-22 being 39%. The City Council has the authority to amend the budget during the fiscal year as needed. The original budgeted expenditures compared to budgeted revenues for fiscal year 2022-23 are projected to decrease the fund balance by \$1,372,898 which would bring the fund balance to \$2,676,619 or 26% of the original budgeted expenditures.

The major governmental funds are discussed in greater detail below in the section "Financial Analysis of the City's Funds."

#### 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 122-125.

The enterprise funds reported total ending net position of \$18,830,052 as of June 30, 2022. This compares to net position as of the prior year of \$19,707,601 and is a decrease of \$877,549 which includes:

- \$898,651 net decrease in the Sewer Fund net position due to expenses exceeding revenues.
- \$31,632 net decrease in the Water Fund net position due to expenses exceeding revenues.
- \$52,734 net increase in the RV Park Fund net position due to revenues exceeding expenses.

The internal service funds reported total ending net position of \$1,351,000 as of June 30, 2022. This represents a net increase of \$138,020 from the prior year net position of \$1,212,980.

The proprietary funds are discussed in greater detail below in the section "Financial Analysis of the City's Funds."

#### Fiduciary Funds

The City maintains one fiduciary fund: the Successor Agency RDA Fund represents the wind-down activities of the Successor Agency to the dissolved former Redevelopment Agency. The fiduciary fund 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, Finance, Attorney, Economic Development, etc.), 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. In the government-wide statements, internal service funds are included here as well.

*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. However in the fund financial statements, internal service funds are reported with the proprietary funds because they use the same basis of accounting.

*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 and the Housing Authority Fund are also included here.

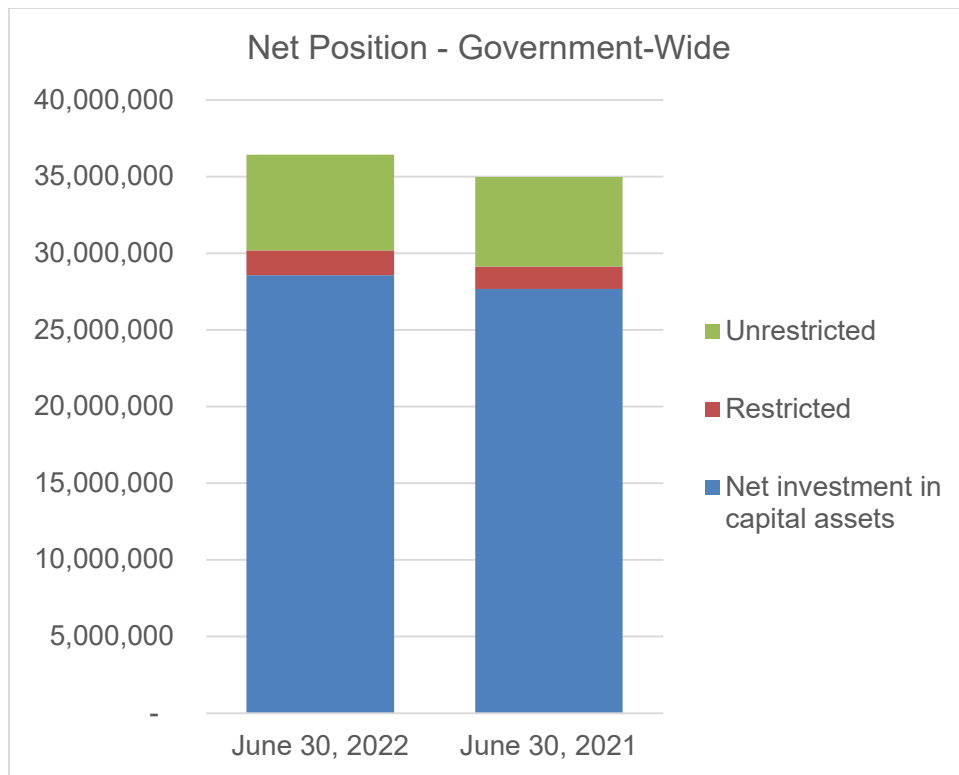
#### Supplementary Information

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, 2022. 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 2021-22	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22	FY 2020-21
<b>Assets:</b>						
Current and other	9,697,207	6,508,354	14,160,330	13,898,230	23,857,537	20,406,584
Capital assets	17,483,646	16,773,630	43,862,314	45,722,270	61,345,960	62,495,900
<b>Total assets</b>	<b>27,180,853</b>	<b>23,281,984</b>	<b>58,022,644</b>	<b>59,620,500</b>	<b>85,203,497</b>	<b>82,902,484</b>
Deferred outflow of resources	1,650,029	1,539,328	892,929	854,839	2,542,958	2,394,167
<b>Total assets and deferred outflows of resources</b>	<b>28,830,882</b>	<b>24,821,312</b>	<b>58,915,573</b>	<b>60,475,339</b>	<b>87,746,455</b>	<b>85,296,651</b>
<b>Liabilities</b>						
Current and other	1,998,255	1,544,269	3,044,465	3,054,466	5,042,720	4,598,735
Long-term liabilities	4,948,420	7,542,030	33,910,989	37,488,738	38,859,409	45,030,768
<b>Total liabilities</b>	<b>6,946,675</b>	<b>9,086,299</b>	<b>36,955,454</b>	<b>40,543,204</b>	<b>43,902,129</b>	<b>49,629,503</b>
Deferred inflow of resources	4,285,148	460,909	3,130,067	224,534	7,415,215	685,443
<b>Total liabilities and deferred inflows of resources</b>	<b>11,231,823</b>	<b>9,547,208</b>	<b>40,085,521</b>	<b>40,767,738</b>	<b>51,317,344</b>	<b>50,314,946</b>
<b>Net Position</b>						
Net investment in capital assets	17,483,646	16,773,630	11,081,724	10,894,017	28,565,370	27,667,647
Restricted	1,270,344	1,115,395	350,291	350,273	1,620,635	1,465,668
Unrestricted	(1,154,931)	(2,614,921)	7,398,037	8,463,311	6,243,106	5,848,390
<b>Total Net Position</b>	<b>17,599,059</b>	<b>15,274,104</b>	<b>18,830,052</b>	<b>19,707,601</b>	<b>36,429,111</b>	<b>34,981,705</b>



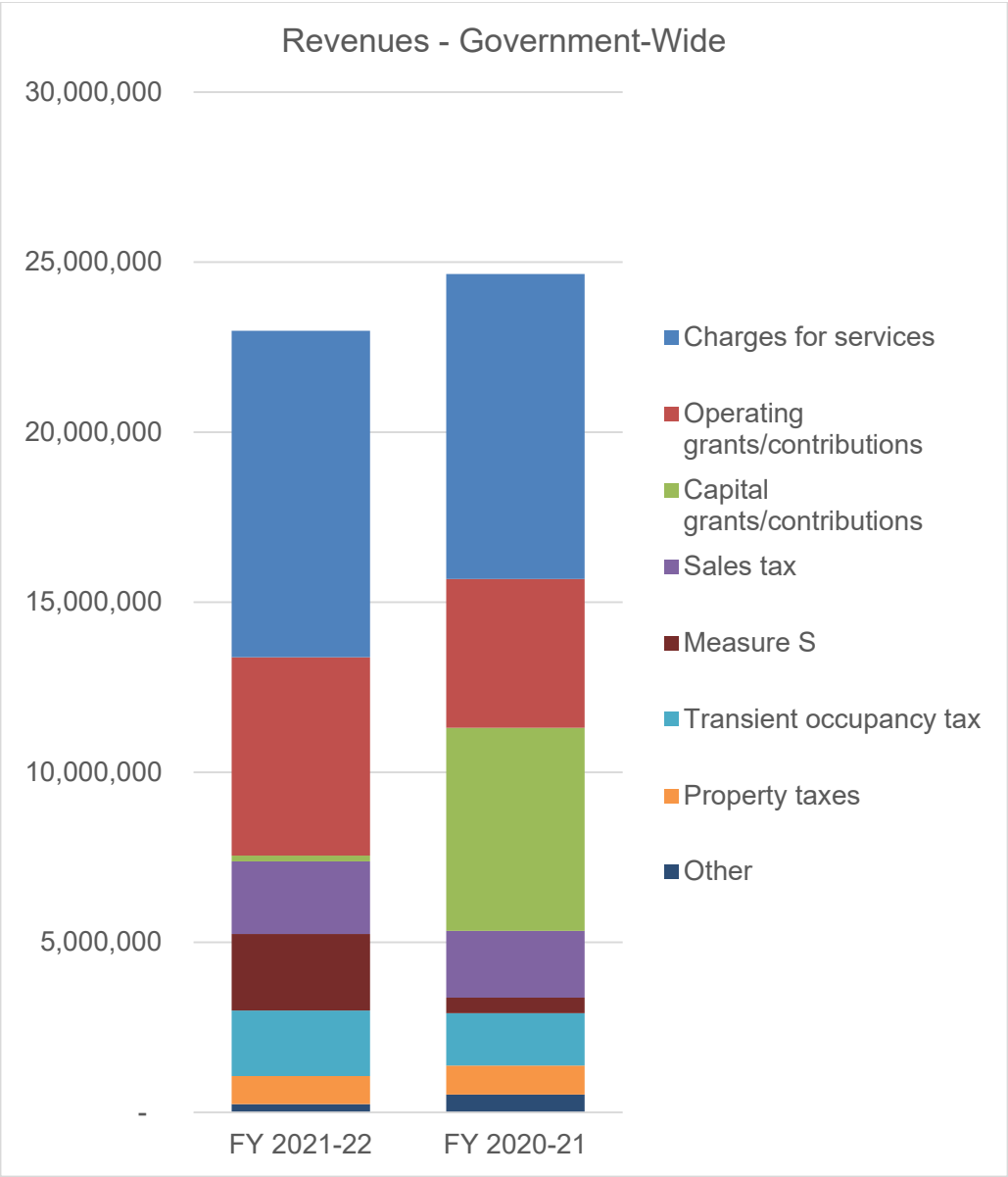
In fiscal year 2021-22, governmental activities increased the City's net position by \$2,324,955 and business-type activities decreased the City's net position by \$877,549 as compared to the prior fiscal year. In fiscal year 2021-22 government-wide revenues decreased by \$1,668,856 and expenses increased by \$4,098,046 compared to the prior year.

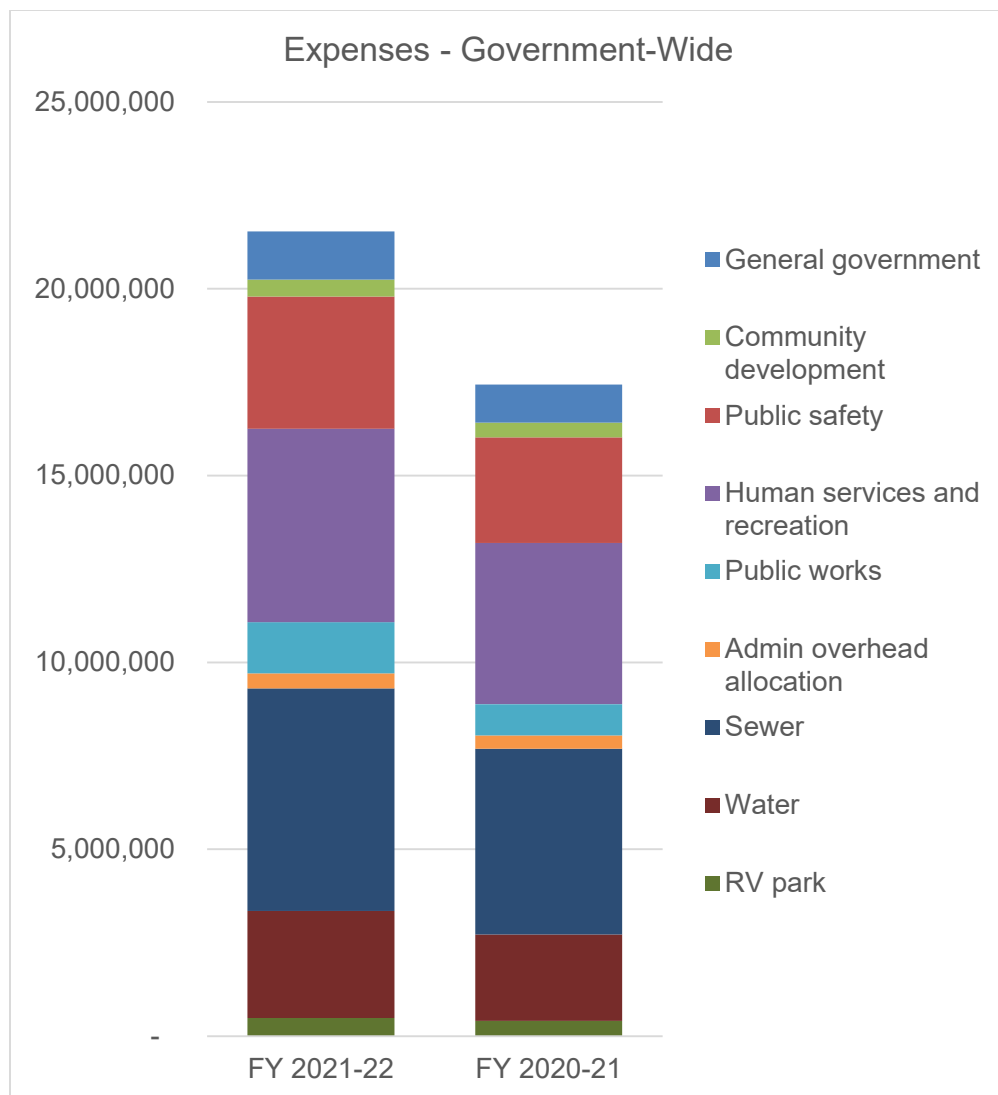
Revenues in governmental activities decreased by \$1,916,251 (largely due to increased tax revenue offset by decrease in grant revenues compared to the prior year) and expenses increased \$2,484,622 compared to the prior year. Even with the decrease in revenues and increase in expenditures compared to the prior year, overall net position still increased due to current year revenues exceeding current year expenditures.

