

# City of Crescent City

Crescent City, California

*Annual Audit Report and Financial Statements*

*For the year ended June 30, 2023*



**City of Crescent City**  
**Annual Audit Report and Financial Statements**  
**For the year ended June 30, 2023**

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# INTRODUCTORY SECTION

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**City of Crescent City**  
**City Officials**  
**For the year ended June 30, 2023**

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**Name**

**Office**

Isaiah Wright

Mayor

Blake Inscore

Mayor Pro Tem

Ray Altman

Council Member

Jason Greenough

Council Member

Kelly Schellong

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, 2023, 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, 2023, 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 15-35 and 106-116 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.

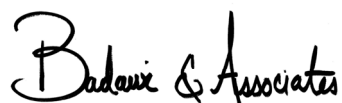
The combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards on pages 120-129, and 139 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 28, 2023, 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 28, 2023

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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, 2023**

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, 2023. 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 \$92,075,043 and total liabilities and deferred inflows of resources were \$50,552,410 on June 30, 2023. The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$41,522,633 (net position) for the fiscal year reported. This is an increase of \$5,047,982 from the previous year when assets exceeded liabilities by \$36,474,651.

The increase includes:

- \$2,271,662 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.
- \$101,678 increase in restricted net position, which includes balances for capital projects, grant-funded projects, Housing Authority, and balances restricted for debt service.
- \$2,674,642 increase in unrestricted net position.

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 \$30,837,032 includes real property, construction-in-progress, structures and improvements, equipment, and infrastructure.
- Net position of \$1,371,769 is restricted for capital projects, community development, low-income housing, and other purposes.
- Net position of \$350,544 is restricted for debt service.

- Unrestricted net position of \$8,963,288 represents the resources available to meet the City's ongoing obligations to citizens and creditors.

### Fund Financial Statements

The fund financial statements (pages 50-67) present information about each major fund of the City and the aggregate of all non-major funds. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the City can be divided into three categories:

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

### Governmental Funds

Governmental funds include the General Fund, special revenue funds, and capital projects funds. The City maintains two major governmental funds (General Fund and Housing Authority Fund) and ten 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 120-123.

The City's governmental funds reported total ending fund balance of \$6,832,623 this year. This compares to the prior year ending fund balance of \$6,715,888 and is an increase of \$116,735 which includes:

- \$480,189 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.)
- \$19,260 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.
- \$344,194 net decrease in other governmental funds, including a decrease of \$361,515 in the CDBG Fund for grant expenditures not yet reimbursed and small increases and decreases in other minor funds.

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 124-129.

The enterprise funds reported total ending net position of \$20,090,086 as of June 30, 2023. This compares to net position as of the prior year of \$18,830,052 and is an increase of \$1,260,034 which includes:

- \$482,072 net increase in the Sewer Fund net position.
- \$773,770 net increase in the Water Fund net position.
- \$4,192 net increase in the RV Park Fund net position.

The internal service funds reported total ending net position of \$1,719,345 as of June 30, 2023. This represents a net increase of \$368,345 from the prior year net position of \$1,351,000.

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.

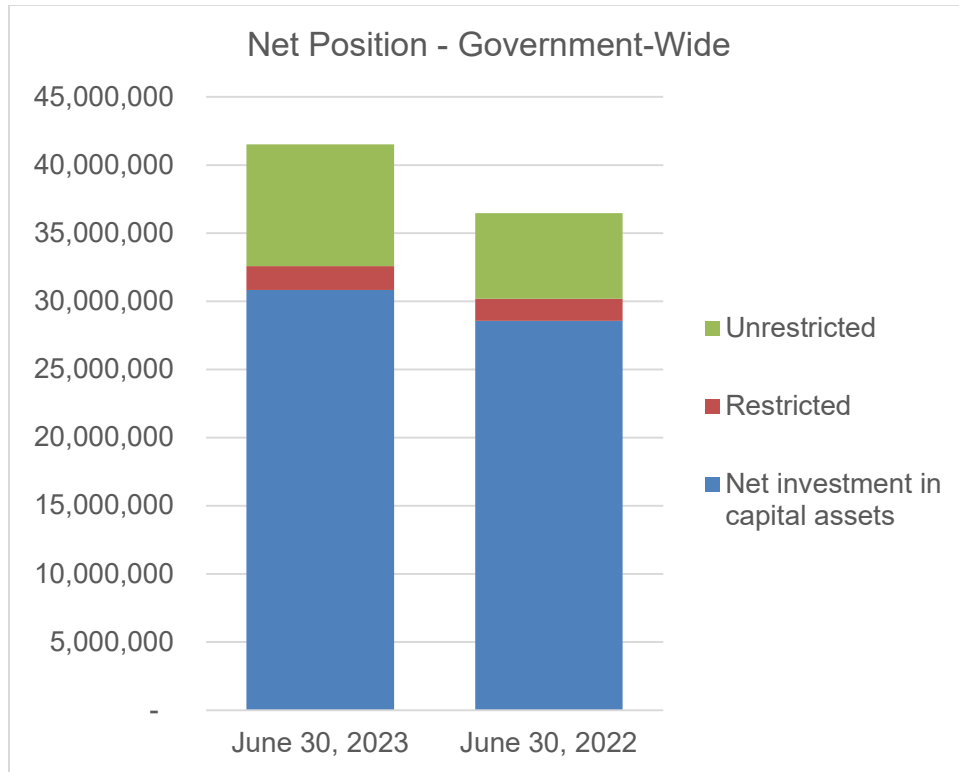
#### Supplementary Information

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, 2023. 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 2022-23	FY 2021-22	FY 2022-23	FY 2021-22	FY 2022-23	FY 2021-22
<b>Assets:</b>						
Current and other	11,845,936	9,742,747	12,930,714	14,160,330	24,776,650	23,903,077
Capital assets	18,895,099	17,483,646	42,803,907	43,862,314	61,699,006	61,345,960
<b>Total assets</b>	<b>30,741,035</b>	<b>27,226,393</b>	<b>55,734,621</b>	<b>58,022,644</b>	<b>86,475,656</b>	<b>85,249,037</b>
<b>Deferred outflow of resources</b>	<b>3,484,741</b>	<b>1,650,029</b>	<b>2,114,646</b>	<b>892,929</b>	<b>5,599,387</b>	<b>2,542,958</b>
<b>Total assets and deferred outflows of resources</b>	<b>34,225,776</b>	<b>28,876,422</b>	<b>57,849,267</b>	<b>58,915,573</b>	<b>92,075,043</b>	<b>87,791,995</b>
<b>Liabilities</b>						
Current and other	3,214,065	1,998,255	2,726,258	3,044,465	5,940,323	5,042,720
Long-term liabilities	8,490,440	4,948,420	34,049,615	33,910,989	42,540,055	38,859,409
<b>Total liabilities</b>	<b>11,704,505</b>	<b>6,946,675</b>	<b>36,775,873</b>	<b>36,955,454</b>	<b>48,480,378</b>	<b>43,902,129</b>
<b>Deferred inflow of resources</b>	<b>1,088,724</b>	<b>4,285,148</b>	<b>983,308</b>	<b>3,130,067</b>	<b>2,072,032</b>	<b>7,415,215</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>12,793,229</b>	<b>11,231,823</b>	<b>37,759,181</b>	<b>40,085,521</b>	<b>50,552,410</b>	<b>51,317,344</b>
<b>Net Position</b>						
Net investment in capital assets	18,766,053	17,483,646	12,070,979	11,081,724	30,837,032	28,565,370
Restricted	1,371,769	1,270,344	350,544	350,291	1,722,313	1,620,635
Unrestricted	1,294,725	(1,109,391)	7,668,563	7,398,037	8,963,288	6,288,646
<b>Total Net Position, as restated</b>	<b>21,432,547</b>	<b>17,644,599</b>	<b>20,090,086</b>	<b>18,830,052</b>	<b>41,522,633</b>	<b>36,474,651</b>