In business-type activities, revenues increased by \$247,395 and expenses increased by \$1,613,424.

<b>Table 2 - Changes in Net Position</b>						
<b>For the periods ending June 30</b>						
	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:					-	-
Charges for services	1,168,660	845,450	8,431,675	8,122,566	9,600,335	8,968,016
Operating grants/contributions	5,639,293	4,375,106	193,880	-	5,833,173	4,375,106
Capital grants/contributions	171,232	5,973,126	-	-	171,232	5,973,126
General revenues:						
Sales tax	2,134,613	1,964,470		-	2,134,613	1,964,470
Measure S	2,248,200	452,930		-	2,248,200	452,930
Transient occupancy tax	1,927,505	1,540,803		-	1,927,505	1,540,803
Property taxes	825,119	855,716		-	825,119	855,716
Other	295,048	318,320	(52,780)	202,814	242,268	521,134
<b>Total Revenues</b>	<b>14,409,670</b>	<b>16,325,921</b>	<b>8,572,775</b>	<b>8,325,380</b>	<b>22,982,445</b>	<b>24,651,301</b>
<b>Expenses:</b>						
General government	1,289,179	1,021,107	-	-	1,289,179	1,021,107
Public safety	3,537,516	2,826,170	-	-	3,537,516	2,826,170
Community development	453,931	390,871	-	-	453,931	390,871
Human services and recreation	5,175,043	4,318,858	-	-	5,175,043	4,318,858
Public works	1,371,689	835,821	-	-	1,371,689	835,821
Admin overhead allocation	403,623	353,532	-	-	403,623	353,532
Sewer	-	-	5,957,018	4,972,497	5,957,018	4,972,497
Water	-	-	2,863,094	2,313,090	2,863,094	2,313,090
RV park	-	-	483,946	405,047	483,946	405,047
<b>Total Expenses</b>	<b>12,230,981</b>	<b>9,746,359</b>	<b>9,304,058</b>	<b>7,690,634</b>	<b>21,535,039</b>	<b>17,436,993</b>
Excess (Deficiency) before other items	2,178,689	6,579,562	(731,283)	634,746	1,447,406	7,214,308
Transfers	146,266	20,921	(146,266)	(20,921)	-	-
<b>Increase (Decrease) in net position</b>	<b>2,324,955</b>	<b>6,600,483</b>	<b>(877,549)</b>	<b>613,825</b>	<b>1,447,406</b>	<b>7,214,308</b>
<b>Net position - beginning of year</b>	<b>15,274,104</b>	<b>8,673,621</b>	<b>19,707,601</b>	<b>19,093,776</b>	<b>34,981,705</b>	<b>27,767,397</b>
<b>Net position - end of year</b>	<b>17,599,059</b>	<b>15,274,104</b>	<b>18,830,052</b>	<b>19,707,601</b>	<b>36,429,111</b>	<b>34,981,705</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 two 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 118.

*General Fund.* The General Fund is the chief operating fund of the City of Crescent City. The General Fund experienced an excess of revenues over expenditures in the amount of \$2,175,156; transfers in and out netted to a negative \$1,929,941. This resulted in a net increase in Fund Balance of \$551,994.

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 2021-22 General Fund revenue increased by \$2,257,005 (approximately 35%), nearly all of which was in tax revenue, in comparison with the prior year. Primary variations from the prior fiscal year include:

- Tax revenue increased \$2,317,838 from \$4,867,886 in fiscal year 2020-21 to \$7,185,724 in fiscal year 2021-22. The primary increases were in sales tax and transient occupancy tax, plus the addition of a new local tax measure (Measure S), which was approved by voters in November 2020 and went into effect in April 2021. There were three months of Measure S revenue in fiscal year 2020-21, and fiscal year 2021-22 was the first full year of Measure S revenue.
- Intergovernmental revenues decreased \$173,385 from \$455,269 in fiscal year 2020-21 to \$281,884 in fiscal year 2021-22. Intergovernmental revenues are largely grant funds and fluctuate depending on the specific programs in a fiscal year. The prior fiscal year included a grant for updating the Beachfront Park Master Plan (approximately \$90,000 grant); the rest of the difference includes multiple smaller grants.

<b>Table 3 - General Fund Revenues by Source</b>						
<b>For the periods ending June 30</b>						
	<b>2022</b>		<b>2021</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	7,185,724	82.6%	4,867,886	75.6%	2,317,838	102.7%
Use of money and property:						
Interest	(20,945)	-0.2%	2,824	0.0%	(23,769)	-1.1%
Rental Income	37,642	0.4%	35,969	0.6%	1,673	0.1%
Licenses and permits	286,830	3.3%	299,500	4.6%	(12,670)	-0.6%
Fines and penalties	30,301	0.3%	8,151	0.1%	22,150	1.0%
Intergovernmental revenue	281,884	3.2%	455,269	7.1%	(173,385)	-7.7%
Charges for services	649,970	7.5%	582,795	9.0%	67,175	3.0%
Gifts and donations	50,425	0.6%	55,549	0.9%	(5,124)	-0.2%
Other revenue	198,144	2.3%	135,027	2.1%	63,117	2.8%
<b>Total</b>	<b>8,699,975</b>	<b>100.0%</b>	<b>6,442,970</b>	<b>100.0%</b>	<b>2,257,005</b>	<b>35.0%</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, Economic Development, 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 \$1,279,395 from the prior fiscal year. The primary contributors to this increase include:

- \$440,445 increase in Human Services and Recreation expenditures. This is largely due to increased spending for the municipal swimming pool, due to the pool being open for the full fiscal year (the pool was closed for much of fiscal year 2020-21 due to COVID-19) as well as increased funding from Measure S.
- Increase of \$330,841 in Public Safety. This is largely due to increased funding from Measure S for additional staffing, equipment, training, and supplies.
- Increase of \$277,700 in Public Works. This is largely due to increased spending on street maintenance, most of which was funded by Measure S.
- Increase of \$113,049 in General Government, most of which was increased spending on economic development.

<b>Table 4 - Expenditures by Type</b>						
<b>General Fund</b>						
<b>For the periods ending June 30</b>						
	<b>2022</b>		<b>2021</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	1,061,010	16.3%	947,961	18.1%	113,049	8.8%
Public safety	2,907,127	44.6%	2,576,286	49.1%	330,841	25.9%
Community development	334,046	5.1%	257,627	4.9%	76,419	6.0%
Human services and recreation	777,448	11.9%	337,003	6.4%	440,445	34.4%
Public works	1,062,491	16.3%	784,791	15.0%	277,700	21.7%
Admin overhead allocation	382,697	5.9%	335,141	6.4%	47,556	3.7%
Interest	-	0.0%	6,615	0.1%	(6,615)	-0.5%
<b>Total</b>	<b>6,524,819</b>	<b>100.0%</b>	<b>5,245,424</b>	<b>99.9%</b>	<b>1,279,395</b>	<b>24.4%</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 and other programs. Administrative funds are designated for any costs associated with administering the programs.

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, 2022. In fiscal year 2021-22, the Housing Authority experienced a surplus of expenditures over revenues in the amount of \$40,832. This decreased the Housing Authority's fund balance from \$439,847 to \$399,015. 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 an excessive reserve.

*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 2021-22, the change in net position was a negative \$898,651. The decrease in net position was due to operating expenses exceeding operating revenues plus interest and transfers.

<b>Table 5 - Sewer Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2022</b>	<b>2021</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Sewer Fund				
Operating revenues				
Sewer treatment	4,422,454	4,398,255	24,199	0.6%
External lab revenues	43,800	40,135	3,666	9.1%
Sewer connections	428,429	111,348	317,081	284.8%
Other	170,067	235,437	(65,370)	-27.8%
Grants	119,736	-	119,736	
Expenses	(5,957,018)	(4,972,497)	(984,521)	19.8%
Non-operating revenue (expense)	(68,678)	(4,816)	(63,862)	1326.0%
Net changes before transfers and capital contributions	(841,209)	(192,139)	(649,071)	337.8%
Net transfers and capital contributions	(57,442)	(23,816)	(33,626)	141.2%
<b>Change in net position</b>	<b>(898,651)</b>	<b>(215,955)</b>	<b>(682,697)</b>	<b>316.1%</b>

Sewer treatment revenues increased by \$24,199 and connection fee revenue increased by \$317,081 (largely due to the construction of a new casino) while expenses increased by \$984,521. The most significant factor in the expense increase is the calculation of pension obligations.

The decrease in net position of \$898,651 is comprised of an increase in net investment in capital assets of \$58,288 and a decrease of \$956,939 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.

<b>Table 6 - Sewer Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2022</b>	<b>2021</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Sewer Fund				
Assets				
Current assets	7,744,436	7,862,740	(118,304)	-1.5%
Capital assets (net of depreciation)	34,775,516	36,414,891	(1,639,375)	-4.5%
Other non-current assets	189,523	199,044	(9,521)	
Total assets	42,709,475	44,476,675	(1,767,200)	-4.0%
Deferred outflows of resources	552,198	528,635	23,563	4.5%
Liabilities				
Current liabilities	2,314,697	2,174,846	139,851	6.4%
Long-term liabilities	32,521,524	35,155,127	(2,633,603)	-7.5%
Total liabilities	34,836,221	37,329,973	(2,493,752)	-6.7%
Deferred inflows of resources	1,792,623	143,857	1,648,766	1146.1%
Net position	<b>6,632,829</b>	<b>7,531,480</b>	<b>(898,651)</b>	-11.9%
Net investment in capital assets (net of depreciation and related debt)	2,519,926	2,461,638	58,288	2.4%
Unrestricted	4,112,903	5,069,842	(956,939)	-18.9%
Total net position	<b>6,632,829</b>	<b>7,531,480</b>	<b>(898,651)</b>	-11.9%
Current assets	7,744,436	7,862,740	(118,304)	-1.5%
Current liabilities	2,314,697	2,174,846	139,851	6.4%
Working capital	<b>5,429,739</b>	<b>5,687,894</b>	<b>(258,155)</b>	-4.5%

*Water Fund.* In fiscal year 2021-22, the change in net position was a negative \$31,632 due to expenses exceeding revenues.

<b>Table 7 - Water Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2022</b>	<b>2021</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Water Fund				
Operating revenues				
Water service	2,631,140	2,718,851	(87,711)	-3.2%
Water connections	138,525	70,590	67,935	96.2%
Other	56,150	62,371	(6,221)	-10.0%
Grants	74,144	197,000	(122,856)	
Expenses	(2,863,094)	(2,313,090)	(550,004)	23.8%
Non-operating revenue (expense)	20,327	10,044	10,283	102.4%
Net changes before transfers and ca	57,192	745,766	(688,574)	-92.3%
Net transfers and capital contributio	(88,824)	501	(89,325)	
<b>Change in net position</b>	<b>(31,632)</b>	<b>746,267</b>	<b>(777,899)</b>	<b>-104.2%</b>

Water operating revenues decreased slightly, and expenses increased \$550,004, largely driven by the calculation of pension obligations.

The decrease in net position of \$31,632 is comprised of an increase in net investment in capital assets of \$146,329, an increase of \$18 in restricted net position, and a decrease of \$177,979 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.

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 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>2022</b>	<b>2021</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Water Fund				
Assets				
Current assets	4,456,835	4,238,433	218,402	5.2%
Capital assets (net of depreciation)	8,271,619	8,475,290	(203,671)	-2.4%
Other non-current assets	1,287,650	1,211,266	76,384	6.3%
Total assets	14,016,104	13,924,989	91,115	0.7%
Deferred outflows of resources	340,731	326,204	14,527	4.5%
Liabilities				
Current liabilities	681,079	862,037	(180,958)	-21.0%
Long-term liabilities	1,389,465	2,328,000	(938,535)	-40.3%
Total liabilities	2,070,544	3,190,037	(1,119,493)	-35.1%
Deferred inflows of resources	1,337,444	80,677	1,256,767	1557.8%
Net position	<b>10,948,847</b>	<b>10,980,479</b>	<b>(31,632)</b>	<b>-0.3%</b>
Net investment in capital assets (net of depreciation and related debt)	7,746,619	7,600,290	146,329	1.9%
Restricted	350,291	350,273	18	0.0%
Unrestricted	2,851,937	3,029,916	(177,979)	-5.9%
Total net position	<b>10,948,847</b>	<b>10,980,479</b>	<b>(31,632)</b>	<b>-0.3%</b>
Current assets	4,456,835	4,238,433	218,402	5.2%
Current liabilities	681,079	862,037	(180,958)	-21.0%
Restricted net position	350,291	350,273	18	0.0%
Working capital	<b>3,425,465</b>	<b>3,026,123</b>	<b>399,342</b>	<b>13.2%</b>



*Lighthouse Cove Recreational Vehicle (RV) Park.* The RV Park Fund revenues exceeded expenses by \$52,734 in fiscal year 2021-22. Operating revenues increased by \$55,662, and operating expenses increased by \$78,899, primarily due to increases in utilities, advertising, and maintenance.

<b>Table 9 - RV Park Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2022</b>	<b>2021</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
RV Park Fund				
Operating revenues	541,240	485,578	55,662	11.5%
Other	(131)	588	(719)	-122.3%
Expenses	(483,946)	(405,047)	(78,899)	19.5%
Non-operating revenue (expense)	(4,429)	2,394	(6,823)	-285.0%
<b>Change in net position</b>	<b>52,734</b>	<b>83,513</b>	<b>(30,779)</b>	<b>-36.9%</b>

The increase in net position of \$52,734 is a combination of a decrease of \$16,910 in net investment in capital assets and an increase of \$69,644 in unrestricted net position due to operations.

<b>Table 10 - RV Park Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2022</b>	<b>2021</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
RV Park Fund				
Assets				
Current assets	481,886	386,747	95,139	24.6%
Capital assets (net of depreciation)	815,179	832,089	(16,910)	-2.0%
Total assets	1,297,065	1,218,836	78,229	6.4%
Liabilities				
Current liabilities	48,689	17,583	31,106	176.9%
Long-term liabilities	-	5,611	(5,611)	-100.0%
Total liabilities	48,689	23,194	25,495	109.9%
Net position	<b>1,248,376</b>	<b>1,195,642</b>	<b>52,734</b>	<b>4.4%</b>
Net investment in capital assets (net of depreciation and related debt)	815,179	832,089	(16,910)	-2.0%
Unrestricted	433,197	363,553	69,644	19.2%
Total net position	<b>1,248,376</b>	<b>1,195,642</b>	<b>52,734</b>	<b>4.4%</b>
Current assets	481,886	386,747	95,139	24.6%
Current liabilities	48,689	17,583	31,106	176.9%
Working capital	<b>433,197</b>	<b>369,164</b>	<b>64,033</b>	<b>17.3%</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 General Fund budget for FY 2021-22 included a projected deficit of expenditures exceeding current revenues by \$584,770 (plus a planned debt service repayment of \$20,737), which would decrease the General Fund reserve balance. Actual results were a surplus of \$551,994.

Actual General Fund revenues (including transfers) were under budget by \$55,261. Specific revenues with significant variances (both over budget and under budget) are listed below:

- Sales tax over budget by \$115,710
- Measure S over budget by \$248,200
- Transient Occupancy Tax over budget by \$322,825
- Fire service fees under budget by \$264,087, impacted by two issues. These are expenditures that are reimbursed by other agencies. Of the variance, \$126,841 is for revenues that were billed but not collected within the measurement period for this fiscal year and will be recognized as revenues in the following fiscal year. The remaining amount is due to expenditures coming in under budget and therefore not reimbursed by outside agencies.
- Planning department grant revenues under budget by \$175,913, for grants that were not yet completed and will be carried over to fiscal year 2022-23.

- City Manager department grant revenues under budget by \$105,133, for grants that were not yet completed and will be carried over to fiscal year 2022-23.
- Adjustment to fair market value of negative \$45,784. The City adjusts its investment in LAIF to fair market value as required by GASB. Although this is not a realized loss, the fair market value adjustment must be recognized on the income statement.
- Transfers in were under budget by \$55,365, caused by other revenues (such as gas tax, which is collected in the Gas Tax Fund and then transferred to the General Fund for street purposes) being under budget, and a delay in purchasing safety equipment which would then be reimbursed by a transfer from the Insurance Fund.

Actual General Fund expenditures (including transfers out) were under budget by \$1,268,467. There were a variety of factors affecting these variances, and the most significant are described below:

- Wages and benefits under budget by \$310,755
  - Fire Department under budget \$88,028 in planned volunteer staffing to be funded by Measure S. Most of this is related to a station staffing program which was not able to be started when planned. The unused budget is held in the Measure S balance to be used for future Measure S programs.
  - Police Department under budget \$66,638 due to both unused health benefits (\$29,104) and some position vacancies.
  - Swimming Pool under budget \$39,249 due to vacancies.
  - Vacancies and unused benefits across multiple departments.
- Projects under budget by \$297,179 (carried over to next year), including an economic sustainability grant, cultural diversity grant, planning grants, and street design work funded by Measure S.
- Contract services under budget by \$241,380, spread across all departments.
- Parts and supplies under budget by \$223,271, spread across all departments. The largest amount in a single department is the Fire Department with \$47,938 under budget, most of which was rebudgeted in the following year for purchasing equipment and turnouts. The Street Department was under budget \$31,237, followed by the Swimming Pool with \$29,861. The rest is spread across many departments.
- Utilities across all departments were under budget by \$63,874.

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.

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>2022</b>			<b>2021</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues	8,755,236	8,699,975	(55,261)	6,244,908	6,442,970	198,062
Expenditures	(7,791,676)	(6,524,819)	1,266,857	(6,430,371)	(5,245,424)	1,184,947
Operating results	963,560	2,175,156	1,211,596	(185,463)	1,197,546	1,383,009
Transfers in	362,144	306,779	(55,365)	839,237	884,661	45,424
Transfers out	(1,931,550)	(1,929,941)	1,609	-	(12,255)	(12,255)
<b>Net change in Fund Balance</b>	<b>(605,846)</b>	<b>551,994</b>	<b>1,157,840</b>	<b>653,774</b>	<b>2,069,952</b>	<b>1,416,178</b>

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

*Capital assets.* As of June 30, 2022, the City had a total net investment in capital assets of \$28,565,370 (original value of assets less accumulated depreciation and associated debt). This is an increase of \$897,723 over the net investment in capital assets as of June 30, 2021. The increase is primarily due to the City's increased investment in capital projects, both City-funded and grant-funded, and payment of long-term debt, which more than offset the decrease in net investment due to depreciation. The most significant of these included:

- Continuation of bank stabilization project design along Pebble Beach
- Art collection donated by local artist Val Polyanin
- Purchase of vehicles and equipment including a dump truck, utility van, pickup truck for the Police Department, and ditch witch
- Beginning of reconstruction of Front Street between G Street and I Street
- Upgrade work on the membranes at the Wastewater Treatment Plant

Table 9 - Net Investment in Capital Assets			
Governmental Funds			
2022	2021	Variance \$	Variance %
17,483,646	16,773,630	710,016	4.2%
Business-type Funds			
2021	2020	Variance \$	Variance %
11,081,724	10,894,017	187,707	1.7%
Total			
2021	2020	Variance \$	Variance %
28,565,370	27,667,647	897,723	3.2%

*Long-term debt.* As of June 30, 2022, the City had total debt outstanding of \$33,151,030; this is a decrease of \$2,043,152 from the total debt outstanding on June 30, 2021 which was \$35,194,182. This reduction is due to loan principal payments totaling \$2,047,663 and a small increase in compensated absences payable.

Table 10 - Total Debt						
For the periods ending June 30						
	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2022	2021	2022	2021	2022	2021
Compensated absences	250,617	239,310	119,823	126,619	370,440	365,929
Safe Drinking Water Loan	-	-	525,000	875,000	525,000	875,000
State Revolving Loan	-	-	32,255,590	33,953,253	32,255,590	33,953,253
<b>Total</b>	<b>250,617</b>	<b>239,310</b>	<b>32,900,413</b>	<b>34,954,872</b>	<b>33,151,030</b>	<b>35,194,182</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 Pebble Beach bank stabilization, a Prop 68 grant for Beachfront Park improvements, Amador water tank rehab, economic development projects, and 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 (called Measure S) became effective April 1, 2021 and is currently projected to increase General Fund revenues by \$2 million annually. The City Council established an

oversight committee made up of five City residents and two non-voting City staff members, to review the revenues and expenditures of the Measure S tax and make recommendations to the City Council for future spending. There was a local initiative to repeal Measure S, which was on the November 8, 2022 ballot. City voters overwhelmingly rejected the repeal and kept Measure S in place.

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.

Sewer Fund net position has again decreased. Projections for this fund show that ongoing revenues may not be sufficient to support the operational needs, debt service, and needed capital improvements. In addition to the City's successful request for interest relief on the State Revolving Fund loan, the City completed a sewer revenue sufficiency study to determine the rate structure necessary to address the ongoing needs of the Sewer Fund. Although the resulting rate increase was defeated in a referendum, the City remains committed to addressing the long-term health of this fund. The City 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 contract will ensure staffing is maintained and needed projects are completed. This also means the City will have the resources to implement 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, and is currently working with an outside consultant on an updated rate study.

The Water Fund net position had 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 plans for several major capital projects (water tank rehabilitation, additional water main redundancy, and new water meters) and is evaluating the best approach to fund those improvements. Design work has been completed for one of the water tank rehab projects and has begun for the second tank, partially grant-funded in a partnership with Elk Valley Rancheria. The City is currently working with an outside consultant on an updated rate study.