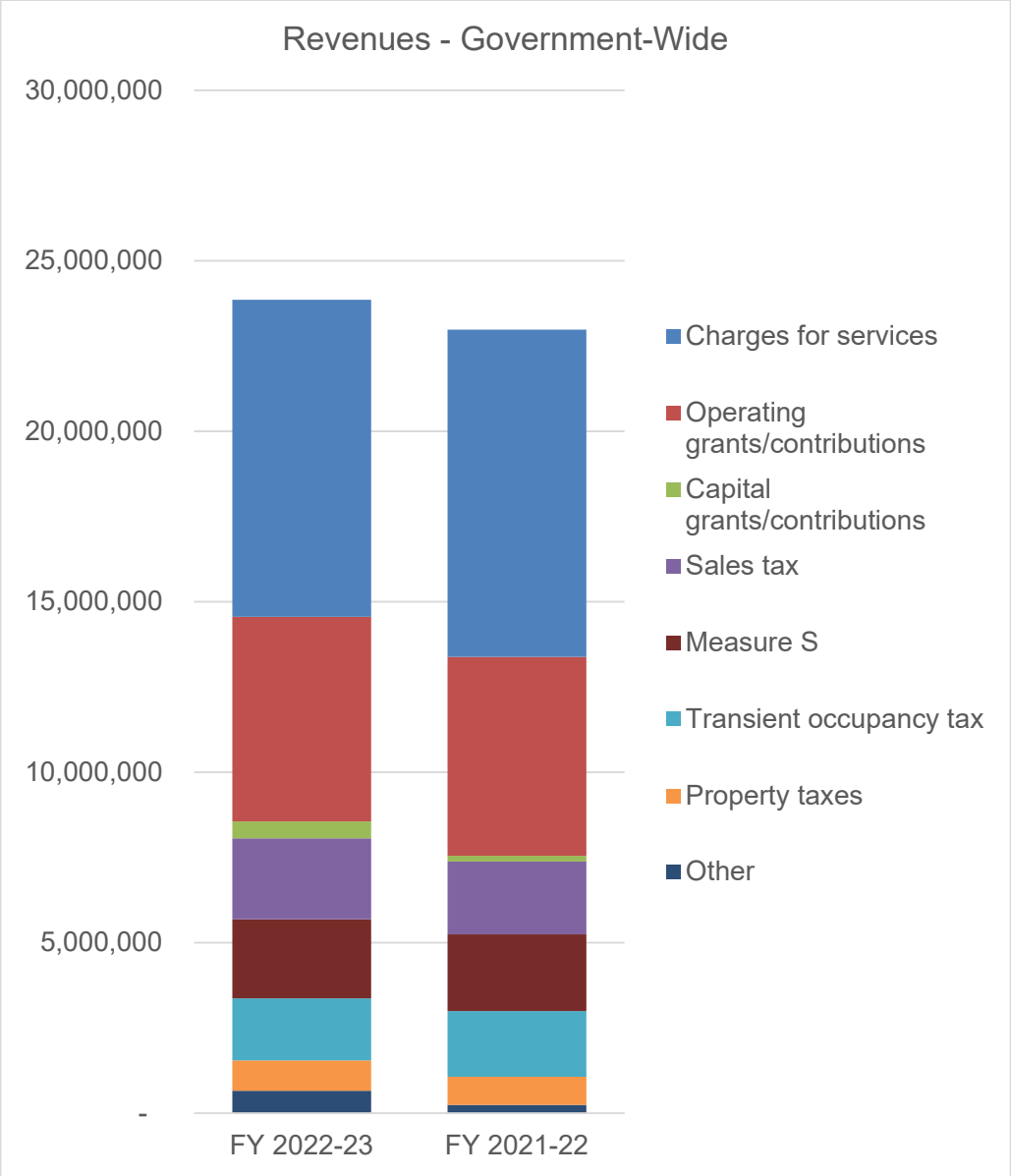


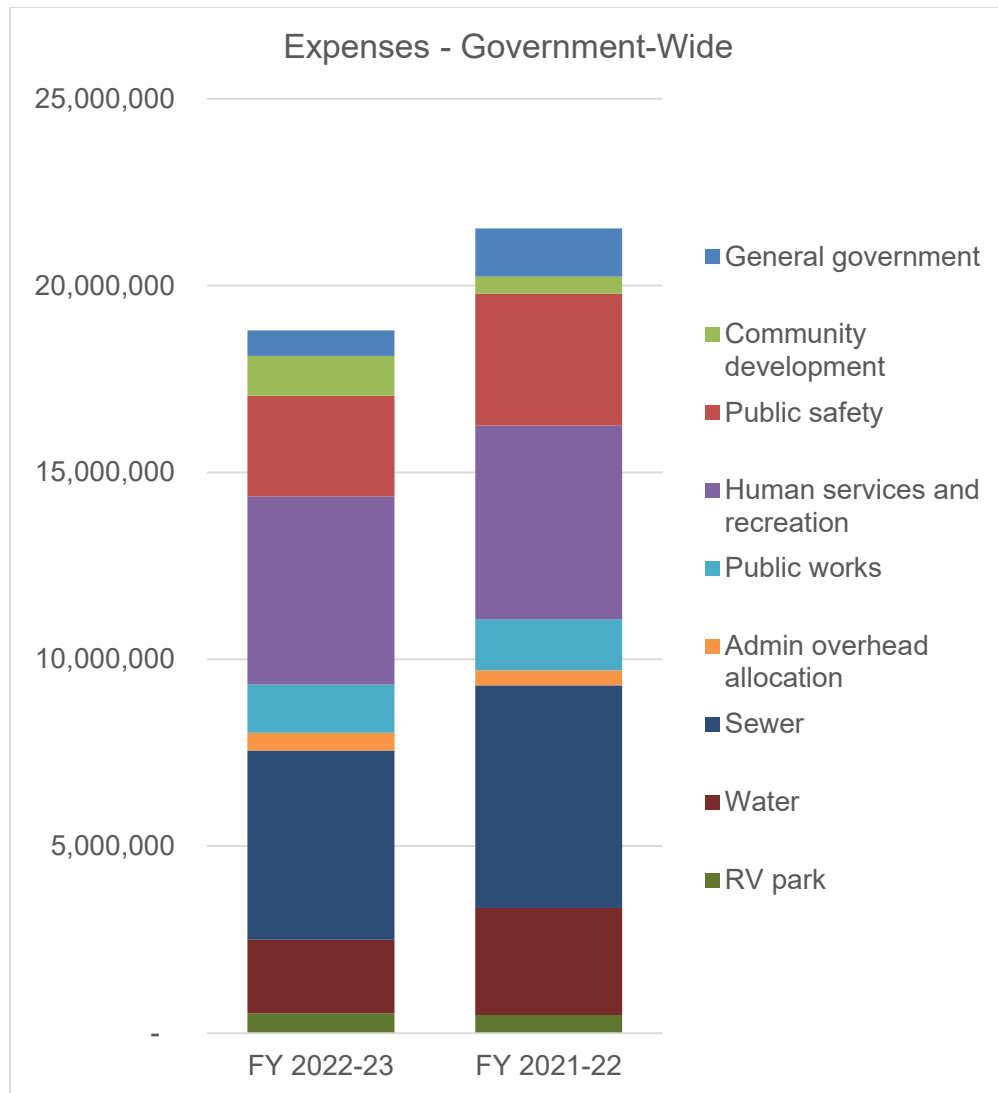
In fiscal year 2022-23, governmental activities increased the City's net position by \$3,787,948 and business-type activities increased the City's net position by \$1,260,034 as compared to the prior fiscal year. In fiscal year 2022-23 government-wide revenues increased by \$873,811 and total expenses decreased by \$2,726,765 compared to the prior year.

Revenues in governmental activities increased by \$527,942 and expenses decreased \$984,871 compared to the prior year. In business-type activities, revenues increased by \$345,869 and expenses decreased by \$1,741,894. A large portion of the decrease in expenses was related to the complex pension liability adjustments required by GASB 68. In fiscal year 2022-23, these calculations resulted in a large credit to pension expense. In future years, current balances of deferred outflows and deferred inflows required by GASB 68 will be amortized and recognized as pension expenses. See the section Notes to Basic Financial Statements (Note 8) for additional information about long-term pension liabilities.

<b>Table 2 - Changes in Net Position</b>						
<b>For the periods ending June 30</b>						
	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:					-	-
Charges for services	948,765	1,168,660	8,350,879	8,431,675	9,299,644	9,600,335
Operating grants/contributions	5,644,986	5,639,293	358,442	193,880	6,003,428	5,833,173
Capital grants/contributions	490,880	171,232	-	-	490,880	171,232
General revenues:						
Sales tax	2,375,421	2,134,613	-	-	2,375,421	2,134,613
Measure S	2,319,969	2,248,200	-	-	2,319,969	2,248,200
Transient occupancy tax	1,822,738	1,927,505	-	-	1,822,738	1,927,505
Property taxes	886,639	825,119	-	-	886,639	825,119
Other	448,214	295,048	209,323	(52,780)	657,537	242,268
Total Revenues	14,937,612	14,409,670	8,918,644	8,572,775	23,856,256	22,982,445
Expenses:						
General government	685,398	1,289,179	-	-	685,398	1,289,179
Public safety	2,695,080	3,537,516	-	-	2,695,080	3,537,516
Community development	1,067,127	453,931	-	-	1,067,127	453,931
Human services and recreation	5,035,660	5,175,043	-	-	5,035,660	5,175,043
Public works	1,287,898	1,371,689	-	-	1,287,898	1,371,689
Admin overhead allocation	474,947	403,623	-	-	474,947	403,623
Sewer	-	-	5,066,026	5,957,018	5,066,026	5,957,018
Water	-	-	1,969,710	2,863,094	1,969,710	2,863,094
RV park	-	-	526,428	483,946	526,428	483,946
Total Expenses	11,246,110	12,230,981	7,562,164	9,304,058	18,808,274	21,535,039
Excess (Deficiency) before other items	3,691,502	2,178,689	1,356,480	(731,283)	5,047,982	1,447,406
Transfers	96,446	146,266	(96,446)	(146,266)	-	-
<b>Increase (Decrease) in net position</b>	<b>3,787,948</b>	<b>2,324,955</b>	<b>1,260,034</b>	<b>(877,549)</b>	<b>5,047,982</b>	<b>1,447,406</b>
<b>Net position - beginning of year as restated</b>	<b>17,644,599</b>	<b>15,319,644</b>	<b>18,830,052</b>	<b>19,707,601</b>	<b>36,474,651</b>	<b>35,027,245</b>
<b>Net position - end of year</b>	<b>21,432,547</b>	<b>17,644,599</b>	<b>20,090,086</b>	<b>18,830,052</b>	<b>41,522,633</b>	<b>36,474,651</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 120.

**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 \$1,701,911; transfers in and out netted to a negative \$1,221,722. This resulted in a net increase in Fund Balance of \$480,189.

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 2022-23 General Fund revenue increased by \$483,428 (approximately 5.6%), most of which was in tax revenue and interest. Primary variations from the prior fiscal year include:

- Tax revenue increased \$273,884 from \$7,185,724 in fiscal year 2021-22 to \$7,459,608 in fiscal year 2022-23. Nearly all of the increase was in sales tax.
- Interest revenues increased \$108,875. The prior fiscal year had negative interest revenue due to adjusting the city's investments in LAIF to fair market value with very little interest earnings to offset the adjustment. In fiscal year 2022-23, the fair market value adjustment was more favorable than the prior year, and interest earnings returned.
- Charges for services increased \$89,391 compared to the prior year, mostly due to increased Fire Service fee revenue.

<b>Table 3 - General Fund Revenues by Source</b>						
<b>For the periods ending June 30</b>						
	<b>2023</b>		<b>2022</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	7,459,608	81.2%	7,185,724	82.6%	273,884	56.7%
Use of money and property:						
Interest	87,930	1.0%	(20,945)	-0.2%	108,875	22.5%
Rental Income	71,537	0.8%	37,642	0.4%	33,895	7.0%
Licenses and permits	291,245	3.2%	286,830	3.3%	4,415	0.9%
Fines and penalties	80,009	0.9%	30,301	0.3%	49,708	10.3%
Intergovernmental revenue	305,099	3.3%	281,884	3.2%	23,215	4.8%
Charges for services	739,361	8.1%	649,970	7.5%	89,391	18.5%
Gifts and donations	20,761	0.2%	50,425	0.6%	(29,664)	-6.1%
Other revenue	127,853	1.4%	198,144	2.3%	(70,291)	-14.5%
<b>Total</b>	<b>9,183,403</b>	<b>100.0%</b>	<b>8,699,975</b>	<b>100.0%</b>	<b>483,428</b>	<b>5.6%</b>

General Fund expenditures are grouped into the following categories:

- General Government includes City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, Community Support, 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 Fred Endert 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 \$956,673 (approximately 14.7%) from the prior fiscal year. The primary contributors to this increase include:

- Increase of \$492,614 in Public Safety. This is largely due to increased funding from Measure S for additional staffing, equipment, training, and supplies.
- Increase of \$227,418 in Community Development, largely due to grant-funded planning projects.
- Increase of \$146,788 in Human Services and Recreation, mostly due to increased spending for Fred Endert Municipal Pool (some of which was funded by Measure S).

<b>Table 4 - Expenditures by Type</b>						
<b>General Fund</b>						
<b>For the periods ending June 30</b>						
	<b>2023</b>		<b>2022</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	999,508	13.4%	1,061,010	16.3%	(61,502)	-6.4%
Public safety	3,399,741	45.4%	2,907,127	44.6%	492,614	51.5%
Community development	561,464	7.5%	334,046	5.1%	227,418	23.8%
Human services and recreation	924,236	12.4%	777,448	11.9%	146,788	15.3%
Public works	1,146,534	15.3%	1,062,491	16.3%	84,043	8.8%
Admin overhead allocation	450,009	6.0%	382,697	5.9%	67,312	7.0%
<b>Total</b>	<b>7,481,492</b>	<b>100.0%</b>	<b>6,524,819</b>	<b>100.0%</b>	<b>956,673</b>	<b>14.7%</b>

For the fiscal year ending June 30, 2023, the fund balance of the General Fund was \$4,575,246. Of this amount \$3,354,536 is unassigned.

*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, 2023. In fiscal year 2022-23, the Housing Authority experienced a surplus of expenditures over revenues in the amount of \$19,260. This decreased the Housing Authority's fund balance from \$399,015 to \$379,755. 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 2022-23, the change in net position was a positive \$482,072. The increase 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>2023</b>	<b>2022</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Sewer Fund				
Operating revenues				
Sewer treatment	4,580,643	4,422,454	158,189	3.6%
External lab revenues	51,169	43,800	7,368	16.8%
Sewer connections	249,796	428,429	(178,633)	-41.7%
Other	219,403	170,067	49,336	29.0%
Grants	358,442	119,736	238,706	
Expenses	(5,066,026)	(5,957,018)	890,992	-15.0%
Non-operating revenue (expense)	124,116	(68,678)	192,794	-280.7%
Net changes before transfers and capital contributions	517,542	(841,209)	1,358,751	-161.5%
Net transfers and capital contributions	(35,470)	(57,442)	21,972	-38.3%
<b>Change in net position</b>	<b>482,072</b>	<b>(898,651)</b>	<b>1,380,723</b>	<b>-153.6%</b>

Sewer treatment revenues increased by \$158,189 (due to new connections; there was no increase in rates) and grants increased by \$238,706 representing a state-funded grant for technical assistance, while connection fee revenues decreased by \$178,633. Expenses decreased by \$890,992, largely due to the pension adjustments required by GASB 68. In fiscal year 2022-23, these calculations resulted in a large credit to pension expense. In future years, current balances of deferred outflows and deferred inflows required by GASB 68 will be amortized and recognized as pension expenses. See the section Notes to Basic Financial Statements (Note 8) for additional information about long-term pension liabilities.

The increase in net position of \$482,072 is comprised of an increase in net investment in capital assets of \$588,247 and a decrease of \$106,175 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>2023</b>	<b>2022</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Sewer Fund				
Assets				
Current assets	6,677,521	7,744,436	(1,066,915)	-13.8%
Capital assets (net of depreciation)	33,666,101	34,775,516	(1,109,415)	-3.2%
Other non-current assets	211,271	189,523	21,748	
Total assets	40,554,893	42,709,475	(2,154,582)	-5.0%
Deferred outflows of resources	1,305,330	552,198	753,132	136.4%
Liabilities				
Current liabilities	2,212,380	2,314,697	(102,317)	-4.4%
Long-term liabilities	32,055,360	32,521,524	(466,164)	-1.4%
Total liabilities	34,267,740	34,836,221	(568,481)	-1.6%
Deferred inflows of resources	477,582	1,792,623	(1,315,041)	-73.4%
Net position	<b>7,114,901</b>	<b>6,632,829</b>	<b>482,072</b>	7.3%
Net investment in capital assets (net of depreciation and related debt)	3,108,173	2,519,926	588,247	23.3%
Unrestricted	4,006,728	4,112,903	(106,175)	-2.6%
Total net position	<b>7,114,901</b>	<b>6,632,829</b>	<b>482,072</b>	7.3%
Current assets	6,677,521	7,744,436	(1,066,915)	-13.8%
Current liabilities	2,212,380	2,314,697	(102,317)	-4.4%
Working capital	<b>4,465,141</b>	<b>5,429,739</b>	<b>(964,598)</b>	-17.8%

*Water Fund.* In fiscal year 2022-23, the change in net position was an increase of \$773,770 due to revenues exceeding expenses.