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

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

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# **BASIC FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Crescent City**  
**Statement of Net Position**  
**June 30, 2022**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 7,390,968	\$ 11,644,411	\$ 19,035,379
Receivables (net)	652,005	1,028,343	1,680,348
Due from other governments	1,456,334	-	1,456,334
Prepaid items	19,876	10,403	30,279
Due from RDA Successor Agency	137,257	548,228	685,485
Land held for redevelopment	89,752	-	89,752
Notes receivable	166,247	194,372	360,619
Leases receivable	282,464	236,877	519,341
Internal balances	(497,696)	497,696	-
Nondepreciable capital assets	4,821,144	1,585,403	6,406,547
Depreciable capital assets, net	12,662,502	42,276,911	54,939,413
Total Assets	27,180,853	58,022,644	85,203,497
<b>Deferred outflow of resources</b>			
Pension related amounts	1,515,246	807,239	2,322,485
OPEB related amounts	134,783	85,690	220,473
Total deferred outflow of resources	1,650,029	892,929	2,542,958
<b>Liabilities</b>			
Accounts payable	690,283	445,213	1,135,496
Accrued wages	148,035	-	148,035
Deposits	13,352	472,561	485,913
Unearned revenue	912,876	2,054	914,930
Long term liabilities			
Compensated absences - due within one year	233,709	76,974	310,683
Compensated absences - due in more than one year	16,908	42,849	59,757
Net pension liability	4,598,141	2,923,264	7,521,405
Net OPEB liability	333,371	211,949	545,320
Loans payable - due within one year	-	2,047,663	2,047,663
Loans payable - due in more than one year	-	30,732,927	30,732,927
Total Liabilities	6,946,675	36,955,454	43,902,129
<b>Deferred inflow of resources</b>			
Pension related amounts	3,727,251	2,716,384	6,443,635
OPEB related amounts	284,730	181,020	465,750
Leases	273,167	232,663	505,830
Total deferred inflow of resources	4,285,148	3,130,067	7,415,215
<b>Net Position</b>			
Net Investment in capital assets	17,483,646	11,081,724	28,565,370
Restricted for:			
Capital projects and community development	947,614	-	947,614
Debt service	-	350,291	350,291
Other purposes	322,730	-	322,730
Unrestricted	(1,154,931)	7,398,037	6,243,106
Total Net Position	\$ 17,599,059	\$ 18,830,052	\$ 36,429,111

**City of Crescent City**  
**Statement of Activities**  
**For the year ended June 30, 2022**

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	\$ 1,286,825	\$ 232,560	\$ 724,367	\$ -
Public safety	3,537,516	486,661	285,032	-
Community development	453,931	115,948	621,560	-
Human services and recreation	5,175,917	236,750	3,603,799	-
Public works	1,365,696	96,741	404,535	171,232
Administrative overhead allocation	411,096	-	-	-
Total governmental activities	12,230,981	1,168,660	5,639,293	171,232
<b>Business-type activities:</b>				
Sewer	5,957,018	5,064,751	119,736	-
Water	2,863,094	2,825,815	74,144	-
RV Park	483,946	541,109	-	-
Total business-type activities	9,304,058	8,431,675	193,880	-
Total primary government	\$ 21,535,039	\$ 9,600,335	\$ 5,833,173	\$ 171,232

**General Revenues and Transfers:**

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

Transfers

**Total general revenues and transfers**

**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
\$ 956,927	\$ (329,898)	\$ -	\$ (329,898)
771,693	(2,765,823)	-	(2,765,823)
737,508	283,577	-	283,577
3,840,549	(1,335,368)	-	(1,335,368)
672,508	(693,188)	-	(693,188)
-	(411,096)	-	(411,096)
6,979,185	(5,251,796)	-	(5,251,796)
5,184,487	-	(772,531)	(772,531)
2,899,959	-	36,865	36,865
541,109	-	57,163	57,163
8,625,555	-	(678,503)	(678,503)
\$ 15,604,740	(5,251,796)	(678,503)	(5,930,299)
263,943	-	263,943	
4,382,813	-	4,382,813	
561,176	-	561,176	
206,821	-	206,821	
1,927,505	-	1,927,505	
50,288	-	50,288	
7,392,546	-	7,392,546	
(23,872)	(69,547)	(93,419)	
61,811	16,767	78,578	
146,266	(146,266)	-	
7,576,751	(199,046)	7,377,705	
2,324,955	(877,549)	1,447,406	
15,274,104	19,707,601	34,981,705	
\$ 17,599,059	\$ 18,830,052	\$ 36,429,111	

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# FUND FINANCIAL STATEMENTS

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*Governmental Funds Financial Statements*

*Proprietary Funds Financial Statements*

*Fiduciary Funds Financial Statements*

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## **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

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## GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

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

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

**City of Crescent City**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	Major Funds		Non-Major	Total
	General	Housing Authority Section 8	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,510,855	\$ 410,223	\$ 3,012,943	\$ 6,934,021
Receivables:				
Consumers and others	571,863	1,230	-	573,093
County/State/Federal Government	956,211	-	500,123	1,456,334
Interest receivable	7,636	558	10,918	19,112
Due from RDA Successor Agency	-	-	137,257	137,257
Due from other funds	250,000	-	-	250,000
Prepaid items	3,825	7,466	-	11,291
Land held for redevelopment	-	-	89,752	89,752
Note receivable	58,363	-	107,884	166,247
Leases receivable	282,464	-	-	282,464
<b>Total assets</b>	<b>\$ 5,641,217</b>	<b>\$ 419,477</b>	<b>\$ 3,858,877</b>	<b>\$ 9,919,571</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	311,727	6,843	225,194	\$ 543,764
Accrued wages	3,059	-	-	3,059
Unearned revenue	154,889	13,619	744,368	912,876
Deposits	13,352	-	-	13,352
Advance from other funds	497,696	-	-	497,696
Due to other funds	-	-	245,000	245,000
<b>Total liabilities</b>	<b>980,723</b>	<b>20,462</b>	<b>1,214,562</b>	<b>2,215,747</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	337,810	-	422,499	760,309
Leases	273,167	-	-	273,167
<b>Total deferred inflow of resources</b>	<b>610,977</b>	<b>-</b>	<b>422,499</b>	<b>1,033,476</b>
<b>Fund balances:</b>				
Nonspendable	3,825	7,466	-	11,291
Restricted:				
Low and moderate income housing	-	391,549	548,599	940,148
Other purposes	20,053	-	322,730	342,783
Assigned:				
Capital improvement and vehicle replacement	-	-	1,686,897	1,686,897
Police programs	4,231	-	-	4,231
Business improvement district	946	-	-	946
Measure S	405,485	-	-	405,485
Unassigned	3,614,977	-	(336,410)	3,278,567
<b>Total fund balances</b>	<b>4,049,517</b>	<b>399,015</b>	<b>2,221,816</b>	<b>6,670,348</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,641,217</b>	<b>\$ 419,477</b>	<b>\$ 3,858,877</b>	<b>\$ 9,919,571</b>

# City of Crescent City

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2022

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 6,670,348</b>
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Amounts reported for governmental activities in the statement of  
net positions are different because:

Internal Service Funds are used by the City to charge the cost of information technology and communications, building maintenance, fleet services, insurance, and OPEB contributions to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position is: 1,351,000

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. This amount is all capital assets net of internal service funds capital assets of \$1,122,163. 16,361,483

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 760,309

Employer contributions for pension and OPEB were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are recorded as deferred outflows of resources.

Pension contributions	722,033
OPEB contributions	83,429

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results, changes in assumptions, differences between actual and projected investment earnings, and differences resulting from changes in allocation percentages are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.

Deferred outflows of resources - pension	793,213
Deferred outflows of resources - OPEB	51,354
Deferred inflows of resources - pension	(3,727,251)
Deferred inflows of resources - OPEB	(284,730)

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	(233,709)
Compensated absences - due in more than one year	(16,908)
Net pension liability	(4,598,141)
Net OPEB Liability	(333,371)

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<b>Net position of governmental activities</b>	<b>\$ 17,599,059</b>
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**City of Crescent City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2022**

	Major Funds		Non-Major	Total
	General	Housing Authority Section 8	Governmental Funds	Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 7,185,724	\$ -	-	\$ 7,185,724
Use of money and property:				
Interest	(20,945)	(3,662)	(28,275)	(52,882)
Rental income	37,642	-	-	37,642
Licenses and permits	286,830	-	-	286,830
Fines and forfeitures	30,301	-	-	30,301
Intergovernmental	281,884	3,696,019	2,200,577	6,178,480
Charges for services	649,970	-	-	649,970
Gifts and donations	50,425	-	7,616	58,041
Other reimbursements	132,524	-	-	132,524
Other revenue	65,620	42,330	-	107,950
<b>Total revenues</b>	<b>8,699,975</b>	<b>3,734,687</b>	<b>2,179,918</b>	<b>14,614,580</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,059,521	-	-	1,059,521
Public safety	2,907,127	-	62,303	2,969,430
Community development	334,046	-	106,018	440,064
Human services and recreation	777,457	3,754,593	410,873	4,942,923
Public works	1,056,498	-	292,387	1,348,885
Administrative overhead allocation	390,170	20,926	-	411,096
<b>Total expenditures</b>	<b>6,524,819</b>	<b>3,775,519</b>	<b>871,581</b>	<b>11,171,919</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>2,175,156</b>	<b>(40,832)</b>	<b>1,308,337</b>	<b>3,442,661</b>
<b>OTHER FINANCING SOURCES</b>				
<b>(USES):</b>				
Transfers in	306,779	-	1,895,860	2,202,639
Transfers out	(1,929,941)	-	(223,707)	(2,153,648)
<b>Total other financing sources</b>				
<b>(uses)</b>	<b>(1,623,162)</b>	<b>-</b>	<b>1,672,153</b>	<b>48,991</b>
<b>Net change in fund balances</b>	<b>551,994</b>	<b>(40,832)</b>	<b>2,980,490</b>	<b>3,491,652</b>
<b>FUND BALANCES:</b>				
Beginning of year	3,497,523	439,847	(758,674)	3,178,696
End of year	\$ 4,049,517	\$ 399,015	\$ 2,221,816	\$ 6,670,348

## 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, 2022

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Net change in fund balance - governmental funds	\$ 3,491,652
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, \$313,099).	969,299
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, \$118,890).	(453,491)
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.	138,020
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	(899,410)
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.	
Pension contributions	722,033
OPEB contributions	83,429
Pension and OPEB expenses are recorded as incurred in the Government-Wide Statement of Activities, however these expenses are not recognized in the governmental funds.	(1,715,270)
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 financial statements in prior years.	(11,307)
<b>Change in net position of governmental activities</b>	<b>\$ 2,324,955</b>

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## **PROPRIETARY FUND FINANCIAL STATEMENTS**

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## PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

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

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

*Internal Service Funds* Account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

**City of Crescent City**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 7,056,749	\$ 4,106,627	\$ 481,035	\$ 11,644,411	\$ 456,947
Accounts receivable	675,745	314,898	-	990,643	59,475
Interest receivable	11,942	24,907	851	37,700	325
Prepaid items	-	10,403	-	10,403	8,585
Total current assets	7,744,436	4,456,835	481,886	12,683,157	525,332
Noncurrent assets:					
Notes receivable	189,523	4,849	-	194,372	-
Leases receivable	-	236,877	-	236,877	-
Advance to RDA Successor Agency	-	548,228	-	548,228	-
Advance to other funds	-	497,696	-	497,696	-
Capital assets:					
Non-depreciable	78,115	1,499,662	7,626	1,585,403	42,525
Depreciable, net	34,697,401	6,771,957	807,553	42,276,911	1,079,638
Total capital assets	34,775,516	8,271,619	815,179	43,862,314	1,122,163
Total noncurrent assets	34,965,039	9,559,269	815,179	45,339,487	1,122,163
<b>Total assets</b>	<b>42,709,475</b>	<b>14,016,104</b>	<b>1,297,065</b>	<b>58,022,644</b>	<b>1,647,495</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	497,572	309,667	-	807,239	-
OPEB related amounts	54,626	31,064	-	85,690	-
<b>Total deferred outflows of resources</b>	<b>552,198</b>	<b>340,731</b>	<b>-</b>	<b>892,929</b>	<b>-</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	264,139	136,370	44,704	445,213	146,519
Accrued wages	-	-	-	-	144,976
Deposits	322,820	149,741	-	472,561	-
Due to other funds	-	-	-	-	5,000
Unearned revenue	-	2,054	-	2,054	-
Current maturities of long term debt:					
Compensated absences payable	30,075	42,914	3,985	76,974	-
Current portion of loans payable	1,697,663	350,000	-	2,047,663	-
Total current liabilities	2,314,697	681,079	48,689	3,044,465	296,495
Noncurrent liabilities:					
Compensated absences payable	26,621	16,228	-	42,849	-
Net pension liability	1,801,863	1,121,401	-	2,923,264	-
Net OPEB liability	135,113	76,836	-	211,949	-
Loans payable - due in more than one year	30,557,927	175,000	-	30,732,927	-
Total noncurrent liabilities	32,521,524	1,389,465	-	33,910,989	-
<b>Total liabilities</b>	<b>34,836,221</b>	<b>2,070,544</b>	<b>48,689</b>	<b>36,955,454</b>	<b>296,495</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	1,677,224	1,039,160	-	2,716,384	-
OPEB related amounts	115,399	65,621	-	181,020	-
Leases	-	232,663	-	232,663	-
<b>Total deferred inflows of resources</b>	<b>1,792,623</b>	<b>1,337,444</b>	<b>-</b>	<b>3,130,067</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	2,519,926	7,746,619	815,179	11,081,724	1,122,163
Restricted for debt service	-	350,291	-	350,291	-
Unrestricted	4,112,903	2,851,937	433,197	7,398,037	228,837
<b>Total net position</b>	<b>\$ 6,632,829</b>	<b>\$ 10,948,847</b>	<b>\$ 1,248,376</b>	<b>\$ 18,830,052</b>	<b>\$ 1,351,000</b>

**City of Crescent City**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2022**

	Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer	Water	RV Park	Total	
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 5,050,871	\$ 2,816,008	\$ 541,240	\$ 8,408,119	\$ 1,257,822
Other	13,880	9,807	(131)	23,556	71,874
<b>Total operating revenues</b>	<b>5,064,751</b>	<b>2,825,815</b>	<b>541,109</b>	<b>8,431,675</b>	<b>1,329,696</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	1,581,293	1,336,227	138,265	3,055,785	639,210
Materials, supplies, rent, and services	2,021,608	675,767	157,239	2,854,614	444,496
Repair and maintenance	225,150	136,417	74,479	436,046	187,110
Administrative overhead	416,293	446,526	54,484	917,303	-
Depreciation	1,712,674	268,157	59,479	2,040,310	118,890
<b>Total operating expenses</b>	<b>5,957,018</b>	<b>2,863,094</b>	<b>483,946</b>	<b>9,304,058</b>	<b>1,389,706</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(892,267)</b>	<b>(37,279)</b>	<b>57,163</b>	<b>(872,383)</b>	<b>(60,010)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	(68,678)	3,560	(4,429)	(69,547)	(526)
Rental revenue	-	16,767	-	16,767	-
Grant revenue	119,736	74,144	-	193,880	-
<b>Total nonoperating revenues (expenses)</b>	<b>51,058</b>	<b>94,471</b>	<b>(4,429)</b>	<b>141,100</b>	<b>(526)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(841,209)</b>	<b>57,192</b>	<b>52,734</b>	<b>(731,283)</b>	<b>(60,536)</b>
Contributions	-	-	-	-	101,281
Transfers in	15,024	158,103	-	173,127	226,750
Transfers out	(72,466)	(246,927)	-	(319,393)	(129,475)
<b>Total contributions and transfers</b>	<b>(57,442)</b>	<b>(88,824)</b>	<b>-</b>	<b>(146,266)</b>	<b>198,556</b>
<b>Change in net position</b>	<b>(898,651)</b>	<b>(31,632)</b>	<b>52,734</b>	<b>(877,549)</b>	<b>138,020</b>
<b>NET POSITION</b>					
Beginning of year	7,531,480	10,980,479	1,195,642	19,707,601	1,212,980
End of year	<u>\$ 6,632,829</u>	<u>\$ 10,948,847</u>	<u>\$ 1,248,376</u>	<u>\$ 18,830,052</u>	<u>\$ 1,351,000</u>

**City of Crescent City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2022**

	Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer	Water	RV Park	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 5,073,993	\$ 2,993,055	\$ 541,109	\$ 8,608,157	\$ -
Cash received from other funds	-	-	-	-	1,336,539
Cash payments to suppliers for goods and services	(2,554,331)	(1,437,425)	(257,194)	(4,248,950)	(551,617)
Cash paid to employees	(889,881)	(911,012)	(141,778)	(1,942,671)	(639,210)
<b>Net cash provided (used) by operating activities</b>	<b>1,629,781</b>	<b>644,618</b>	<b>142,137</b>	<b>2,416,536</b>	<b>145,712</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Grant cash receipts	119,736	74,144	-	193,880	-
Cash received from other funds	15,024	35,615	-	50,639	119,157
Cash disbursements to other funds	(72,466)	(103,702)	-	(176,168)	(21,882)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>62,294</b>	<b>6,057</b>	<b>-</b>	<b>68,351</b>	<b>97,275</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Cash capital contributions	-	-	-	-	101,281
Cash received from leasing assets	-	12,553	-	12,553	-
Acquisition of capital assets	(73,299)	(64,486)	(42,569)	(180,354)	(313,099)
Long-term debt repayments	(1,697,663)	(350,000)	-	(2,047,663)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,770,962)</b>	<b>(401,933)</b>	<b>(42,569)</b>	<b>(2,215,464)</b>	<b>(211,818)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment losses	(75,635)	(18,743)	(5,025)	(99,403)	(662)
<b>Net cash provided (used) by investing activities</b>	<b>(75,635)</b>	<b>(18,743)</b>	<b>(5,025)</b>	<b>(99,403)</b>	<b>(662)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(154,522)</b>	<b>229,999</b>	<b>94,543</b>	<b>170,020</b>	<b>30,507</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>7,211,271</b>	<b>3,876,628</b>	<b>386,492</b>	<b>11,474,391</b>	<b>426,440</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 7,056,749</b>	<b>\$ 4,106,627</b>	<b>\$ 481,035</b>	<b>\$ 11,644,411</b>	<b>\$ 456,947</b>

**City of Crescent City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2022**

	Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer	Water	RV Park	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>					
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (892,267)	\$ (37,279)	\$ 57,163	\$ (872,383)	(60,010)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,712,674	268,157	59,479	2,040,310	118,890
Changes in assets, deferred outflows and inflows of resources, and liabilities					
Receivables	(20,478)	174,936	-	154,458	6,843
Prepaid items	738	(1,280)	-	(542)	951
Deferred outflows of resources - pension	(21,012)	(13,077)	-	(34,089)	-
Deferred outflows of resources - OPEB	(2,551)	(1,450)	-	(4,001)	-
Accounts payable	107,982	(177,435)	29,008	(40,445)	42,378
Accrued wages	-	-	-	-	36,660
Deposits payable	29,720	(9,750)	-	19,970	-
Unearned revenue	-	2,054	-	2,054	-
Compensated leaves payable	2,023	(5,306)	(3,513)	(6,796)	-
Net pension liability	(873,292)	(543,500)	-	(1,416,792)	-
Net OPEB liability	(62,522)	(35,556)	-	(98,078)	-
Deferred inflows of resources - pension	1,611,206	1,002,745	-	2,613,951	-
Deferred inflows of resources - OPEB	37,560	21,359	-	58,919	-
<b>Total adjustments</b>	<b>2,522,048</b>	<b>681,897</b>	<b>84,974</b>	<b>3,288,919</b>	<b>205,722</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,629,781</b>	<b>\$ 644,618</b>	<b>\$ 142,137</b>	<b>\$ 2,416,536</b>	<b>\$ 145,712</b>

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## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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## FIDUCIARY FUNDS FINANCIAL STATEMENTS

*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, 2022**

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	Successor Agency RDA
<b>ASSETS</b>	
Cash and investments	\$ 157,539
Interest receivable	188
<b>Total assets</b>	<b>157,727</b>
<b>LIABILITIES</b>	
Interest payable	30,681
Due to the City of Crescent City	137,257
Due to the City of Crescent City (Water Utility Fund)	548,228
<b>Total liabilities</b>	<b>716,166</b>
<b>NET POSITION</b>	
Restricted for dissolution of RDA	(558,439)
<b>Total net position</b>	<b>\$ (558,439)</b>

**City of Crescent City**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2022**

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	Successor Agency RDA
<b>ADDITIONS:</b>	
Taxes	\$ 87,000
Use of money and property:	
Interest	(1,499)
<b>Total additions</b>	<b>85,501</b>
<b>DEDUCTIONS:</b>	
Payroll	2,366
Other	37,749
<b>Total deductions</b>	<b>40,115</b>
<b>Change in net position</b>	<b>45,386</b>
<b>NET POSITION:</b>	
Beginning of year	(603,825)
End of year	<b>\$ (558,439)</b>

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**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.

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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

*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.

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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

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 fund represent a Private-purpose Trust Fund, which is accounted for on the accrual basis of accounting.

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

***Basis of Presentation***

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

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

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

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**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.

***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.

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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

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

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

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

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

**General Receivables and Property Taxes Receivable**

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

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

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

**Leases**

The City is a lessor for several long-term leases and recognizes a lease receivable and deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The City uses its estimated incremental borrowing rate at the discount rate for leases.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

**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.

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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

**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, 2021
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

**Vacation and Sick Pay**

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken. Unused vacation has been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets 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 assets 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.



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

**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 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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

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.

**New Pronouncements**

In 2022, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 87, *Leases* – The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The City recognized lease receivables and deferred inflows of resources related to certain lease transactions for which the City is a lessor and included required lease disclosures as a result of implementing this statement.
- GASB Statement No. 92, *Omnibus 2020* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 93, *Interbank offered rates (LIBOR removal and lease modifications)* – The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report* – The objective of this Statement is to address references in authoritative literature to the term *comprehensive annual financial report*.
- GASB Statement No. 99, *Omnibus 2022* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement did not apply to the City for the current fiscal year.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**2. CASH AND INVESTMENTS**

As of June 30, 2022, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 19,035,379
Fiduciary Funds	157,539
Total Cash and Investments	<u>\$ 19,192,918</u>

As of June 30, 2022, the City's cash and investments consisted of the following:

Cash:

Cash on hand	\$ 1,350
Deposits	1,266,126
Total Cash	<u>1,267,476</u>

As of June 30, 2022 the City's investments consisted of the following:

Investments:

In California Local Agency Investment Fund (at fair value)	17,925,442
Total Investments	<u>17,925,442</u>
Total Cash and Investments	<u>\$ 19,192,918</u>

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$1,266,126 and the bank balance was \$1,418,601. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

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

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

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

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**2. CASH AND INVESTMENTS, CONTINUED**

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the City's investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. The City has invested all cash, other than deposits and imprest cash, in the California Local Agency Investment Fund (LAIF). At June 30, 2022, the City's investments were in compliance with concentration of credit risk per 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, 2022 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2022, the City had \$17,925,442 invested in LAIF, which had 1.88% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 0.987125414 to the total investments held by LAIF.

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

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**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.

Outstanding notes receivable for the year ended June 30, 2022 were as follows:

Business Enterprise Notes	\$	194,372
Rehab & Sidewalk Notes		69,308
CDBG 03/04 Program Loans		38,576
Abatement Note		58,363
	\$	<u>360,619</u>

**4. LEASES RECEIVABLE**

In implementing GASB Statement 87 - *Leases*, in the fiscal year ended June 30, 2022, the City recognized lease receivables and deferred inflows of resources for the leasing of attachment space for cellular communications and part of a parking lot for electric vehicle charging. In the fiscal year ended June 30, 2022, the City recognized \$50,767 in revenues for these leases.

The follow is a summary of the City's lease receivables:

<b>Lease</b>	<b>General Fund</b>	<b>Water Fund</b>	<b>Balance at June 30, 2022</b>
City Cell Tower	\$ 252,519	\$ -	\$ 252,519
City Parking Lot	29,945	-	29,945
Water Cell Tower	-	236,877	236,877
Total	<u>\$ 282,464</u>	<u>\$ 236,877</u>	<u>\$ 519,341</u>

***City Cell Tower***

The City entered into an agreement with a telecommunications company in 2010 to lease space on a tower at a City-owned building. The lease term is 30 years, made up of 5 years plus five 5-year options. The City considers each term to likely be exercised by the lessee. The monthly payments started at \$1,000 and increase by 15% each 5-year renewal term. The interest rate on the lease is 4%.

***City Parking Lot***

In January of 2022, the City signed a 10-year lease with a company to lease space in a City-owned parking lot for electric vehicle charging. The City received a signing payment of \$1,000 in the fiscal year ended June 30, 2022. Monthly payments of \$300 commence in August 2022. The interest rate on the lease is 4%.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

**4. LEASES RECEIVABLE, CONTINUED**

*Water Cell Tower*

In 2007, the City entered into an agreement with a telecommunications company to lease space on a City-owned water tower. The lease term is 30 years, made up of 5 years plus five 5-year options. The City considers each term to likely be exercised by the lessee. The monthly payments started at \$1,500 and increase by the change in the Consumer Price Index (CPI) each 5-year renewal term. The interest rate on the lease is 4%. The change in CPI is not included in the measurement of the lease receivable. In the fiscal year ended June 30, 2022, additional inflows of resources due to the change in the CPI were \$839.