<b>Table 7 - Water Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2023</b>	<b>2022</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Water Fund				
Operating revenues				
Water service	2,576,657	2,631,140	(54,483)	-2.1%
Water connections	90,789	138,525	(47,736)	-34.5%
Other	60,939	56,150	4,789	8.5%
Grants	-	74,144	(74,144)	-100.0%
Expenses	(1,969,710)	(2,863,094)	893,384	-31.2%
Non-operating revenue (expense)	76,070	20,327	55,743	274.2%
Net changes before transfers and capital contributions	834,746	57,192	777,553	1359.5%
Net transfers and capital contributions	(60,976)	(88,824)	27,848	-31.4%
<b>Change in net position</b>	<b>773,770</b>	<b>(31,632)</b>	<b>805,401</b>	<b>-2546.2%</b>

Water operating revenues decreased slightly, and expenses decreased \$893,384, largely driven by the calculation of pension obligations. In fiscal year 2022-23, these calculations resulted in a large credit to pension expense. In future years, current balances of deferred outflows and deferred inflows required by GASB 68 will be amortized and recognized as pension expenses. See the section Notes to Basic Financial Statements (Note 8) for additional information about long-term pension liabilities.

The increase in net position of \$773,770 is comprised of an increase in net investment in capital assets of \$462,249, an increase of \$253 in restricted net position, and an increase of \$311,268 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>2023</b>	<b>2022</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
Water Fund				
Assets				
Current assets	4,377,500	4,456,835	(79,335)	-1.8%
Capital assets (net of depreciation)	8,383,868	8,271,619	112,249	1.4%
Other non-current assets	1,137,310	1,287,650	(150,340)	-11.7%
Total assets	13,898,678	14,016,104	(117,426)	-0.8%
Deferred outflows of resources	809,316	340,731	468,585	137.5%
Liabilities				
Current liabilities	490,699	681,079	(190,380)	-28.0%
Long-term liabilities	1,988,952	1,389,465	599,487	43.1%
Total liabilities	2,479,651	2,070,544	409,107	19.8%
Deferred inflows of resources	505,726	1,337,444	(831,718)	-62.2%
Net position	<b>11,722,617</b>	<b>10,948,847</b>	<b>773,770</b>	<b>7.1%</b>
Net investment in capital assets (net of depreciation and related debt)	8,208,868	7,746,619	462,249	6.0%
Restricted	350,544	350,291	253	0.1%
Unrestricted	3,163,205	2,851,937	311,268	10.9%
Total net position	<b>11,722,617</b>	<b>10,948,847</b>	<b>773,770</b>	<b>7.1%</b>
Current assets	4,377,500	4,456,835	(79,335)	-1.8%
Current liabilities	490,699	681,079	(190,380)	-28.0%
Restricted net position	350,544	350,291	253	0.1%
Working capital	<b>3,536,257</b>	<b>3,425,465</b>	<b>110,792</b>	<b>3.2%</b>



*Lighthouse Cove Recreational Vehicle (RV) Park.* The RV Park Fund revenues exceeded expenses by \$4,192 in fiscal year 2022-23. Operating revenues decreased by \$21,528 while operating expenses increased by \$42,482, primarily due to increases in staffing.

<b>Table 9 - RV Park Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2023</b>	<b>2022</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
RV Park Fund				
Operating revenues	519,712	541,240	(21,528)	-4.0%
Other	1,771	(131)	1,902	-1451.9%
Expenses	(526,428)	(483,946)	(42,482)	8.8%
Non-operating revenue (expense)	9,137	(4,429)	13,566	-306.3%
<b>Change in net position</b>	<b>4,192</b>	<b>52,734</b>	<b>(48,542)</b>	<b>-92.1%</b>

The increase in net position of \$4,192 is a combination of a decrease of \$61,241 in net investment in capital assets and an increase of \$65,433 in unrestricted net position due to operations.

<b>Table 10 - RV Park Fund</b>				
<b>For the periods ending June 30</b>				
	<b>2023</b>	<b>2022</b>	<b>Variance</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Percent</b>
RV Park Fund				
Assets				
Current assets	527,112	481,886	45,226	9.4%
Capital assets (net of depreciation)	753,938	815,179	(61,241)	-7.5%
Total assets	1,281,050	1,297,065	(16,015)	-1.2%
Liabilities				
Current liabilities	23,179	48,689	(25,510)	-52.4%
Total liabilities	23,179	48,689	(25,510)	-52.4%
Net position	<b>1,257,871</b>	<b>1,248,376</b>	<b>9,495</b>	<b>0.8%</b>
Net investment in capital assets (net of depreciation and related debt)	753,938	815,179	(61,241)	-7.5%
Total net position	<b>1,252,568</b>	<b>1,248,376</b>	<b>4,192</b>	<b>0.3%</b>
Current assets	527,112	481,886	45,226	9.4%
Current liabilities	23,179	48,689	(25,510)	-52.4%
Working capital	<b>503,933</b>	<b>433,197</b>	<b>70,736</b>	<b>16.3%</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 2022-23 included a projected deficit of \$1,413,046, which would decrease the General Fund reserve balance. Actual results were a surplus of \$480,189.

Actual General Fund revenues (not including transfers) were under budget by \$166,324. Revenues with significant variances (both over budget and under budget) are listed below:

- Sales tax was over budget by \$168,109.
- Transient Occupancy Tax was over budget by \$124,738.
- Interest (including adjustment to fair market value) was over budget by \$80,930.
- Fire Service Fees was under budget by \$291,536, mostly due to planned Measure S expenses that would have been reimbursed by the Fire District; as the expenses were not incurred, the revenue was not realized either.
- Planning grant revenues were under budget by \$244,098 due to grants that were not completed during the fiscal year and have been continued to the next fiscal year.

Actual General Fund expenditures (not including transfers out) were under budget by \$2,097,983.

There were a variety of factors affecting these variances:

- Wages and benefits were under budget by \$752,463.
  - Fire Department under budget \$258,678 related to the creation of three full-time Fire Captains; these positions were budgeted but were not filled until nearly the end of the fiscal year.
  - Police Department under budget \$282,695 for wages and benefits due to staffing vacancies and unused health benefits budget.
  - Multiple departments under budget by smaller amounts due to vacancies (Finance Department and Public Works Department) and unused benefits.
- Projects under budget by \$578,632 (carried over to next year)
  - Grant-funded projects under budget by \$206,124 were budgeted to be completed in the next fiscal year, including economic resiliency, cultural diversity, police training, and planning grants.
  - Measure S expenses under budget by \$442,173 for projects that will be completed in the next fiscal year, including the purchase of equipment for the fire department (radios, turnouts, skid-mounted pump, and SCBA compressor) and street and sidewalk repairs.
- Parts and supplies and contract services (not carried over to next year) were under budget by \$382,259, spread across all departments.

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 11 - General Fund Budget-to-Actual</b>						
<b>For the periods ending June 30</b>						
	<b>2023</b>				<b>2022</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>		<b>Budget</b>	<b>Actual</b>
Revenues	9,565,726	9,399,402	(166,324)		8,755,236	8,699,975
Expenditures	(9,795,474)	(7,697,491)	2,097,983		(7,791,676)	(6,524,819)
Operating results	(229,748)	1,701,911	1,931,659		963,560	2,175,156
Transfers in	323,796	279,581	(44,215)		362,144	306,779
Transfers out	(1,507,094)	(1,501,303)	5,791		(1,931,550)	(1,929,941)
<b>Net change in Fund Balance</b>	<b>(1,413,046)</b>	<b>480,189</b>	<b>1,893,235</b>		<b>(605,846)</b>	<b>551,994</b>
					<b>1,157,840</b>	

The Fund Balance Reserve Policy states the City Council's goal is to achieve and maintain a minimum of 25% of the annual general fund appropriations for operations (not including capital expenditures or grant-funded programs), with 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 2023-24 was \$11,052,858, of which \$9,562,880 is considered operational, resulting in a required reserve of \$2,390,720. The unassigned fund balance at June 30, 2023 was \$3,354,536. The difference between the required reserve and the unassigned fund balance may be used for additional city priorities, and most of this difference has already been budgeted to be spent in fiscal year 2023-24.

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

*Capital assets.* As of June 30, 2023, the City had a total net investment in capital assets of \$30,837,032 (original value of assets less accumulated depreciation and associated debt). This is an increase of \$2,271,662 over the net investment in capital assets as of June 30, 2022. The increase is due to the City's increased investment in capital projects, both City-funded and grant-funded, which more than offset the decrease in net investment due to depreciation. The most significant of these included:

- Construction-in-progress for reconstruction of Front Street
- Design for improvements in Beachfront Park
- Design for HVAC improvements at the swimming pool
- Improvements to extend life of various streets
- Upgrade to membranes at the Wastewater Treatment Plant
- Replacement of one pump at the Ranney Collector (water source)
- Purchase of vehicles and equipment for Police and Public Works

Table 12 - Net Investment in Capital Assets			
Governmental Funds			
2023	2022	Variance \$	Variance %
18,766,053	17,483,646	1,282,407	7.3%
Business-type Funds			
2023	2022	Variance \$	Variance %
12,070,979	11,081,724	989,255	8.9%
Total			
2023	2022	Variance \$	Variance %
30,837,032	28,565,370	2,271,662	8.0%

*Long-term debt.* As of June 30, 2023, the City had total debt outstanding of \$31,230,726; this is a decrease of \$2,065,775 from the total debt outstanding on June 30, 2022. This reduction is due to loan principal payments totaling \$2,047,662 and small decreases in compensated absences payable and subscriptions payable. The balance as of June 30, 2022 has been restated to include subscription-based information technology arrangements (SBITA) as required by GASB 96, which was implemented this fiscal year.

Table 13 - Total Debt						
For the periods ending June 30						
	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2023	2022	2023	2022	2023	20022
Compensated absences	260,693	250,617	108,059	119,823	368,752	370,440
Subscriptions payable	129,046	145,471	-	-	129,046	145,471
Safe Drinking Water Loan	-	-	175,000	525,000	175,000	525,000
State Revolving Loan	-	-	30,557,928	32,255,590	30,557,928	32,255,590
<b>Total</b>	<b>389,739</b>	<b>396,088</b>	<b>30,840,987</b>	<b>32,900,413</b>	<b>31,230,726</b>	<b>33,296,501</b>

### Economic Factors 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. 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 Prop 68 grants for Beachfront Park improvements, street reconstruction, economic development projects, and planning grants.

In November 2020, city voters approved a 1% transactions and use tax to fund essential city services. This tax (called Measure S) became effective April 1, 2021 and is projected to increase General Fund revenues by \$2.3 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. Measure S spending is directed toward streets, police, fire, and the swimming pool and contributes to both ongoing operational

needs and capital improvements. 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 to continue funding these priorities.

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 increased in fiscal year 2022-23, although working capital has decreased due to investing in needed capital improvements. Projections for this fund show that ongoing revenues are not sufficient to support the operational needs, debt service, and future capital improvements of the utility. 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. The City is currently in the process of developing a new rate study.