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Transfers/ Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,823,819	\$ -	\$ -	\$ 2,823,819
Other non-depreciable	-	694,500	-	694,500
Construction in progress	7,355,868	259,192	(6,312,235)	1,302,825
Total Capital Assets, Not Being Depreciated	10,179,687	953,692	(6,312,235)	4,821,144
Capital Assets, Being Depreciated:				
Building and improvements	8,702,369	42,500		8,744,869
Machinery and equipment	3,623,313	286,205	(6,585)	3,902,933
Infrastructure	2,779,483	-	6,312,235	9,091,718
Total Capital Assets, Being Depreciated:	15,105,165	328,705	6,305,650	21,739,520
Less Accumulated Depreciation for:				
Building and improvements	(4,964,585)	(170,129)	-	(5,134,714)
Machinery and equipment	(2,696,189)	(128,904)	6,585	(2,818,508)
Infrastructure	(850,448)	(273,348)	-	(1,123,796)
Total Accumulated Depreciation	(8,511,222)	(572,381)	6,585	(9,077,018)
Total Capital Assets, Being Depreciated, Net	6,593,943	(243,676)	6,312,235	12,662,502
Total Governmental Activities, Net	\$ 16,773,630	\$ 710,016	\$ -	\$ 17,483,646

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

**5. CAPITAL ASSETS, CONTINUED**

	Balance June 30, 2021	Additions	Transfers	Balance June 30, 2022
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 493,855	\$ -	\$ -	\$ 493,855
Construction in progress	1,906,561	94,997	(910,010)	1,091,548
Total Capital Assets, Not Being Depreciated	2,400,416	94,997	(910,010)	1,585,403
Capital Assets, Being Depreciated:				
Structures and improvements	42,494,252	42,569	-	42,536,821
Machinery and equipment	9,831,616	26,953	531,972	10,390,541
Infrastructure	22,487,155	15,835	378,038	22,881,028
Total Capital Assets, Being Depreciated:	74,813,023	85,357	910,010	75,808,390
Less Accumulated Depreciation for:				
Structures and improvements	(16,510,405)	(1,098,056)	-	(17,608,461)
Machinery and equipment	(4,901,072)	(486,450)	-	(5,387,522)
Infrastructure	(10,079,692)	(455,804)	-	(10,535,496)
Total Accumulated Depreciation	(31,491,169)	(2,040,310)	-	(33,531,479)
Total Capital Assets, Being Depreciated, Net	43,321,854	(1,954,953)	910,010	42,276,911
Total Business-Type Activities, Net	\$ 45,722,270	\$ (1,859,956)	\$ -	\$ 43,862,314

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 19,791
Public ways and facilities	328,355
Public protections	123,563
Culture and recreation	100,672
Total Depreciation Expense - Governmental Functions	<u>\$ 572,381</u>

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

Sewer	\$ 1,712,674
Water	268,157
RV Park	59,479
Total Depreciation Expense - Business-Type Functions	<u>\$ 2,040,310</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

**6. LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Adjustments/ Retirements	Balance June 30, 2022	Amounts Due Within One year	Amounts Due in More Than One year
<b>Governmental Activities</b>						
Compensated Absences (Note 1)	\$ 239,310	\$ 222,186	\$ (210,879)	\$ 250,617	\$ 233,709	\$ 16,908
Total Governmental Activities	<u>\$ 239,310</u>	<u>\$ 222,186</u>	<u>\$ (210,879)</u>	<u>\$ 250,617</u>	<u>\$ 233,709</u>	<u>\$ 16,908</u>
	Balance June 30, 2021	Additions	Adjustments/ Retirements	Balance June 30, 2022	Amounts Due Within One year	Amounts Due in More Than One year
<b>Business-Type Activities</b>						
Loans Payable:						
Safe Water Revolving Loan	\$ 875,000	\$ -	\$ (350,000)	\$ 525,000	\$ 350,000	\$ 175,000
State Water Resources - Safe Water Loan	33,953,253	-	(1,697,663)	32,255,590	1,697,663	30,557,927
Subtotal Loans Payable	34,828,253	-	(2,047,663)	32,780,590	2,047,663	30,732,927
Compensated Absences (Note 1)	126,619	69,569	(76,365)	119,823	76,974	42,849
Total Business-Type Activities	<u>\$ 34,954,872</u>	<u>\$ 69,569</u>	<u>\$ (2,124,028)</u>	<u>\$ 32,900,413</u>	<u>\$ 2,124,637</u>	<u>\$ 30,775,776</u>

At June 30, 2022 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
	\$ 32,255,590

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.

	525,000
Total Loans	<u>\$ 32,780,590</u>



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

The annual aggregate maturities for the years subsequent to June 30, 2022 are as follows:

Year Ended June 30	Loans				Total
	Safe Drinking Water		Water Resources Control Board		
	Principal	Interest	Principal	Interest	
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	-	-	1,697,663	-	1,697,663
2027	-	-	1,697,663	-	1,697,663
2028-2032	-	-	8,488,313	-	8,488,313
2033-2037	-	-	8,488,313	-	8,488,313
2038-4041	-	-	6,790,649	-	6,790,649
Total	\$ 525,000	\$ -	\$ 32,255,590	\$ -	\$ 32,780,590

**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 \$370,440 at June 30, 2022. 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.

**7. 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, 2022:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 250,000	\$ -
CDBG Special Revenue Fund	-	245,000
Internal Service Funds	-	5,000
Total	\$ 250,000	\$ 250,000

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

**7. INTERFUND TRANSACTIONS, CONTINUED**

**Advance To/From Other Funds**

Advances to and from funds represent longer term loans between those funds. The City had one such loan between the Water Fund and the General Fund as of June 30, 2022 totaling \$497,696.

This loan was originally part of a loan from the Water Fund to the RDA. The State disallowed \$518,433 of the loan from being a recognized obligation of the Successor Agency. The Council approved the General Fund assuming the disallowed portion. Commencing in fiscal year 2022, the General Fund will pay the principal of the loan in equal payments over 25 years.

**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, 2022:

Transfers Out	Transfers In					Total
	General Fund	Non-Major Governmental Funds	Sewer	Water	Internal Service Funds	
Major Funds:						
General Fund	\$ -	\$1,751,066	\$ -	\$ 143,225	\$ 35,650	\$ 1,929,941
Non-Major Governmental Funds	192,236	1,569	15,024	14,878	-	223,707
Major Enterprise Funds:						
Sewer	-	-	-	-	72,466	72,466
Water	-	143,225	-	-	103,702	246,927
Internal Service Funds	114,543	-	-	-	14,932	129,475
Total	<u>\$ 306,779</u>	<u>\$1,895,860</u>	<u>\$ 15,024</u>	<u>\$ 158,103</u>	<u>\$ 226,750</u>	<u>\$ 2,602,516</u>

- The purpose of the transfer from Non-Major Governmental Funds (Gas Tax Fund and ARPA Fund) to the General Fund was to allocate gas tax revenues to fund street maintenance and support the Economic Development / Community Support / Grants department, respectively.
- The purpose of the transfer from the General Fund to the Non-Major Governmental Funds was to fund various capital projects and the purchase of vehicles.
- The Sewer and Water funds transferred money to the Internal Service Funds to purchase new equipment
- The Internal Service Funds transferred insurance amounts to the General fund for safety expenses.
- The General Fund transferred cash to the Water Fund to cover the receivables the water fund transferred to the Successor Housing Fund (non-major)

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**8. 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 PEPRAs, safety police classic, safety police PEPRAs, safety fire classic, and safety fire PEPRAs). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

***B. Benefits Provided***

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

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

**B. Benefits Provided, Continued**

The Plans' provisions and benefits in effect at June 30, 2022 are summarized as follows:

	<b>Miscellaneous</b>		
	Prior to January 1, 2013	On or after January 1, 2013	
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	11.590%	7.590%	
Required employer dollar UAL payment (annual)	\$595,886	\$8,795	
	<b>Safety (Police)</b>		<b>Safety (Fire)</b>
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013
Hire date	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2% @ 50	2.7% @ 57	2% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50-57	50
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	2.0%
Required employee contribution rates	9.000%	13.000%	9.000%
Required employer contribution rates	18.190%	13.130%	18.190%
Required employer dollar UAL payment (annual)	\$221,682	\$4,405	\$13,729

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

For the measurement period ended June 30, 2021, the contributions recognized against net pension liability for the Plan were \$1,140,498.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

As of June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$7,521,405.

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, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportionate share 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, 2020 and 2021 were as follows:

Proportion - June 30, 2020	0.10399%
Proportion - June 30, 2021	0.13907%
Change - Increase (Decrease)	<u>0.03508%</u>

For the year ended June 30, 2022, the City recognized pension expense of \$3,455,386. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,314,641	-
Changes of assumptions		-
Differences between expected and actual experience	965,427	-
Changes in employer's proportion	42,417	186,473
Differences between the employer's contribution and the employer's proportionate share of contributions	-	268,468
Net differences between projected and actual earnings on plan investments	-	5,988,694
Total	<u>\$ 2,322,485</u>	<u>\$ 6,443,635</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

\$1,314,641 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, 2023. 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:	
2023	\$ (1,170,556)
2024	(1,228,576)
2025	(1,383,130)
2026	(1,653,529)

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by entry age and service
Investment rate of return	7.15%
Maturity Rate Table <sup>(1)</sup>	Derived using 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 for the Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A detailed report testing these projections can be obtained from the CalPERS website.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

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

The following 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	\$	12,684,554
Current Discount Rate		7.15%
Net Pension Liability	\$	7,521,405
1% Increase		8.15%
Net Pension Liability	\$	3,261,418

***C. Payable to the Pension Plan***

At June 30, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

**9. 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 (\$143 per month for calendar year 2021)
- b) The amounts shown in the table below (pursuant to collective bargaining or other employee agreements)

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



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

***B. Employees Covered***

As of the July 1, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	57
Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to, but not yet receiving benefits	36
	<hr/>
	116

***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 measurement period ended June 30, 2021, the City's cash contribution was \$115,006 in payments to the trust and direct benefit payments, and the estimated implicit subsidy was \$21,465 resulting in total contributions of \$136,471.

***D. Net OPEB Liability***

The City's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2021 that was used to determine the June 30, 2021 total OPEB liability, based on the following actuarial methods and assumptions:

<b>Actuarial Assumptions</b>	
Discount Rate	5.9%
General Inflation	2.5% per year
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 2022 applied generationally from 2015
Healthcare Trend Rate	Actual for 2022, 5.8% for 2023, decreasing to an ultimate rate of 3.9% 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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

***D. Net OPEB Liability, Continued***

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

<b>Investment Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>60.00%</b>	
Large Cap Core	32.00%	6.80%
Mid Cap Core	6.00%	7.10%
Small Cap Core	9.00%	7.90%
Real Estate	2.00%	6.60%
International	7.00%	7.30%
Emerging Markets	4.00%	7.30%
<b>Fixed Income</b>	<b>35.00%</b>	
Short Term Bond	6.75%	3.30%
Intermediate Term Bond	27.00%	3.90%
High Yield	1.25%	6.10%
<b>Cash</b>	<b>5.00%</b>	<b>2.40%</b>
<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 6.24%. Based on the City's OPEB trust balance, the City assumed 34 basis points in non-imbedded fees for a net expected return of 5.9%. The City approved 5.9% as the assumed long term return on trust assets.

***E. Discount Rate***

The discount rate used to measure the total OPEB liability was 5.9 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, 2022**

**9. 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, 2021</b> (Measurement date 06/30/2020)	\$ 1,481,631	\$ 683,970	\$ 797,661
<b>Changes in the year:</b>			
Service cost	69,216	-	69,216
Interest	94,635	-	94,635
Differences between expected and actual experience	(148,995)	-	(148,995)
Assumption changes	51,258	-	51,258
Contribution - employer	-	136,471	(136,471)
Net investment income	-	181,984	(181,984)
Benefit payments	(97,401)	(97,401)	-
<b>Net changes</b>	<b>(31,287)</b>	<b>221,054</b>	<b>(252,341)</b>
<b>Balance at June 30, 2022</b> (Measurement date 06/30/2021)	<b>\$ 1,450,344</b>	<b>\$ 905,024</b>	<b>\$ 545,320</b>

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

	1% Decrease 4.90%	Current Discount Rate 5.90%	1% Increase 6.90%
Net OPEB Liability (Asset)	\$ 720,754	\$ 545,320	\$ 399,140

***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)	\$ 430,239	\$ 545,320	\$ 705,799

***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, 2022**

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**9. 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). For the measurement period ended June 30, 2021, the EARSL was 9.6 years. The recognition periods for various gains and losses created in the June 30, 2021 measurement are as follows:

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

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

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$29,196. For the fiscal year ended June 30, 2022, 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	\$ 140,237	\$ -
Differences Between Expected and Actual Experience	-	306,196
Changes of Assumptions	80,236	50,621
Net differences between projected and actual earnings on plan investments	-	108,933
Total	<u>\$ 220,473</u>	<u>\$ 465,750</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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

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

The \$140,237 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June, 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized as expense as follows:

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/Inflows of Resources</b>
2023	\$ (86,756)
2024	(67,691)
2025	(56,299)
2026	(60,880)
2027	(31,762)
Thereafter	(82,126)

**10. 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, 2022**

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**10. 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, 2022, the City contributed \$588,841 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.

**11. 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.

**12. 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 \$32,255,590.

Principal and interest paid for the current year and net system revenues were \$1,697,663 and \$940,143 respectively.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**12. 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 \$525,000.

Principal and interest paid for the current year and net system revenues were \$350,000, and \$325,329 respectively.