The Water Fund net position has increased significantly in recent years, due to successful implementation of rate increases in anticipation of capital improvement needs. The final rate increase was effective July 1, 2017. The City has 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. The City is currently in the process of 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, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 8,460,360	\$ 10,094,201	\$ 18,554,561
Receivables (net)	680,330	1,475,017	2,155,347
Due from other governments	2,554,263	-	2,554,263
Prepaid items	51,592	12,915	64,507
Due from RDA Successor Agency	106,198	423,992	530,190
Land held for redevelopment	89,752	-	89,752
Notes receivable	106,084	222,784	328,868
Leases receivable	274,315	224,847	499,162
Internal balances	(476,958)	476,958	-
Nondepreciable capital assets	5,794,763	1,786,728	7,581,491
Depreciable capital assets, net	13,100,336	41,017,179	54,117,515
Total Assets	30,741,035	55,734,621	86,475,656
<b>Deferred outflow of resources</b>			
Pension related amounts	3,343,833	2,025,056	5,368,889
OPEB related amounts	140,908	89,590	230,498
Total deferred outflow of resources	3,484,741	2,114,646	5,599,387
<b>Liabilities</b>			
Accounts payable	1,159,608	283,399	1,443,007
Accrued wages	162,286	-	162,286
Deposits	17,723	476,966	494,689
Unearned revenue	1,587,425	-	1,587,425
Long term liabilities			
Compensated absences - due within one year	229,597	93,230	322,827
Compensated absences - due in more than one year	31,096	14,829	45,925
Net pension liability	7,971,118	4,909,654	12,880,772
Net OPEB liability	416,606	264,867	681,473
Long-term debt - due within one year	57,426	1,872,663	1,930,089
Long-term debt - due in more than one year	71,620	28,860,265	28,931,885
Total Liabilities	11,704,505	36,775,873	48,480,378
<b>Deferred inflow of resources</b>			
Pension related amounts	661,146	657,847	1,318,993
OPEB related amounts	170,769	108,572	279,341
Leases	256,809	216,889	473,698
Total deferred inflow of resources	1,088,724	983,308	2,072,032
<b>Net Position</b>			
Net Investment in capital assets	18,766,053	12,070,979	30,837,032
Restricted for:			
Capital projects and community development	935,020	-	935,020
Debt service	-	350,544	350,544
Other purposes	436,749	-	436,749
Unrestricted	1,294,725	7,668,563	8,963,288
Total Net Position	\$ 21,432,547	\$ 20,090,086	\$ 41,522,633

**City of Crescent City**  
**Statement of Activities**  
**For the year ended June 30, 2023**

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	\$ 685,398	\$ 30,361	\$ 2,170	\$ 245
Public safety	2,695,080	444,236	293,117	-
Community development	1,067,127	192,354	1,284,857	-
Human services and recreation	5,035,660	277,612	3,732,674	-
Public works	1,287,898	4,202	332,168	490,635
Administrative overhead allocation	474,947	-	-	-
Total governmental activities	11,246,110	948,765	5,644,986	490,880
<b>Business-type activities:</b>				
Sewer	5,066,026	5,101,010	358,442	-
Water	1,969,710	2,728,386	-	-
RV Park	526,428	521,483	-	-
Total business-type activities	7,562,164	8,350,879	358,442	-
Total primary government	\$ 18,808,274	\$ 9,299,644	\$ 6,003,428	\$ 490,880

**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, as restated**

**Net position - end of year**

Net (Expense) Revenue and Changes in Net Position			
Total	Governmental Activities	Business -Type Activities	Total
\$ 32,776	\$ (652,622)	\$ -	\$ (652,622)
737,353	(1,957,727)	-	(1,957,727)
1,477,211	410,084	-	410,084
4,010,286	(1,025,374)	-	(1,025,374)
827,005	(460,893)	-	(460,893)
-	(474,947)	-	(474,947)
7,084,631	(4,161,479)	-	(4,161,479)
5,459,452	-	393,426	393,426
2,728,386	-	758,676	758,676
521,483	-	(4,945)	(4,945)
8,709,321	-	1,147,157	1,147,157
\$ 15,793,952	(4,161,479)	1,147,157	(3,014,322)
282,604	-	282,604	
4,695,390	-	4,695,390	
604,035	-	604,035	
201,297	-	201,297	
1,822,738	-	1,822,738	
54,842	-	54,842	
7,660,906	-	7,660,906	
192,472	217,143	409,615	
(397)	(7,820)	(8,217)	
96,446	(96,446)	-	
7,949,427	112,877	8,062,304	
3,787,948	1,260,034	5,047,982	
17,644,599	18,830,052	36,474,651	
\$ 21,432,547	\$ 20,090,086	\$ 41,522,633	

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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, 2023**

	Major Funds		Non-Major	Total
	General	Housing Authority Section 8	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,719,036	\$ 403,068	\$ 3,769,357	\$ 7,891,461
Receivables:				
Consumers and others	538,883	-	-	538,883
County/State/Federal Government	1,252,986	-	1,301,277	2,554,263
Interest receivable	31,754	2,669	36,618	71,041
Due from RDA Successor Agency	-	-	106,198	106,198
Due from other funds	630,000	-	-	630,000
Prepaid items	41,011	-	-	41,011
Land held for redevelopment	-	-	89,752	89,752
Note receivable	-	-	106,084	106,084
Leases receivable	274,315	-	-	274,315
<b>Total assets</b>	<b>\$ 6,487,985</b>	<b>\$ 405,737</b>	<b>\$ 5,409,286</b>	<b>\$ 12,303,008</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	613,187	25,149	322,407	\$ 960,743
Accrued wages	-	-	-	-
Unearned revenue	148,732	833	1,437,860	1,587,425
Deposits	17,723	-	-	17,723
Advance from other funds	476,958	-	-	476,958
Due to other funds	-	-	625,000	625,000
<b>Total liabilities</b>	<b>1,256,600</b>	<b>25,982</b>	<b>2,385,267</b>	<b>3,667,849</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	399,330	-	1,146,397	1,545,727
Leases	256,809	-	-	256,809
<b>Total deferred inflow of resources</b>	<b>656,139</b>	<b>-</b>	<b>1,146,397</b>	<b>1,802,536</b>
<b>Fund balances:</b>				
Nonspendable	41,011	-	-	41,011
Restricted:				
Low and moderate income housing	-	379,755	555,265	935,020
Other purposes	30,862	-	405,887	436,749
Assigned:				
Capital improvement and vehicle replacement	-	-	1,607,628	1,607,628
Police programs	6,381	-	-	6,381
Business improvement district	946	-	-	946
Measure S	1,141,510	-	-	1,141,510
Unassigned	3,354,536	-	(691,158)	2,663,378
<b>Total fund balances</b>	<b>4,575,246</b>	<b>379,755</b>	<b>1,877,622</b>	<b>6,832,623</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,487,985</b>	<b>\$ 405,737</b>	<b>\$ 5,409,286</b>	<b>\$ 12,303,008</b>

# City of Crescent City

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2023

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 6,832,623</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: 1,719,345

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 \$1,564,656. 17,330,443

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 1,545,727

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	909,515
OPEB contributions	65,034

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	2,434,318
Deferred outflows of resources - OPEB	75,874
Deferred inflows of resources - pension	(661,146)
Deferred inflows of resources - OPEB	(170,769)

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	(229,597)
Compensated absences - due in more than one year	(31,096)
Net pension liability	(7,971,118)
Net OPEB Liability	(416,606)

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<b>Net position of governmental activities</b>	<b>\$ 21,432,547</b>
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**City of Crescent City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

	Major Funds		Non-Major	Total
	General	Housing Authority Section 8	Governmental Funds	Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 7,459,608	\$ -	-	\$ 7,459,608
Use of money and property:				
Interest	87,930	5,901	62,158	155,989
Rental income	71,537	-	-	71,537
Licenses and permits	291,245	-	-	291,245
Fines and forfeitures	80,009	-	-	80,009
Intergovernmental	305,099	3,709,601	1,153,606	5,168,306
Charges for services	739,361	-	-	739,361
Gifts and donations	20,761	-	-	20,761
Other reimbursements	100,817	-	-	100,817
Other revenue	27,036	36,635	-	63,671
<b>Total revenues</b>	<b>9,183,403</b>	<b>3,752,137</b>	<b>1,215,764</b>	<b>14,151,304</b>
<b>EXPENDITURES:</b>				
Current:				
General government	999,508	-	15,500	1,015,008
Public safety	3,399,741	-	261,539	3,661,280
Community development	561,464	-	539,828	1,101,292
Human services and recreation	924,236	3,747,122	483,734	5,155,092
Public works	1,146,534	-	1,410,352	2,556,886
Administrative overhead allocation	450,009	24,938	-	474,947
<b>Total expenditures</b>	<b>7,481,492</b>	<b>3,772,060</b>	<b>2,710,953</b>	<b>13,964,505</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>1,701,911</b>	<b>(19,923)</b>	<b>(1,495,189)</b>	<b>186,799</b>
<b>OTHER FINANCING SOURCES</b>				
<b>(USES):</b>				
Transfers in	279,581	663	1,467,335	1,747,579
Transfers out	(1,501,303)	-	(316,340)	(1,817,643)
<b>Total other financing sources</b>				
<b>(uses)</b>	<b>(1,221,722)</b>	<b>663</b>	<b>1,150,995</b>	<b>(70,064)</b>
<b>Net change in fund balances</b>	<b>480,189</b>	<b>(19,260)</b>	<b>(344,194)</b>	<b>116,735</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated	4,095,057	399,015	2,221,816	6,715,888
End of year	\$ 4,575,246	\$ 379,755	\$ 1,877,622	\$ 6,832,623

## 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, 2023

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Net change in fund balance - governmental funds	\$ 116,735
Amounts reported for governmental activities in the statements of activities are different because:	
<p>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, \$487,609).</p>	1,578,633
<p>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, \$190,587).</p>	(609,673)
<p>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.</p>	368,345
<p>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. This is the change in unavailable revenues for the year.</p>	785,418
<p>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.</p>	
Pension contributions	909,515
OPEB contributions	65,034
<p>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.</p>	584,017
<p>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.</p>	<u>(10,076)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 3,787,948</u></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, 2023**

	Enterprise Funds				Governmental
	Sewer	Water	RV Park	Total	Activities Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 5,662,259	\$ 3,910,206	\$ 521,736	\$ 10,094,201	\$ 568,899
Accounts receivable	972,301	400,535	1,771	1,374,607	68,671
Interest receivable	42,061	54,744	3,605	100,410	1,735
Prepaid items	900	12,015	-	12,915	10,581
Total current assets	6,677,521	4,377,500	527,112	11,582,133	649,886
Noncurrent assets:					
Notes receivable	211,271	11,513	-	222,784	-
Leases receivable	-	224,847	-	224,847	-
Advance to RDA Successor Agency	-	423,992	-	423,992	-
Advance to other funds	-	476,958	-	476,958	-
Capital assets:					
Non-depreciable	60,247	1,718,855	7,626	1,786,728	42,525
Depreciable, net	33,605,854	6,665,013	746,312	41,017,179	1,522,131
Total capital assets	33,666,101	8,383,868	753,938	42,803,907	1,564,656
Total noncurrent assets	33,877,372	9,521,178	753,938	44,152,488	1,564,656
<b>Total assets</b>	<b>40,554,893</b>	<b>13,898,678</b>	<b>1,281,050</b>	<b>55,734,621</b>	<b>2,214,542</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	1,248,219	776,837	-	2,025,056	-
OPEB related amounts	57,111	32,479	-	89,590	-
<b>Total deferred outflows of resources</b>	<b>1,305,330</b>	<b>809,316</b>	<b>-</b>	<b>2,114,646</b>	<b>-</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	164,399	98,766	20,234	283,399	198,865
Accrued wages	-	-	-	-	162,286
Deposits	305,294	171,672	-	476,966	-
Due to other funds	-	-	-	-	5,000
Current maturities of long term debt:					
Compensated absences payable	45,024	45,261	2,945	93,230	-
Current portion of loans payable	1,697,663	175,000	-	1,872,663	57,426
Total current liabilities	2,212,380	490,699	23,179	2,726,258	423,577
Noncurrent liabilities:					
Compensated absences payable	-	9,526	5,303	14,829	-
Net pension liability	3,026,248	1,883,406	-	4,909,654	-
Net OPEB liability	168,847	96,020	-	264,867	-
Loans payable - due in more than one year	28,860,265	-	-	28,860,265	71,620
Total noncurrent liabilities	32,055,360	1,988,952	5,303	34,049,615	71,620
<b>Total liabilities</b>	<b>34,267,740</b>	<b>2,479,651</b>	<b>28,482</b>	<b>36,775,873</b>	<b>495,197</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	408,368	249,479	-	657,847	-
OPEB related amounts	69,214	39,358	-	108,572	-
Leases	-	216,889	-	216,889	-
<b>Total deferred inflows of resources</b>	<b>477,582</b>	<b>505,726</b>	<b>-</b>	<b>983,308</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	3,108,173	8,208,868	753,938	12,070,979	1,435,610
Restricted for debt service	-	350,544	-	350,544	-
Unrestricted	4,006,728	3,163,205	498,630	7,668,563	283,735
<b>Total net position</b>	<b>\$ 7,114,901</b>	<b>\$ 11,722,617</b>	<b>\$ 1,252,568</b>	<b>\$ 20,090,086</b>	<b>\$ 1,719,345</b>

**City of Crescent City**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2023**

	Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer	Water	RV Park	Total	
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 5,075,116	\$ 2,702,559	\$ 519,712	\$ 8,297,387	\$ 1,466,944
Other	25,894	25,827	1,771	53,492	77,171
<b>Total operating revenues</b>	<b>5,101,010</b>	<b>2,728,386</b>	<b>521,483</b>	<b>8,350,879</b>	<b>1,544,115</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	99,851	476,846	175,923	752,620	683,554
Materials, supplies, rent, and services	2,080,564	498,034	170,231	2,748,829	513,119
Repair and maintenance	666,929	166,204	54,034	887,167	240,737
Administrative overhead	490,125	530,873	64,999	1,085,997	-
Depreciation	1,728,557	297,753	61,241	2,087,551	190,587
<b>Total operating expenses</b>	<b>5,066,026</b>	<b>1,969,710</b>	<b>526,428</b>	<b>7,562,164</b>	<b>1,627,997</b>
<b>OPERATING INCOME (LOSS)</b>	<b>34,984</b>	<b>758,676</b>	<b>(4,945)</b>	<b>788,715</b>	<b>(83,882)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	124,116	83,890	9,137	217,143	3,089
Rental revenue	-	19,132	-	19,132	-
Grant revenue	358,442	-	-	358,442	-
Interest expense	-	-	-	-	(6,417)
Gain (loss) on disposal of assets	-	(26,952)	-	(26,952)	25,780
<b>Total nonoperating revenues (expenses)</b>	<b>482,558</b>	<b>76,070</b>	<b>9,137</b>	<b>567,765</b>	<b>22,452</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>517,542</b>	<b>834,746</b>	<b>4,192</b>	<b>1,356,480</b>	<b>(61,430)</b>
Contributions	-	-	-	-	263,265
Transfers in	28,221	28,221	-	56,442	226,456
Transfers out	(63,691)	(89,197)	-	(152,888)	(59,946)
<b>Total contributions and transfers</b>	<b>(35,470)</b>	<b>(60,976)</b>	<b>-</b>	<b>(96,446)</b>	<b>429,775</b>
<b>Change in net position</b>	<b>482,072</b>	<b>773,770</b>	<b>4,192</b>	<b>1,260,034</b>	<b>368,345</b>
<b>NET POSITION</b>					
Beginning of year	6,632,829	10,948,847	1,248,376	18,830,052	1,351,000
End of year	<u>\$ 7,114,901</u>	<u>\$ 11,722,617</u>	<u>\$ 1,252,568</u>	<u>\$ 20,090,086</u>	<u>\$ 1,719,345</u>

**City of Crescent City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2023**

	Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer	Water	RV Park	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 4,765,180	\$ 2,780,198	\$ 519,712	\$ 8,065,090	\$ -
Cash received from other funds	-	-	-	-	1,534,919
Cash payments to suppliers for goods and services	(3,338,258)	(1,234,327)	(313,734)	(4,886,319)	(686,196)
Cash paid to employees	(921,577)	(984,541)	(171,660)	(2,077,778)	(683,554)
<b>Net cash provided (used) by operating activities</b>	<b>505,345</b>	<b>561,330</b>	<b>34,318</b>	<b>1,100,993</b>	<b>165,169</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Grant cash receipts	358,442	-	-	358,442	-
Cash received from other funds	28,221	48,959	-	77,180	188,392
Cash disbursements to other funds	(63,691)	(89,197)	-	(152,888)	(21,882)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>322,972</b>	<b>(40,238)</b>	<b>-</b>	<b>282,734</b>	<b>166,510</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Cash capital contributions	-	-	-	-	263,265
Proceeds from sale of capital assets	-	-	-	-	25,780
Cash received from leasing assets	-	15,388	-	15,388	-
Acquisition of capital assets	(619,142)	(436,954)	-	(1,056,096)	(487,609)
Proceeds from debt	-	-	-	-	-
Long-term debt repayments	(1,697,662)	(350,000)	-	(2,047,662)	(16,425)
Interest paid and fiscal charges	-	-	-	-	(6,417)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(2,316,804)</b>	<b>(771,566)</b>	<b>-</b>	<b>(3,088,370)</b>	<b>(221,406)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment losses	93,997	54,053	6,383	154,433	1,679
<b>Net cash provided (used) by investing activities</b>	<b>93,997</b>	<b>54,053</b>	<b>6,383</b>	<b>154,433</b>	<b>1,679</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,394,490)</b>	<b>(196,421)</b>	<b>40,701</b>	<b>(1,550,210)</b>	<b>111,952</b>
<b>CASH AND CASH EQUIVALENTS - Beginning 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>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 5,662,259</b>	<b>\$ 3,910,206</b>	<b>\$ 521,736</b>	<b>\$ 10,094,201</b>	<b>\$ 568,899</b>

**City of Crescent City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2023**

	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)	\$ 34,984	\$ 758,676	\$ (4,945)	\$ 788,715	(83,882)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,728,557	297,753	61,241	2,087,551	190,587
Changes in assets, deferred outflows and inflows of resources, and liabilities					
Receivables	(318,304)	31,935	(1,771)	(288,140)	(9,196)
Prepaid items	(900)	(1,612)	-	(2,512)	(1,996)
Deferred outflows of resources - pension	(750,647)	(467,170)	-	(1,217,817)	-
Deferred outflows of resources - OPEB	(2,485)	(1,415)	-	(3,900)	-
Accounts payable	(99,740)	(37,604)	(24,470)	(161,814)	52,346
Accrued wages	-	-	-	-	17,310
Deposits payable	(17,526)	21,931	-	4,405	-
Unearned revenue	-	(2,054)	-	(2,054)	-
Compensated leaves payable	(11,672)	(4,355)	4,263	(11,764)	-
Net pension liability	1,224,385	762,005	-	1,986,390	-
Net OPEB liability	33,734	19,184	-	52,918	-
Deferred inflows of resources - pension	(1,268,856)	(789,681)	-	(2,058,537)	-
Deferred inflows of resources - OPEB	(46,185)	(26,263)	-	(72,448)	-
<b>Total adjustments</b>	<b>470,361</b>	<b>(197,346)</b>	<b>39,263</b>	<b>312,278</b>	<b>249,051</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 505,345</b>	<b>\$ 561,330</b>	<b>\$ 34,318</b>	<b>\$ 1,100,993</b>	<b>\$ 165,169</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, 2023**

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	Successor Agency RDA
<b>ASSETS</b>	
Cash and investments	\$ 106,689
Interest receivable	86
<b>Total assets</b>	<b>106,775</b>
<b>LIABILITIES</b>	
Interest payable	39,952
Due to the City of Crescent City	106,198
Due to the City of Crescent City (Water Utility Fund)	423,992
<b>Total liabilities</b>	<b>570,142</b>
<b>NET POSITION</b>	
Restricted for dissolution of RDA	(463,367)
<b>Total net position</b>	<b>\$ (463,367)</b>

**City of Crescent City**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2023**

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	Successor Agency RDA
<b>ADDITIONS:</b>	
Use of money and property:	
Interest	\$ 4,052
<b>Total additions</b>	<b>99,052</b>
<b>DEDUCTIONS:</b>	
Payroll	5
Other	3,975
<b>Total deductions</b>	<b>3,980</b>
<b>Change in net position</b>	<b>95,072</b>
<b>NET POSITION:</b>	
Beginning of year	(558,439)
End of year	\$ (463,367)

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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, 2023**

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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, 2023**

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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, 2023**

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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, 2023**

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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, 2023**

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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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

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

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

**General Receivables and Property Taxes Receivable**

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

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

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

**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, 2023**

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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, 2023**

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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, 2022
Measurement Period	June 30, 2021 to June 30, 2022

**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, 2023**

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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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

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

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Pronouncements**

In 2023, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 91, *Conduit Debt* – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement did not apply to the City in the current fiscal year.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement did not apply to the City in the current fiscal year.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). In implementing this statement, the City considered all software subscriptions, and recorded two that met the definition provided by this Statement in the Technology Internal Service Fund.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**2. CASH AND INVESTMENTS**

As of June 30, 2023, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 18,554,561
Fiduciary Funds	106,689
Total Cash and Investments	<u>\$ 18,661,250</u>

As of June 30, 2023, the City's cash and investments consisted of the following:

Cash:

Cash on hand	\$ 1,350
Deposits	637,650
Total Cash	<u>639,000</u>

As of June 30, 2023 the City's investments consisted of the following:

Investments:

In California Local Agency Investment Fund (at fair value)	18,022,250
Total Investments	<u>18,022,250</u>
Total Cash and Investments	<u>\$ 18,661,250</u>

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$637,650 and the bank balance was \$1,331,514. 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, 2023**

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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, 2023, 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, 2023 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, 2023, the City had \$18,022,250 invested in LAIF, which had 2.78% 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 0.984828499 to the total investments held by LAIF.

**Investments** - The City reports its investments in accordance with GASB Statement 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, 2023**

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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, 2023 were as follows:

Business Enterprise Notes	\$	222,784
Rehab & Sidewalk Notes		69,308
CDBG 03/04 Program Loans		36,776
	\$	<u>328,868</u>

**4. LEASES RECEIVABLE**

In implementing GASB Statement 87 - *Leases*, 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, 2023, the City recognized \$37,690 in revenues for these leases.

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

Lease	General Fund	Water Fund	Balance at June 30, 2023
City Cell Tower	\$ 246,642	\$ -	\$ 246,642
City Parking Lot	27,673	-	27,673
Water Cell Tower	-	224,847	224,847
Total	<u>\$ 274,315</u>	<u>\$ 224,847</u>	<u>\$ 499,162</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 commenced in August 2022. The interest rate on the lease is 4%. In the fiscal year ended June 30, 2023, additional inflows of resources due to the change in the number of parking spaces rented were \$2,200.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**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, 2023, additional inflows of resources due to the change in the CPI were \$3,358.

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022, as Restated *	Additions	Transfers/ Retirements	Balance June 30, 2023
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,823,819	\$ -	\$ -	\$ 2,823,819
Other non-depreciable	694,500	-	-	694,500
Construction in progress	1,302,825	983,619	(10,000)	2,276,444
Total Capital Assets, Not Being Depreciated	4,821,144	983,619	(10,000)	5,794,763
Capital Assets, Being Depreciated, as restated:				
Building and improvements	8,744,869	38,782	(65,128)	8,718,523
Machinery and equipment	3,902,933	567,828	(278,340)	4,192,421
Right-to-use software	145,471	-	-	145,471
Infrastructure	9,091,718	482,914	-	9,574,632
Total Capital Assets, Being Depreciated, as restated:	21,884,991	1,089,524	(343,468)	22,631,047
Less Accumulated Depreciation for:				
Building and improvements	(5,134,714)	(155,703)	73,626	(5,216,791)
Machinery and equipment	(2,818,508)	(179,136)	272,941	(2,724,703)
Right-to-use software	-	(25,038)	-	(25,038)
Infrastructure	(1,123,796)	(440,383)	-	(1,564,179)
Total Accumulated Depreciation	(9,077,018)	(800,260)	346,567	(9,530,711)
Total Capital Assets, Being Depreciated, Net, as restated	12,807,973	289,264	3,099	13,100,336
Total Governmental Activities, Net, as restated	\$ 17,629,117	\$ 1,272,883	\$ (6,901)	\$ 18,895,099

\* restated due to implementation of GASB 96

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**5. CAPITAL ASSETS, CONTINUED**

	Balance June 30, 2022	Additions	Transfers	Balance June 30, 2023
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 493,855	\$ -	\$ -	\$ 493,855
Construction in progress	1,091,548	782,566	(581,241)	1,292,873
Total Capital Assets, Not Being Depreciated	1,585,403	782,566	(581,241)	1,786,728
Capital Assets, Being Depreciated:				
Structures and improvements	42,536,821	-	-	42,536,821
Machinery and equipment	10,390,541	187,282	554,288	11,132,111
Infrastructure	22,881,028	86,249	-	22,967,277
Total Capital Assets, Being Depreciated:	75,808,390	273,531	554,288	76,636,209
Less Accumulated Depreciation for:				
Structures and improvements	(17,608,461)	(1,098,602)	-	(18,707,063)
Machinery and equipment	(5,387,522)	(530,478)	-	(5,918,000)
Infrastructure	(10,535,496)	(458,471)	-	(10,993,967)
Total Accumulated Depreciation	(33,531,479)	(2,087,551)	-	(35,619,030)
Total Capital Assets, Being Depreciated, Net	42,276,911	(1,814,020)	554,288	41,017,179
Total Business-Type Activities, Net	\$ 43,862,314	\$ (1,031,454)	\$ (26,953)	\$ 42,803,907

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 36,545
Public works	521,317
Public safety	140,351
Human services and recreation	102,047
Total Depreciation Expense - Governmental Functions	<u>\$ 800,260</u>

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

Sewer	\$ 1,728,557
Water	297,753
RV Park	61,241
Total Depreciation Expense - Business-Type Functions	<u>\$ 2,087,551</u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**6. LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022 as Restated *	Additions	Adjustments/ Retirements	Balance June 30, 2023	Amounts Due Within One year	Amounts Due in More Than One year
<b>Governmental Activities</b>						
Compensated Absences (Note 1)	\$ 250,617	\$ 240,156	\$ (230,080)	\$ 260,693	\$ 229,597	\$ 31,096
Subscriptions Payable	145,471	-	(16,425)	129,046	57,426	71,620
Total Governmental Activities	<u>\$ 396,088</u>	<u>\$ 240,156</u>	<u>\$ (246,505)</u>	<u>\$ 389,739</u>	<u>\$ 287,023</u>	<u>\$ 102,716</u>

\* Restated due to implementation of GASB 96

	Balance June 30, 2022	Additions	Adjustments/ Retirements	Balance June 30, 2023	Amounts Due Within One year	Amounts Due in More Than One year
<b>Business-Type Activities</b>						
Loans Payable:						
Safe Water Revolving Loan	\$ 525,000	\$ -	\$ (350,000)	\$ 175,000	\$ 175,000	\$ -
State Water Resources - Safe Water Loan	32,255,590	-	(1,697,662)	30,557,928	1,697,663	28,860,265
Subtotal Loans Payable	32,780,590	-	(2,047,662)	30,732,928	1,872,663	28,860,265
Compensated Absences (Note 1)	119,823	83,044	(94,808)	108,059	93,230	14,829
Total Business-Type Activities	<u>\$ 32,900,413</u>	<u>\$ 83,044</u>	<u>\$ (2,142,470)</u>	<u>\$ 30,840,987</u>	<u>\$ 1,965,893</u>	<u>\$ 28,875,094</u>

At June 30, 2023 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.