**13. 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, 2022**

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**13. 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, 2022, cash and investments in the amount of \$157,539 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 \$137,257 and \$548,228 respectively. Of these amounts, \$137,257 and \$548,228 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, 2022:

	Balance June 30, 2021	Adjustments/ Additions	Retirements	Balance June 30, 2022	Amounts Due Within One year	Amounts Due in More Than One year
Fiduciary Fund Debt						
Successor Housing Agency	\$ 18,904	\$ 137,058	\$ (18,705)	\$ 137,257	\$ -	\$ 137,257
City Water Fund	685,286	(137,058)	-	548,228	150,000	398,228
Total Fiduciary Fund Debt	<u>\$ 704,190</u>	<u>\$ -</u>	<u>\$ (18,705)</u>	<u>\$ 685,485</u>	<u>\$ 150,000</u>	<u>\$ 535,485</u>



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# REQUIRED SUPPLEMENTARY INFORMATION

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**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2022**

**1. OTHER POST EMPLOYMENT BENEFITS**

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

<i>Measurement Period</i>	2021	2020	2019
<b>Total OPEB Liability</b>			
Service cost	\$ 69,216	\$ 71,080	\$ 73,899
Interest on the total OPEB liability	94,635	92,061	100,416
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(148,995)	-	(147,813)
Changes of assumptions	51,258	(21,038)	(57,501)
Benefit payments, including refunds of employee contributions	(97,401)	(101,393)	(96,190)
<b>Net change in total OPEB liability</b>	<b>(31,287)</b>	<b>40,710</b>	<b>(127,189)</b>
<b>Total OPEB liability - beginning</b>	<b>1,481,631</b>	<b>1,440,921</b>	<b>1,568,110</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 1,450,344</b>	<b>\$ 1,481,631</b>	<b>\$ 1,440,921</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 136,471	\$ 161,094	\$ 156,211
Contributions - employee	-	-	-
Net investment income	181,984	17,217	33,991
Benefit payments, including refunds of employee contributions	(97,401)	(101,393)	(96,190)
Administrative expense	-	-	-
Other	-	-	56,421
<b>Net change in plan fiduciary net position</b>	<b>221,054</b>	<b>76,918</b>	<b>150,433</b>
<b>Plan fiduciary net position - beginning</b>	<b>683,970</b>	<b>607,052</b>	<b>456,619</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 905,024</b>	<b>\$ 683,970</b>	<b>\$ 607,052</b>
<b>Net OPEB liability/(asset) - ending (a) - (b)</b>	<b>\$ 545,320</b>	<b>\$ 797,661</b>	<b>\$ 833,869</b>
Plan fiduciary net position as a percentage of the total OPEB liability	62%	46%	42%
Covered-employee payroll	\$ 3,594,534	\$ 2,941,134	\$ 3,466,680
Net OPEB liability as a percentage of covered-employee payroll	15.17%	27.12%	24.05%

**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, 2022**

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

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

2018	2017
\$ 71,573	\$ 84,805
96,582	111,248
-	-
-	(257,555)
-	138,952
(123,018)	(117,859)
45,137	(40,409)
1,522,973	1,563,382
<u>\$ 1,568,110</u>	<u>\$ 1,522,973</u>
\$ 179,438	\$ 156,803
-	-
31,754	39,562
(123,018)	(117,859)
-	-
-	-
88,174	78,506
368,445	289,939
<u>\$ 456,619</u>	<u>\$ 368,445</u>
\$ 1,111,491	\$ 1,154,528
29%	24%
\$ 3,217,205	\$ 3,045,658
34.55%	37.91%

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2022**

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

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

	2022	2021	2020
Actuarially Determined Contribution (ADC)	\$ 140,237	\$ 136,471	\$ 161,094
Contributions in relation to the ADC	(140,237)	(136,471)	(161,094)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,702,370	\$ 3,594,534	\$ 2,941,134
Contributions as a percentage of covered-employee payroll	3.79%	3.80%	5.48%

**Notes to Schedule:**

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

Valuation Date used to determine ADC	7/1/2019	7/1/2019	7/1/2017
Discount rate used to determine ADC	6.30%	6.30%	6.30%
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	20 Years Closed	20 Years Closed
Asset Valuation Method	Market Value	Market Value	Market Value
Inflation	2.50%	2.50%	2.75%
Payroll Growth	3.00%	3.00%	3.25%
Healthcare cost-trend rates	8.0% in 2018 to 5.0%	8.0% in 2018 to 5.0%	8.0% in 2018 to 5.0%
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, 2022**

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

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

2019	2018
\$ 156,211	\$ 179,438
(156,211)	(179,438)
\$ -	\$ -
\$ 3,466,680	\$ 3,217,205
4.51%	5.58%

7/1/2017	7/1/2015
6.30%	7.00%
Entry Age Normal	Entry Age Normal
Level % of Pay	Level % of Pay
21 Years Closed	22 Years Closed
Market Value	Market Value
2.75%	2.75%
3.25%	3.25%
8.0% in 2018 to 5.0%	7.5% in 2017 to 4.5%
50 to 75	50 to 75
MW Scale 2017 generationally	MW Scale 2017 generationally

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2022**

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**2. DEFINED BENEFIT PENSION PLAN**

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

Fiscal Year	2022	2021	2020	2019	2018
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the net pension liability	0.13907182%	0.10398944%	0.10353226%	0.10454965%	0.10411817%
Proportionate share of the net pension liability	\$ 7,521,405	\$11,314,498	\$10,608,990	\$10,074,682	\$10,325,662
Covered payroll	\$ 3,381,533	\$ 3,272,924	\$ 3,466,680	\$ 3,217,205	\$ 3,045,658
Proportionate Share of the net pension liability as percentage of covered payroll	222.43%	345.70%	306.03%	313.15%	339.03%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%	73.31%

**Notes to Schedule:**

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

The CalPERS discount rate increased from 7.5% to 7.65% in fiscal year 2016

The CalPERS discount rate decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2022**

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

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

<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>
0.10614935%	0.10970704%	0.10061430%
\$ 9,185,205	\$ 7,530,194	\$ 6,260,676
\$ 2,979,180	\$ 2,915,615	\$ 2,782,613
308.31%	258.27%	224.99%
74.06%	78.40%	79.82%

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2022**

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

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 1,239,641	\$ 1,140,497	\$ 1,108,169	\$ 968,710	\$ 948,296
Contribution in relation to the contractually required contribution	(1,314,641)	(1,140,497)	(1,108,169)	(968,710)	(948,296)
Contribution deficiency (excess)	\$ (75,000)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,520,793	\$ 3,381,533	\$ 3,272,924	\$ 3,466,680	\$ 3,217,205
Contributions as a percentage of covered payroll	35.21%	33.73%	33.86%	27.94%	29.48%

**Notes to Schedule**

Valuation date (for contractually required contribution):	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value	Market Value

Inflation:	2.50%	2.50%	2.63%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%	7.375%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)

(1) Level percent Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

50 for all plans, with the exception of 52 for Miscellaneous PEPRA  
(3) 2% @ 62

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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



**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2022**

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

***B. Schedule of Contributions – Last 10 Years, Continued***

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 851,158	\$ 763,462	\$ 625,852
(851,158)	(763,462)	(625,852)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,045,658	\$ 2,979,180	\$ 2,915,615
27.95%	25.63%	21.47%

<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Entry Age	Entry Age	Entry Age
(1)	(1)	(1)
Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%
(2)	(2)	(2)
7.50%	7.50%	7.50%
(3)	(3)	(3)
(4)	(4)	(4)

**City of Crescent City**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2022**

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**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, 2022 (Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES:</b>				
Taxes	\$ 5,429,700	\$ 6,704,700	\$ 7,185,724	\$ 481,024
Use of money and property:				
Interest	20,000	20,000	(20,945)	(40,945)
Rental income	41,182	41,182	37,642	(3,540)
Licenses and permits	282,800	295,800	286,830	(8,970)
Fines and forfeitures	7,050	7,050	30,301	23,251
Intergovernmental	421,500	473,583	281,884	(191,699)
Charges for services	735,003	920,665	649,970	(270,695)
Gifts and donations	148,500	153,500	50,425	(103,075)
Other reimbursements	90,639	124,926	132,524	7,598
Other revenue	18,300	13,830	65,620	51,790
<b>Total revenues</b>	<b>7,194,674</b>	<b>8,755,236</b>	<b>8,699,975</b>	<b>(55,261)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,155,347	1,330,108	1,059,521	270,587
Public safety	3,098,708	3,246,643	2,907,127	339,516
Community development	506,897	554,012	334,046	219,966
Human services and recreation	887,270	976,282	777,457	198,825
Public works	1,216,929	1,291,431	1,056,498	234,933
Administrative overhead allocation	381,970	393,200	390,170	3,030
<b>Total expenditures</b>	<b>7,247,121</b>	<b>7,791,676</b>	<b>6,524,819</b>	<b>1,266,857</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(52,447)</b>	<b>963,560</b>	<b>2,175,156</b>	<b>1,211,596</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	190,486	362,144	306,779	(55,365)
Transfers out	(722,809)	(1,931,550)	(1,929,941)	1,609
<b>Total other financing sources (uses)</b>	<b>(532,323)</b>	<b>(1,569,406)</b>	<b>(1,623,162)</b>	<b>(53,756)</b>
<b>Net change in fund balance</b>	<b>\$ (584,770)</b>	<b>\$ (605,846)</b>	<b>551,994</b>	<b>\$ 1,157,840</b>
<b>FUND BALANCE:</b>				
Beginning of year			3,497,523	
End of year			\$ 4,049,517	

# 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, 2022 (Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of money and property:				
Interest	\$ 140	\$ 140	\$ (3,662)	\$ (3,802)
Intergovernmental	3,895,785	4,041,489	3,696,019	(345,470)
Other revenue	27,000	27,000	42,330	15,330
<b>Total revenues</b>	<b>3,922,925</b>	<b>4,068,629</b>	<b>3,734,687</b>	<b>(333,942)</b>
<b>EXPENDITURES:</b>				
Current:				
Human services and recreation	3,906,818	4,069,643	3,754,593	315,050
Administrative overhead allocation	21,526	21,526	20,926	600
<b>Total expenditures</b>	<b>3,928,344</b>	<b>4,091,169</b>	<b>3,775,519</b>	<b>315,650</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,419)</b>	<b>(22,540)</b>	<b>(40,832)</b>	<b>(18,292)</b>
<b>Net change in fund balance</b>	<b>\$ (5,419)</b>	<b>\$ (22,540)</b>	<b>(40,832)</b>	<b>\$ (18,292)</b>
<b>FUND BALANCE:</b>				
Beginning of year			439,847	
End of year			<u>\$ 399,015</u>	

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# **SUPPLEMENTARY INFORMATION**

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**City of Crescent City**  
**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	Special Revenue Funds				
	CDBG Funds	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund	RMRA Fund
<b>ASSETS</b>					
Cash and investments	\$ 11,937	\$ 20,331	\$ 18,053	\$ 314,896	\$ 188,318
Restricted cash and investments					
Consumers and others	-	-	-	-	-
County/State/Federal Government	409,105	-	12,658	-	23,483
Interest receivable	1	36	33	6,694	352
Due from RDA Successor Agency	-	-	-	137,257	-
Land held for redevelopment	-	-	-	89,752	-
Note Receivable	38,576	69,308	-	-	-
<b>Total assets</b>	<b>\$ 459,619</b>	<b>\$ 89,675</b>	<b>\$ 30,744</b>	<b>\$ 548,599</b>	<b>\$ 212,153</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	174,031	-	1,824	-	8,018
Unearned revenue	-	-	-	-	-
Due to other funds	245,000	-	-	-	-
<b>Total liabilities</b>	<b>419,031</b>	<b>-</b>	<b>1,824</b>	<b>-</b>	<b>8,018</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue	370,231	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>370,231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Restricted					
Low and moderate income housing	-	-	-	548,599	-
Other Purposes	-	89,675	28,920	-	204,135
Assigned for Capital Improvement and Vehicle Replacement	-	-	-	-	-
Unassigned	(329,643)	-	-	-	-
<b>Total fund balances</b>	<b>(329,643)</b>	<b>89,675</b>	<b>28,920</b>	<b>548,599</b>	<b>204,135</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 459,619</b>	<b>\$ 89,675</b>	<b>\$ 30,744</b>	<b>\$ 548,599</b>	<b>\$ 212,153</b>



Special Revenue Funds			Capital Projects Funds				Nonmajor Governmental Funds
CARES Act Fund	ARPA Fund	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Vehicle Replacement Funds		
\$ -	\$ 736,217	\$ 1,490,074	\$ 8,583	\$ 150,931	\$ 73,603	\$ 3,012,943	
-	-	-	-	-	-	-	
-	-	54,877	-	-	-	500,123	
-	1,384	2,039	15	268	96	10,918	
-	-	-	-	-	-	137,257	
-	-	-	-	-	-	89,752	
-	-	-	-	-	-	107,884	
\$ -	\$ 737,601	\$ 1,546,990	\$ 8,598	\$ 151,199	\$ 73,699	\$ 3,858,877	
-	-	41,321	-	-	-	225,194	
-	744,368	-	-	-	-	744,368	
-	-	-	-	-	-	245,000	
-	744,368	41,321	-	-	-	1,214,562	
-	-	52,268	-	-	-	422,499	
-	-	52,268	-	-	-	422,499	
-	-	-	-	-	-	548,599	
-	-	-	-	-	-	322,730	
-	-	1,453,401	8,598	151,199	73,699	1,686,897	
-	(6,767)	-	-	-	-	(336,410)	
-	(6,767)	1,453,401	8,598	151,199	73,699	2,221,816	
\$ -	\$ 737,601	\$ 1,546,990	\$ 8,598	\$ 151,199	\$ 73,699	\$ 3,858,877	

# City of Crescent City

## Combining Statements of Revenues, Expenditures, and Changes in Fund Balance

### Nonmajor Governmental Funds

For the Year Ended June 30, 2022

	Special Revenue Funds				
	CDBG Funds	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund	RMRA Fund
<b>REVENUES:</b>					
Use of money and property					
Interest	\$ 1	\$ (197)	\$ (281)	\$ (2,020)	\$ (1,663)
Intergovernmental	1,123,616	-	178,040	-	149,266
Gifts and donations	-	-	-	-	-
<b>Total revenues</b>	<u>1,123,617</u>	<u>(197)</u>	<u>177,759</u>	<u>(2,020)</u>	<u>147,603</u>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	-	-
Community development	106,018	-	-	-	-
Human services and recreation	410,873	-	-	-	-
Public works	7,941	-	11,816	-	104,062
<b>Total expenditures</b>	<u>524,832</u>	<u>-</u>	<u>11,816</u>	<u>-</u>	<u>104,062</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	598,785	(197)	165,943	(2,020)	43,541
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	143,225	-
Transfers out	(1,569)	-	(154,488)	-	-
<b>Total other financing sources (uses)</b>	<u>(1,569)</u>	<u>-</u>	<u>(154,488)</u>	<u>143,225</u>	<u>-</u>
<b>Net change in fund balance</b>	597,216	(197)	11,455	141,205	43,541
<b>FUND BALANCES:</b>					
Beginning of year	(926,859)	89,872	17,465	407,394	160,594
End of year	<u>\$ (329,643)</u>	<u>\$ 89,675</u>	<u>\$ 28,920</u>	<u>\$ 548,599</u>	<u>\$ 204,135</u>

Special Revenue Funds		Capital Projects Funds				Total Nonmajor Governmental Funds
CARES Act Fund	ARPA Fund	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	
\$ (2)	\$ (6,767)	\$ (14,942)	\$ (88)	\$ (1,498)	\$ (818)	\$ (28,275)
-	67,429	682,226	-	-	-	2,200,577
-	-	-	7,616	-	-	7,616
(2)	60,662	667,284	7,528	(1,498)	(818)	2,179,918
-	-	3,523	-	-	58,780	62,303
-	-	-	-	-	-	106,018
-	-	-	-	-	-	410,873
-	-	168,568	-	-	-	292,387
-	-	172,091	-	-	58,780	871,581
(2)	60,662	495,193	7,528	(1,498)	(59,598)	1,308,337
-	-	1,539,635	-	98,000	115,000	1,895,860
(221)	(67,429)	-	-	-	-	(223,707)
(221)	(67,429)	1,539,635	-	98,000	115,000	1,672,153
(223)	(6,767)	2,034,828	7,528	96,502	55,402	2,980,490
223	-	(581,427)	1,070	54,697	18,297	(758,674)
\$ -	\$ (6,767)	\$ 1,453,401	\$ 8,598	\$ 151,199	\$ 73,699	\$ 2,221,816

**City of Crescent City**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2022**

	Information Tech Fund	Maintenance Building Fund	Equipment Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,504	\$ 1,394	\$ 122,327
Accounts receivable	-	-	591
Interest receivable	-	-	113
Prepaid items	8,565	-	-
Total current assets	10,069	1,394	123,031
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	-	42,525
Depreciable, net	-	-	1,079,638
Total capital assets	-	-	1,122,163
Total noncurrent assets	-	-	1,122,163
<b>Total assets</b>	10,069	1,394	1,245,194
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	5,069	1,394	29,918
Accrued wages	-	-	-
Due to other funds	5,000	-	-
Total current liabilities	10,069	1,394	29,918
<b>Total liabilities</b>	10,069	1,394	29,918
<b>NET POSITION</b>			
Net investment in capital assets	-	-	1,122,163
Unrestricted	-	-	93,113
<b>Total net position</b>	\$ -	\$ -	\$ 1,215,276

Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ 254,494	\$ 76,686	\$ 542	\$ 456,947
-	58,884	-	59,475
-	154	58	325
20	-	-	8,585
254,514	135,724	600	525,332
-	-	-	42,525
-	-	-	1,079,638
-	-	-	1,122,163
-	-	-	1,122,163
254,514	135,724	600	1,647,495
109,538	-	600	146,519
144,976	-	-	144,976
-	-	-	5,000
254,514	-	600	296,495
254,514	-	600	296,495
-	-	-	1,122,163
-	135,724	-	228,837
\$ -	\$ 135,724	\$ -	\$ 1,351,000

# City of Crescent City

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position

### Internal Service Funds

For the year ended June 30, 2022

	Information Tech Fund	Maintenance Building Fund	Equipment Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 267,949	\$ 176,077	\$ 343,385
Other	-	-	-
<b>Total operating revenues</b>	<u>267,949</u>	<u>176,077</u>	<u>343,385</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	177,480	110,953	210,540
Materials, supplies, rent, and services	24,386	6,575	83,274
Repair and maintenance	81,015	58,549	47,546
Depreciation	-	-	118,890
<b>Total operating expenses</b>	<u>282,881</u>	<u>176,077</u>	<u>460,250</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(14,932)</u>	<u>-</u>	<u>(116,865)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	-	-	(427)
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>-</u>	<u>(427)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(14,932)</u>	<u>-</u>	<u>(117,292)</u>
Contributions	-	-	101,281
Transfers in	14,932	-	211,818
Transfers out	-	-	-
<b>Total contributions and transfers</b>	<u>14,932</u>	<u>-</u>	<u>313,099</u>
<b>Change in net position</b>	<u>-</u>	<u>-</u>	<u>195,807</u>
<b>NET POSITION</b>			
Beginning of year	-	-	1,019,469
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,215,276</u>

Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ -	\$ 326,367	\$ 144,044	\$ 1,257,822
-	71,874	-	71,874
-	398,241	144,044	1,329,696
-	-	140,237	639,210
-	326,366	3,895	444,496
-	-	-	187,110
-	-	-	118,890
-	326,366	144,132	1,389,706
-	71,875	(88)	(60,010)
-	(187)	88	(526)
-	(187)	88	(526)
-	71,688	-	(60,536)
-	-	-	101,281
-	-	-	226,750
-	(129,475)	-	(129,475)
-	(129,475)	-	198,556
-	(57,787)	-	138,020
-	193,511	-	1,212,980
\$ -	\$ 135,724	\$ -	\$ 1,351,000

**City of Crescent City**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2022**

	Information Tech Fund	Maintenance Building Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from other funds	\$ 267,949	\$ 176,077
Cash payments to suppliers for goods and services	(106,882)	(64,633)
Cash paid to employees	(177,480)	(110,953)
<b>Net cash provided (used) by operating activities</b>	<b>(16,413)</b>	<b>491</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash received from other funds	14,932	-
Cash disbursements to other funds	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>14,932</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash capital contributions	-	-
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>(1,481)</b>	<b>491</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>2,985</b>	<b>903</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,504</b>	<b>\$ 1,394</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (14,932)	\$ -
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	434	-
Accounts payable	(1,915)	491
Accrued wages	-	-
<b>Total adjustments</b>	<b>(1,481)</b>	<b>491</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (16,413)</b>	<b>\$ 491</b>



Equipment Fund	Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ 343,672	\$ -	\$ 404,797	\$ 144,044	\$ 1,336,539
(122,494)	72,653	(326,366)	(3,895)	(551,617)
(210,540)	-	-	(140,237)	(639,210)
10,638	72,653	78,431	(88)	145,712
211,818	-	(107,593)	-	119,157
-	-	(21,882)	-	(21,882)
211,818	-	(129,475)	-	97,275
101,281	-	-	-	101,281
(313,099)	-	-	-	(313,099)
(211,818)	-	-	-	(211,818)
(488)	-	(235)	61	(662)
(488)	-	(235)	61	(662)
10,150	72,653	(51,279)	(27)	30,507
112,177	181,841	127,965	569	426,440
\$ 122,327	\$ 254,494	\$ 76,686	\$ 542	\$ 456,947
\$ (116,865)	\$ -	\$ 71,875	\$ (88)	\$ (60,010)
118,890	-	-	-	118,890
287	-	6,556	-	6,843
-	517	-	-	951
8,326	35,476	-	-	42,378
-	36,660	-	-	36,660
127,503	72,653	6,556	-	205,722
\$ 10,638	\$ 72,653	\$ 78,431	\$ (88)	\$ 145,712

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**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**

**INDEPENDENT AUDITORS' REPORT**

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, 2022, 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 29, 2022.

**Report on 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.

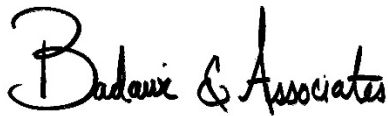
To the Honorable Mayor and Members of the City Council  
of the City of Crescent City  
Crescent City, California  
Page 2

### **Report on 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 29, 2022

**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**

***Opinion on Each Major Federal Program***

We have audited the City of Crescent City, California (City)'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control Over Compliance***

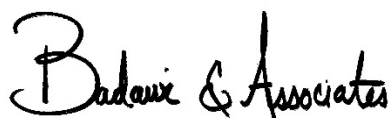
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify

all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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 29, 2022

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**City of Crescent City**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2022**

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing 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	\$ 3,738,492	\$ -
COVID-19 - Section 8 Housing Choice Vouchers	14.871	n/a	37,028	-
Housing Voucher Cluster Total			3,775,520	-
CDBG State Administered Program:				
<i>Passed through State of California Department of Housing And Community Development:</i>				
Community Development Block Grant	14.228	17-CDBG-12092	10,490	-
Community Development Block Grant	14.228	20-CDBG-12011	71,854	67,154
Community Development Block Grant	14.228	20-CDBG-12012	212,818	210,191
Community Development Block Grant	14.228	20-CDBG-12040	64,062	-
Community Development Block Grant	14.228	20-CDBG-12056	40,508	-
COVID-19 Community Development Block Grant	14.228	20-CDBG-CV1-00048	125,100	118,167
CDBG State Administered Program Total			524,832	395,512
<b>Total U.S. Department of Housing and Urban Development</b>			<b>4,300,352</b>	<b>395,512</b>
<b><u>Department of Transportation</u></b>				
<i>Passed through California Department of Transportation:</i>				
Highway Planning and Construction	20.205	ER-32D0(013)	132,083	-
<b>Total Department of Transportation</b>			<b>132,083</b>	<b>-</b>
<b><u>U.S. Department of Treasury</u></b>				
<i>Direct Programs:</i>				
COVID-19 State and Local Fiscal Recovery Funds (ARPA)	21.027	N/A	67,429	-
<i>Passed through California State Water Resources Control Board</i>				
COVID-19 State and Local Fiscal Recovery Funds (ARPA)	21.027	N/A	193,881	-
<b>Total Department of Commerce</b>			<b>261,310</b>	<b>-</b>
<b>Total Federal Expenditures</b>			<b>\$ 4,693,745</b>	<b>\$ 395,512</b>

**City of Crescent City**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2022**

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**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, 2022**

**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:

Assistance Listing Number(s)	Name of Federal Cluster or Program	Expenditures
14.871	Housing Voucher Cluster	3,775,520
	Total Expenditures of all Major Programs	\$ 3,775,520
	Total Expenditures of Federal Award	\$ 4,693,745
	Percentage of Total Expenditure of Federal Award	80%

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, 2022**

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**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.