\$ 30,557,927

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.

175,000

Total Loans

\$ 30,732,927



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

The annual aggregate maturities for the years subsequent to June 30, 2023 are as follows:

Year Ending June 30	Loans				Total
	Safe Drinking Water		Water Resources Control Board		
	Principal	Interest	Principal	Interest	
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	-	-	1,697,663	-	1,697,663
2029-2033	-	-	8,488,313	-	8,488,313
2034-2038	-	-	8,488,313	-	8,488,313
2039-4041	-	-	5,092,986	-	5,092,986
Total	\$ 175,000	\$ -	\$ 30,557,927	\$ -	\$ 30,732,927

**Subscriptions Payable**

In fiscal year 2023, the City implemented GASB 96, Subscription-based Information Technology Arrangements. The City has two such arrangements that meet the GASB 96's definition of a long-term subscription: Office365, and the City's ERP system. Interest on both subscriptions is 4%.

*Office365:* The City entered into a 3-year contract to obtain licenses to Office 365 through December 2023. Annual payments are \$16,492. In the fiscal year ended June 30, 2023, the City recorded an additional amount of payments for extra licenses purchased over the minimum allocation of \$2,651.

*ERP system:* In April 2024, the City entered into a 3-year agreement to obtain access to the cloud-based version of the City's ERP system. Annual payments are due every July in the amount of \$37,973. An additional implementation payment in July 2023 of \$15,750 is included in the liability.

Below are the principal and interest payments through the end of the subscription terms:

Year Ending June 30	Subscriptions		Total
	Principal	Interest	
2024	\$ 57,426	\$ 5,138	\$ 62,564
2025	35,108	2,865	37,973
2026	36,512	1,461	37,973
Total	\$ 129,046	\$ 9,464	\$ 138,510

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

**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 \$368,752 at June 30, 2023. 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, 2023:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 630,000	\$ -
CDBG Special Revenue Fund	-	625,000
Internal Service Funds	-	5,000
Total	<u>\$ 630,000</u>	<u>\$ 630,000</u>

**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, 2023 totaling \$476,958.

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.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**7. INTERFUND TRANSACTIONS, CONTINUED**

**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, 2023:

Transfers Out	Transfers In						Total
	General Fund	Housing Authority Section 8	Non-Major Governmental Funds	Sewer	Water	Internal Service Funds	
Major Funds:							
General Fund	\$ -	\$ -	\$ 1,465,533	\$ -	\$ -	\$ 35,770	\$ 1,501,303
Non-Major Governmental Funds	258,096	-	1,802	28,221	28,221	-	316,340
Major Enterprise Funds:							
Sewer	-	-	-	-	-	63,691	63,691
Water	-	-	-	-	-	89,197	89,197
Internal Service Funds	21,485	663	-	-	-	37,798	59,946
Total	<u>\$ 279,581</u>	<u>\$ 663</u>	<u>\$ 1,467,335</u>	<u>\$ 28,221</u>	<u>\$ 28,221</u>	<u>\$ 226,456</u>	<u>\$ 2,030,477</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 safety 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.

**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

**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 PEPR, safety police classic, safety police

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**8. EMPLOYEE RETIREMENT PLANS**

**A. Plan Description, Continued**

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

**B. Benefits Provided**

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

The Plans' provisions and benefits in effect at June 30, 2023 are summarized as follows:

	<b>Miscellaneous</b>		
	Prior to	On or after	
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%	7.470%	
Required employer dollar UAL payment (annual)	\$668,979	\$9,565	
	<b>Safety (Police)</b>		<b>Safety (Fire)</b>
	Prior to	On or after	Prior to
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	18.170%	12.780%	18.170%
Required employer dollar UAL payment (annual)	\$252,245	\$4,646	\$16,272

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

***B. Benefits Provided, Continued***

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

For the measurement period ended June 30, 2022, the contributions recognized against net pension liability for the Plan were \$1,314,641.

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

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$12,880,772.

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, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2021 rolled forward to June 30, 2022 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 Annually June 30, 2022 and 2021 were as follows:

Proportion - June 30, 2021	0.13907%
Proportion - June 30, 2022	0.11151%
Change - Increase (Decrease)	<u><u>-0.02756%</u></u>

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

For the year ended June 30, 2023, the City recognized pension expense (income) of \$1,378,716. At June 30, 2023, 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	\$ 1,432,963	\$ -
Changes of assumptions	1,313,771	-
Differences between expected and actual experience	338,308	163,562
Changes in employer's proportion	18,852	814,842
Differences between the employer's contribution and the employer's proportionate share of contributions	-	340,589
Net differences between projected and actual earnings on plan investments	2,264,995	-
Total	<u>\$ 5,368,889</u>	<u>\$ 1,318,993</u>

\$1,432,963 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, 2024. 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:	
2024	\$ 551,153
2025	443,250
2026	238,139
2027	1,384,391

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

***Actuarial Assumptions*** – The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by entry age and service
Investment rate of return	6.90%
Maturity Rate Table <sup>(1)</sup>	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% 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 rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report that can be found on the CalPERS website.

***Discount Rate*** – The discount rate used to measure the total pension liability as of the measurement date of June 30, 2022 for the Plan was 6.90%, which differs from the discount rate used as of the measurement date of June 30, 2021, of 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.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**8. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return <sup>(a,b)</sup>
Global Equity - cap-weighted	30.00%	4.45%
Global Equity - non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study

***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		5.90%
Net Pension Liability	\$	18,512,241
Current Discount Rate		6.90%
Net Pension Liability	\$	12,880,772
1% Increase		7.90%
Net Pension Liability	\$	8,256,821

**D. Payable to the Pension Plan**

At June 30, 2023, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**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 (\$149 per month for calendar year 2022)
- b) The amounts shown in the table below (pursuant to collective bargaining or other employee agreements)

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

**B. Employees Covered**

As of the July 1, 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, 2022, the City's cash contribution was \$120,090 in payments to the trust and direct benefit payments, and the estimated implicit subsidy was \$20,147 resulting in total contributions of \$140,237.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

***D. Net OPEB Liability***

The City's net OPEB liability was measured as of June 30, 2022 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, 2022 total OPEB liability, based on the following actuarial methods and assumptions:

**Actuarial Assumptions**

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 long-term expected rate of return on OPEB plan investments was determined using a building block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). 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 geometric real rates of return for each major asset class are summarized in the following table:

<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>	

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

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

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.

***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, 2022</b>			
(Measurement date 06/30/2021)	\$ 1,450,344	\$ 905,024	\$ 545,320
<b>Changes in the year:</b>			
Service cost	65,095	-	65,095
Interest	86,776	-	86,776
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Contribution - employer	-	140,237	(140,237)
Net investment income	-	(124,519)	124,519
Benefit payments	(89,311)	(89,311)	-
<b>Net changes</b>	<u>62,560</u>	<u>(73,593)</u>	<u>136,153</u>
<b>Balance at June 30, 2023</b>			
(Measurement date 06/30/2022)	<u>\$ 1,512,904</u>	<u>\$ 831,431</u>	<u>\$ 681,473</u>

***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)	\$ 865,911	\$ 681,473	\$ 527,919

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

***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)	\$ 561,428	\$ 681,473	\$ 848,874

***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.

***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, 2022, the EARSL was 9.6 years. The recognition periods for various gains and losses created in the June 30, 2022 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, 2023, the City recognized OPEB expense of \$46,100. For the fiscal year ended June 30, 2023, 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	\$ 106,381	\$ -
Differences Between Expected and Actual Experience	-	238,986
Changes of Assumptions	53,970	40,355
Net differences between projected and actual earnings on plan investments	70,147	-
Total	\$ 230,498	\$ 279,341

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

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

\$106,381 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June, 30, 2024. 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>
2024	\$ (31,807)
2025	(20,415)
2026	(24,996)
2027	4,120
2028	(23,961)
Thereafter	(58,165)

**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, 2023**

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**10. RISK MANAGEMENT, CONTINUED**

The City is a participant in the GSRMA workers' compensation risk pool, which provides up to \$5,000,000 in per occurrence limits for employers' liability. The City has no deductible for workers' compensation.

During the fiscal year ended June 30, 2023, the City contributed \$617,201 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 \$30,557,927.

Principal and interest paid for the current year and net system revenues were \$1,697,663 and \$2,246,099 respectively.

**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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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 \$175,000.

Principal and interest paid for the current year and net system revenues were \$350,000, and \$1,159,451 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, 2023**

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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, 2023, cash and investments in the amount of \$106,689 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 \$106,198 and \$423,992 respectively. Of these amounts, \$106,198 and \$423,992 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, 2023:

	Balance June 30, 2022	Adjustments/ Additions	Retirements	Balance June 30, 2023	Amounts Due Within One year	Amounts Due in More Than One year
<b>Fiduciary Fund Debt</b>						
Successor Housing Agency	\$ 137,257	\$ -	\$ (31,059)	\$ 106,198	\$ 18,000	\$ 88,198
City Water Fund	548,228	-	(124,236)	423,992	72,000	351,992
<b>Total Fiduciary Fund Debt</b>	<b>\$ 685,485</b>	<b>\$ -</b>	<b>\$ (155,295)</b>	<b>\$ 530,190</b>	<b>\$ 90,000</b>	<b>\$ 440,190</b>



**City of Crescent City**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**14. PRIOR PERIOD ADJUSTMENT**

In fiscal year 2023, the City recorded a prior period adjustment for a prepaid that was fully expensed in a prior year.

	Net Position/Fund Balance, as Previously Reported at June 30, 2022	Prior Period Adjustment Recognition of Prepaid	Net Position/Fund Balance as Restated at June 30, 2022
Government-Wide Statements			
Governmental Activities	\$ 17,599,059	\$ 45,540	\$ 17,644,599
Fund Statements			
General Fund	\$ 4,049,517	\$ 45,540	\$ 4,095,057

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# REQUIRED SUPPLEMENTARY INFORMATION

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**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

**1. OTHER POST EMPLOYMENT BENEFITS**

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

<i>Measurement Period</i>	2022	2021	2020
<b>Total OPEB Liability</b>			
Service cost	\$ 65,095	\$ 69,216	\$ 71,080
Interest on the total OPEB liability	86,776	94,635	92,061
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	(148,995)	-
Changes of assumptions	-	51,258	(21,038)
Benefit payments, including refunds of employee contributions	(89,311)	(97,401)	(101,393)
<b>Net change in total OPEB liability</b>	<b>62,560</b>	<b>(31,287)</b>	<b>40,710</b>
<b>Total OPEB liability - beginning</b>	<b>1,450,344</b>	<b>1,481,631</b>	<b>1,440,921</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 1,512,904</b>	<b>\$ 1,450,344</b>	<b>\$ 1,481,631</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 140,237	\$ 136,471	\$ 161,094
Contributions - employee	-	-	-
Net investment income	(124,519)	181,984	17,217
Benefit payments, including refunds of employee contributions	(89,311)	(97,401)	(101,393)
Administrative expense	-	-	-
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>(73,593)</b>	<b>221,054</b>	<b>76,918</b>
<b>Plan fiduciary net position - beginning</b>	<b>905,024</b>	<b>683,970</b>	<b>607,052</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 831,431</b>	<b>\$ 905,024</b>	<b>\$ 683,970</b>
<b>Net OPEB liability/(asset) - ending (a) - (b)</b>	<b>\$ 681,473</b>	<b>\$ 545,320</b>	<b>\$ 797,661</b>
Plan fiduciary net position as a percentage of the total OPEB liability	55%	62%	46%
Covered-employee payroll	\$ 3,702,370	\$ 3,594,534	\$ 2,941,134
Net OPEB liability as a percentage of covered-employee payroll	18.41%	15.17%	27.12%

**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, 2023**

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

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

2019	2018	2017
\$ 73,899	\$ 71,573	\$ 84,805
100,416	96,582	111,248
-	-	-
(147,813)	-	(257,555)
(57,501)	-	138,952
(96,190)	(123,018)	(117,859)
(127,189)	45,137	(40,409)
1,568,110	1,522,973	1,563,382
<u>\$ 1,440,921</u>	<u>\$ 1,568,110</u>	<u>\$ 1,522,973</u>
\$ 156,211	\$ 179,438	\$ 156,803
-	-	-
33,991	31,754	39,562
(96,190)	(123,018)	(117,859)
-	-	-
56,421	-	-
150,433	88,174	78,506
456,619	368,445	289,939
<u>\$ 607,052</u>	<u>\$ 456,619</u>	<u>\$ 368,445</u>
\$ 833,869	\$ 1,111,491	\$ 1,154,528
42%	29%	24%
\$ 3,466,680	\$ 3,217,205	\$ 3,045,658
24.05%	34.55%	37.91%

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

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

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

	2023	2022	2021
Actuarially Determined Contribution (ADC)	\$ 106,381	\$ 140,237	\$ 136,471
Contributions in relation to the ADC	(106,381)	(140,237)	(136,471)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,815,841	\$ 3,702,370	\$ 3,594,534
Contributions as a percentage of covered-employee payroll	2.79%	3.79%	3.80%

**Notes to Schedule:**

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

Valuation Date used to determine ADC	6/30/2021	6/30/2019	6/30/2019
Discount rate used to determine ADC	5.90%	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	30 Years Closed	30 Years Closed	30 Years Closed
Asset Valuation Method	Market Value	Market Value	Market Value
Inflation	2.50%	2.50%	2.50%
Payroll Growth	3.00%	3.00%	3.00%
Healthcare cost-trend rates	5.8% in 2023 to 3.9% by 2076	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 Improvement	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, 2023**

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

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

2020	2019	2018
\$ 161,094	\$ 156,211	\$ 179,438
(161,094)	(156,211)	(179,438)
\$ -	\$ -	\$ -
\$ 2,941,134	\$ 3,466,680	\$ 3,217,205
5.48%	4.51%	5.58%

7/1/2017	7/1/2017	7/1/2015
6.30%	6.30%	7.00%
Entry Age Normal	Entry Age Normal	Entry Age Normal
Level % of Pay	Level % of Pay	Level % of Pay
30 Years Closed	30 Years Closed	30 Years Closed
Market Value	Market Value	Market Value
2.75%	2.75%	2.75%
3.25%	3.25%	3.25%
8.0% in 2018 to 5.0%	8.0% in 2018 to 5.0%	7.5% in 2017 to 4.5%
50 to 75	50 to 75	50 to 75
MW Scale 2017 generationally	MW Scale 2017 generationally	MW Scale 2017 generationally

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

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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	2023	2022	2021	2020	2019
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Proportion of the net pension liability	0.11151406%	0.13907182%	0.10398944%	0.10353226%	0.10454965%
Proportionate share of the net pension liability	\$12,880,772	\$ 7,521,405	\$11,314,498	\$10,608,990	\$10,074,682
Covered payroll	\$ 3,520,793	\$ 3,381,533	\$ 3,272,924	\$ 3,466,680	\$ 3,217,205
Proportionate Share of the net pension liability as percentage of covered payroll	365.85%	222.43%	345.70%	306.03%	313.15%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%

**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 discount rate decreased from 7.15% to 6.90% in fiscal year 2023.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.



**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

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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>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>
0.10411817%	0.10614935%	0.10970704%	0.10061430%
\$10,325,662	\$ 9,185,205	\$ 7,530,194	\$ 6,260,676
\$ 3,045,658	\$ 2,979,180	\$ 2,915,615	\$ 2,782,613
339.03%	308.31%	258.27%	224.99%
73.31%	74.06%	78.40%	79.82%

**City of Crescent City**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

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

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

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 1,362,963	\$ 1,239,641	\$ 1,140,497	\$ 1,046,884	\$ 935,710
Contribution in relation to the contractually required contribution	(1,432,963)	(1,314,641)	(1,140,497)	(1,108,169)	(968,710)
Contribution deficiency (excess)	<u>\$ (70,000)</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ (61,285)</u>	<u>\$ (33,000)</u>
Covered payroll	\$ 3,784,091	\$ 3,520,793	\$ 3,381,533	\$ 3,272,924	\$ 3,466,680
Contributions as a percentage of covered payroll	37.87%	37.34%	33.73%	31.99%	26.99%

**Notes to Schedule**

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

(1) Level percentage of payroll 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 PEPRAs

(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, 2023**

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

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 948,296	\$ 851,158	\$ 763,462	\$ 625,852
(948,296)	(851,158)	(763,462)	(625,852)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,217,205	\$ 3,045,658	\$ 2,979,180	\$ 2,915,615
29.48%	27.95%	25.63%	21.47%

<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)
7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)

**City of Crescent City**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2023**

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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, except for cost allocation charges that are budgeted as revenues in the General Fund and not netted against expenses.

**Reconciliation of Budgetary Basis to GAAP - General Fund**

Revenues per budgetary schedule	\$ 9,399,402
(less interfund charges)	<u>(215,999)</u>
Revenues per GAAP	<u>\$ 9,183,403</u>
Expenditures per budgetary schedule	\$ 7,697,491
Interfund charges	<u>(215,999)</u>
Expenditures per GAAP	<u>\$ 7,481,492</u>

# City of Crescent City

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

### General Fund (Budgetary Basis)

For the year ended June 30, 2023 (Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES:</b>				
Taxes	\$ 6,424,200	\$ 7,042,200	\$ 7,459,608	\$ 417,408
Use of money and property:				
Interest	7,000	7,000	87,930	80,930
Rental income	47,582	47,582	71,537	23,955
Licenses and permits	286,800	292,100	291,245	(855)
Fines and forfeitures	7,050	7,050	80,009	72,959
Intergovernmental	488,358	653,702	305,099	(348,603)
Charges for services	933,694	989,821	739,361	(250,460)
Gifts and donations	98,500	113,000	20,761	(92,239)
Other reimbursements	118,800	152,962	100,817	(52,145)
Other revenue	17,330	22,330	27,036	4,706
Interfund services provided	235,587	237,979	215,999	21,980
<b>Total revenues</b>	<b>8,664,901</b>	<b>9,565,726</b>	<b>9,399,402</b>	<b>(166,324)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,409,098	1,513,273	1,215,507	297,766
Public safety	4,191,215	4,497,660	3,399,741	1,097,919
Community development	553,558	695,193	561,464	133,729
Human services and recreation	940,663	1,004,755	924,236	80,519
Public works	1,389,212	1,551,670	1,146,534	405,136
Administrative overhead allocation	428,500	467,923	450,009	17,914
Debt Service:				
Interest on advances from other funds	65,000	65,000	-	65,000
<b>Total expenditures</b>	<b>8,977,246</b>	<b>9,795,474</b>	<b>7,697,491</b>	<b>2,097,983</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(312,345)</b>	<b>(229,748)</b>	<b>1,701,911</b>	<b>1,931,659</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	355,580	323,796	279,581	(44,215)
Transfers out	(1,416,134)	(1,507,094)	(1,501,303)	5,791
<b>Total other financing sources (uses)</b>	<b>(1,060,554)</b>	<b>(1,183,298)</b>	<b>(1,221,722)</b>	<b>(38,424)</b>
<b>Net change in fund balance</b>	<b>\$ (1,372,899)</b>	<b>\$ (1,413,046)</b>	<b>480,189</b>	<b>\$ 1,893,235</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			4,095,057	
End of year			<u>\$ 4,575,246</u>	

\* Refer to Budgetary Information for reconciliation of revenues and expenditures to GAAP basis.

# 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, 2023 (Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES:</b>				
Use of money and property:				
Interest	\$ 140	\$ 140	\$ 5,901	\$ 5,761
Intergovernmental	4,338,531	4,338,531	3,709,601	(628,930)
Other revenue	36,000	36,000	36,635	635
<b>Total revenues</b>	<b>4,374,671</b>	<b>4,374,671</b>	<b>3,752,137</b>	<b>(622,534)</b>
<b>EXPENDITURES:</b>				
Current:				
Human services and recreation	4,332,722	4,337,823	3,747,122	590,701
Administrative overhead allocation	24,570	25,283	24,938	345
<b>Total expenditures</b>	<b>4,357,292</b>	<b>4,363,106</b>	<b>3,772,060</b>	<b>591,046</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>17,379</b>	<b>11,565</b>	<b>(19,923)</b>	<b>(31,488)</b>
<b>Net change in fund balance</b>	<b>\$ 17,379</b>	<b>\$ 12,235</b>	<b>(19,260)</b>	<b>\$ (31,495)</b>
<b>FUND BALANCE:</b>				
Beginning of year			399,015	
End of year			<u>\$ 379,755</u>	

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# **SUPPLEMENTARY INFORMATION**

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**City of Crescent City**  
**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue Funds				
	CDBG Funds	89-93 Rehab & Sidewalk Funds	Gas Tax Fund	Successor Housing Fund	RMRA Fund
<b>ASSETS</b>					
Cash and investments	\$ 11,548	\$ 20,610	\$ 15,690	\$ 348,745	\$ 249,397
Receivables:					
County/State/Federal Government	814,405	-	14,933	-	26,389
Interest receivable	2	152	225	10,570	1,774
Due from RDA Successor Agency	-	-	-	106,198	-
Land held for redevelopment	-	-	-	89,752	-
Note Receivable	36,776	69,308	-	-	-
<b>Total assets</b>	<b>\$ 862,731</b>	<b>\$ 90,070</b>	<b>\$ 30,848</b>	<b>\$ 555,265</b>	<b>\$ 277,560</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	198,932	-	1,946	-	4,803
Unearned revenue	-	-	-	-	-
Due to other funds	625,000	-	-	-	-
<b>Total liabilities</b>	<b>823,932</b>	<b>-</b>	<b>1,946</b>	<b>-</b>	<b>4,803</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue	729,957	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>729,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Restricted					
Low and moderate income housing	-	-	-	555,265	-
Other Purposes	-	90,070	28,902	-	272,757
Assigned for Capital Improvement and Vehicle Replacement	-	-	-	-	-
Unassigned	(691,158)	-	-	-	-
<b>Total fund balances</b>	<b>(691,158)</b>	<b>90,070</b>	<b>28,902</b>	<b>555,265</b>	<b>272,757</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 862,731</b>	<b>\$ 90,070</b>	<b>\$ 30,848</b>	<b>\$ 555,265</b>	<b>\$ 277,560</b>

Special Revenue Funds	Capital Projects Funds				Nonmajor Governmental Funds
ARPA Fund	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Vehicle Replacement Funds	
\$ 1,406,012	\$ 1,496,632	\$ 8,701	\$ 190,656	\$ 21,366	\$ 3,769,357
-	445,550	-	-	-	1,301,277
11,006	11,222	64	1,410	193	36,618
-	-	-	-	-	106,198
-	-	-	-	-	89,752
-	-	-	-	-	106,084
<u>\$ 1,417,018</u>	<u>\$ 1,953,404</u>	<u>\$ 8,765</u>	<u>\$ 192,066</u>	<u>\$ 21,559</u>	<u>\$ 5,409,286</u>
-	116,726	-	-	-	322,407
1,402,860	35,000	-	-	-	1,437,860
-	-	-	-	-	625,000
<u>1,402,860</u>	<u>151,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,385,267</u>
-	416,440	-	-	-	1,146,397
<u>-</u>	<u>416,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,146,397</u>
-	-	-	-	-	555,265
14,158	-	-	-	-	405,887
-	1,385,238	8,765	192,066	21,559	1,607,628
-	-	-	-	-	(691,158)
<u>14,158</u>	<u>1,385,238</u>	<u>8,765</u>	<u>192,066</u>	<u>21,559</u>	<u>1,877,622</u>
\$ 1,417,018	\$ 1,953,404	\$ 8,765	\$ 192,066	\$ 21,559	\$ 5,409,286

# City of Crescent City

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

### Nonmajor Governmental Funds

For the Year Ended June 30, 2023

	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	\$ 12	\$ 395	\$ 747	\$ 6,666	\$ 3,565
Intergovernmental	596,386	-	171,939	-	150,599
<b>Total revenues</b>	<u>596,398</u>	<u>395</u>	<u>172,686</u>	<u>6,666</u>	<u>154,164</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	539,828	-	-	-	-
Human services and recreation	416,283	-	-	-	-
Public works	-	-	11,470	-	85,542
<b>Total expenditures</b>	<u>956,111</u>	<u>-</u>	<u>11,470</u>	<u>-</u>	<u>85,542</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(359,713)	395	161,216	6,666	68,622
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	(1,802)	-	(161,234)	-	-
<b>Total other financing sources (uses)</b>	<u>(1,802)</u>	<u>-</u>	<u>(161,234)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	(361,515)	395	(18)	6,666	68,622
<b>FUND BALANCES:</b>					
Beginning of year	(329,643)	89,675	28,920	548,599	204,135
End of year	<u>\$ (691,158)</u>	<u>\$ 90,070</u>	<u>\$ 28,902</u>	<u>\$ 555,265</u>	<u>\$ 272,757</u>

Special Revenue Funds	Capital Projects Funds				
	Capital Improvement Fund	Beachfront Park CIP Fund	Fire Vehicle Replacement Fund	Police Vehicle Replacement Funds	Total Nonmajor Governmental Funds
ARPA Fund					
\$ 20,925	\$ 25,501	\$ 167	\$ 2,867	\$ 1,313	\$ 62,158
153,304	81,378	-	-	-	1,153,606
174,229	106,879	167	2,867	1,313	1,215,764
-	15,500	-	-	-	15,500
-	18,086	-	-	243,453	261,539
-	-	-	-	-	539,828
-	67,451	-	-	-	483,734
-	1,313,340	-	-	-	1,410,352
-	1,414,377	-	-	243,453	2,710,953
174,229	(1,307,498)	167	2,867	(242,140)	(1,495,189)
-	1,239,335	-	38,000	190,000	1,467,335
(153,304)	-	-	-	-	(316,340)
(153,304)	1,239,335	-	38,000	190,000	1,150,995
20,925	(68,163)	167	40,867	(52,140)	(344,194)
(6,767)	1,453,401	8,598	151,199	73,699	2,221,816
\$ 14,158	\$ 1,385,238	\$ 8,765	\$ 192,066	\$ 21,559	\$ 1,877,622

**City of Crescent City**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2023**

	Information Tech Fund	Maintenance Building Fund	Equipment Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 809	\$ 30,466	\$ 144,515
Accounts receivable	-	-	2,137
Interest receivable	-	-	814
Prepaid items	10,581	-	-
Total current assets	11,390	30,466	147,466
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	-	42,525
Depreciable, net	120,433	-	1,401,698
Total capital assets	120,433	-	1,444,223
Total noncurrent assets	120,433	-	1,444,223
<b>Total assets</b>	131,823	30,466	1,591,689
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,390	30,466	18,478
Accrued wages	-	-	-
Due to other funds	5,000	-	-
Current portion of subscriptions payable	57,426	-	-
Total current liabilities	68,816	30,466	18,478
Noncurrent liabilities:			
Subscriptions payable - due in more than one year	71,620	-	-
Total noncurrent liabilities	71,620	-	-
<b>Total liabilities</b>	140,436	30,466	18,478
<b>NET POSITION</b>			
Net investment in capital assets	(8,613)	-	1,444,223
Unrestricted	-	-	128,988
<b>Total net position</b>	\$ (8,613)	\$ -	\$ 1,573,211

Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ 305,517	\$ 87,137	\$ 455	\$ 568,899
-	66,534	-	68,671
-	776	145	1,735
-	-	-	10,581
305,517	154,447	600	649,886
-	-	-	42,525
-	-	-	1,522,131
-	-	-	1,564,656
-	-	-	1,564,656
305,517	154,447	600	2,214,542
143,231	-	300	198,865
162,286	-	-	162,286
-	-	-	5,000
-	-	-	57,426
305,517	-	300	423,577
-	-	-	71,620
-	-	-	71,620
305,517	-	300	495,197
-	-	-	1,435,610
-	154,447	300	283,735
\$ -	\$ 154,447	\$ 300	\$ 1,719,345

**City of Crescent City**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the year ended June 30, 2023**

	Information Tech Fund	Maintenance Building Fund	Equipment Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 351,369	\$ 224,372	\$ 398,313
Other	487	-	-
<b>Total operating revenues</b>	<u>351,856</u>	<u>224,372</u>	<u>398,313</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	237,647	138,423	201,103
Materials, supplies, rent, and services	28,130	8,111	90,325
Repair and maintenance	67,737	111,136	61,864
Depreciation	25,038	-	165,549
<b>Total operating expenses</b>	<u>358,552</u>	<u>257,670</u>	<u>518,841</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(6,696)</u>	<u>(33,298)</u>	<u>(120,528)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	-	-	760
Interest expense	(6,417)	-	-
Gain (loss) on disposal of assets	-	-	25,780
<b>Total nonoperating revenues (expenses)</b>	<u>(6,417)</u>	<u>-</u>	<u>26,540</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(13,113)</u>	<u>(33,298)</u>	<u>(93,988)</u>
Capital contributions	-	-	263,265
Transfers in	4,500	33,298	188,658
Transfers out	-	-	-
<b>Total contributions and transfers</b>	<u>4,500</u>	<u>33,298</u>	<u>451,923</u>
<b>Change in net position</b>	<u>(8,613)</u>	<u>-</u>	<u>357,935</u>
<b>NET POSITION</b>			
Beginning of year	<u>-</u>	<u>-</u>	<u>1,215,276</u>
End of year	<u>\$ (8,613)</u>	<u>\$ -</u>	<u>\$ 1,573,211</u>



Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ -	\$ 382,704	\$ 110,186	\$ 1,466,944
-	76,684	-	77,171
-	459,388	110,186	1,544,115
-	-	106,381	683,554
-	382,704	3,849	513,119
-	-	-	240,737
-	-	-	190,587
-	382,704	110,230	1,627,997
-	76,684	(44)	(83,882)
-	1,985	344	3,089
-	-	-	(6,417)
-	-	-	25,780
-	1,985	344	22,452
-	78,669	300	(61,430)
-	-	-	263,265
-	-	-	226,456
-	(59,946)	-	(59,946)
-	(59,946)	-	429,775
-	18,723	300	368,345
-	135,724	-	1,351,000
\$ -	\$ 154,447	\$ 300	\$ 1,719,345

**City of Crescent City**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2023**

	Information Tech Fund	Maintenance Building Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from other funds	\$ 351,856	\$ 224,372
Cash payments to suppliers for goods and services	(96,562)	(90,175)
Cash paid to employees	(237,647)	(138,423)
<b>Net cash provided (used) by operating activities</b>	<b>17,647</b>	<b>(4,226)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash received from other funds	4,500	33,298
Cash disbursements to other funds	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>4,500</b>	<b>33,298</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash capital contributions	-	-
Proceeds from sale of capital assets	-	-
Acquisition of capital assets	-	-
Long-term debt repayments	(16,425)	-
Interest paid and fiscal charges	(6,417)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(22,842)</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>(695)</b>	<b>29,072</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>1,504</b>	<b>1,394</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 809</b>	<b>\$ 30,466</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (6,696)	\$ (33,298)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	25,038	-
Changes in assets, deferred outflows and inflows of resources, and liabilities		
Accounts receivable, net	-	-
Prepaid items	(2,016)	-
Accounts payable	1,321	29,072
Accrued wages	-	-
<b>Total adjustments</b>	<b>24,343</b>	<b>29,072</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 17,647</b>	<b>\$ (4,226)</b>

Equipment Fund	Payroll Trust Fund	Insurance Reserve Fund	OPEB Trust Contributions Fund	Total
\$ 396,767	\$ -	\$ 451,738	\$ 110,186	\$ 1,534,919
(163,629)	51,023	(382,704)	(4,149)	(686,196)
(201,103)	-	-	(106,381)	(683,554)
32,035	51,023	69,034	(344)	165,169
188,658	-	(38,064)	-	188,392
-	-	(21,882)	-	(21,882)
188,658	-	(59,946)	-	166,510
263,265	-	-	-	263,265
25,780	-	-	-	25,780
(487,609)	-	-	-	(487,609)
-	-	-	-	(16,425)
-	-	-	-	(6,417)
(198,564)	-	-	-	(221,406)
59	-	1,363	257	1,679
59	-	1,363	257	1,679
22,188	51,023	10,451	(87)	111,952
122,327	254,494	76,686	542	456,947
\$ 144,515	\$ 305,517	\$ 87,137	\$ 455	\$ 568,899
\$ (120,528)	\$ -	\$ 76,684	\$ (44)	\$ (83,882)
165,549	-	-	-	190,587
(1,546)	-	(7,650)	-	(9,196)
-	20	-	-	(1,996)
(11,440)	33,693	-	(300)	52,346
-	17,310	-	-	17,310
152,563	51,023	(7,650)	(300)	249,051
\$ 32,035	\$ 51,023	\$ 69,034	\$ (344)	\$ 165,169

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## **SINGLE AUDIT SECTION**

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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, 2023, 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 28, 2023.

**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.

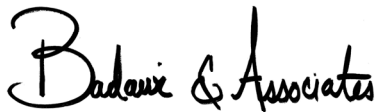
To the Honorable Mayor and Members of the City Council  
of the City of Crescent City  
Crescent City, California  
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### **Report on Compliance and Other Matters**

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.

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Badawi & Associates, CPAs  
Berkeley, California  
December 28, 2023





## **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, 2023. 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, 2023.

#### ***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***

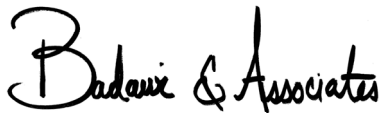
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

To the Honorable Mayor and Members of the City Council  
of the City of Crescent City  
Crescent City, California  
Page 3

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.

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Badawi & Associates, CPAs  
Berkeley, California  
December 28, 2023

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**City of Crescent City**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2023**

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:				
Direct Programs:				
Section 8 Housing Choice Vouchers	14.871	n/a	\$ 3,772,060	\$ -
		Housing Voucher Cluster Total	3,772,060	-
CDBG State Administered Program:				
Passed through State of California Department of Housing And Community Development:				
Community Development Block Grant	14.228	20-CDBG-12011	46,908	45,315
Community Development Block Grant	14.228	20-CDBG-12012	205,749	203,348
Community Development Block Grant	14.228	20-CDBG-12040	172,896	-
Community Development Block Grant	14.228	20-CDBG-12056	366,933	-
Community Development Block Grant	14.228	20-CDBG-CV1-00048	38,040	33,266
COVID-19 Community Development Block Grant	14.228	20-CDBG-CV2-3-00230	125,586	125,586
		CDBG State Administered Program Total	956,112	407,515
<b>Total U.S. Department of Housing and Urban Development</b>			<b>4,728,172</b>	<b>407,515</b>
<b><u>Department of Transportation</u></b>				
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	ER-32D0(013)	29,423	-
<b>Total Department of Transportation</b>			<b>29,423</b>	<b>-</b>
<b><u>U.S. Department of Treasury</u></b>				
Direct Programs:				
COVID-19 State and Local Fiscal Recovery Funds (ARPA)	21.027	N/A	153,304	-
<b>Total Department of Treasury</b>			<b>153,304</b>	<b>-</b>
<b><u>Department of Homeland Security</u></b>				
Passed through Del Norte Office of Emergency Services				
Investments for Public Works and Economic Development Facilities	97.067	2022-15	11,307	-
<b>Total Department of Homeland Security</b>			<b>11,307</b>	<b>-</b>
<b>Total Federal Expenditures</b>			<b>\$ 4,922,206</b>	<b>\$ 407,515</b>

**City of Crescent City**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2023**

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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, 2023**

**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
14.228	Community Development Block Grant	956,112
21.027	State and Local Fiscal Recovery Funds	153,304
	Total Expenditures of all Major Programs	\$ 1,109,416
	Total Expenditures of Federal Award	\$ 4,922,206
	Percentage of Total Expenditure of Federal Award	23%

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, 2023**

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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.