

HUMBOLDT BAY HARBOR, RECREATION AND
COSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2024



HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District
Eureka, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Humboldt Bay Harbor, Recreation and Conservation District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District'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 business-type activities of the District as of June 30, 2024, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District, 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 opinion.

Responsibilities of Management for the Financial Statements

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 District'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's 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 District'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 the District'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 on pages 4 through 10, and the required supplementary information on pages 37 through 43, to 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 District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2025, on our consideration of the District'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 the District's 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 District's internal control over financial reporting and compliance.

Harshmal & Company LLP

San Diego, California
June 4, 2025

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

This section of Humboldt Bay Harbor, Recreation and Conservation District (the "District")'s annual financial report represents our discussion and analysis of the District's financial activities for the year ended June 30, 2024. Please read it in conjunction with the Independent Auditor's Report and the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's operating revenues decreased by \$84,207, or 3.1 percent.
- The District's operating expenses decreased by \$67,009, or 1.68 percent.
- General revenues from taxes, interest, and investments accounted for \$1,846,887 in revenues or 23.8 percent of all revenues.
- The District had total expenditures of \$7,482,313, and total revenue of \$7,745,836. The resulting increase in net position of \$263,523 includes net government grant expenditures of \$122,377, and depreciation expense of \$390,308.
- Notes payable debt has decreased by \$173,725 from the prior year due to scheduled debt service payments.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: the financial statements and the notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The basic financial statements are financial statements that provide both long-term and short-term information about the District's overall financial status.

The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents a section of required supplementary information that further explains and supports the information in the financial statements.

REPORTING THE DISTRICT AS A WHOLE

The District as a whole is reported in the financial statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position reports all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report the District's net position and how they have changed. The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as the condition of buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The District's financial statements provide detailed information about the District's one proprietary fund.

Enterprise Fund:

Because a large portion of the District's revenues are obtained from various charges to customers, all of the District's activities are accounted for in an enterprise fund, which is a proprietary fund type. Enterprise funds provide both long and short-term financial information.

ANALYSIS OF THE DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's activities:

Table 1
Comparative Statement of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 6,529,418	\$ 7,193,295	\$ (663,877)	(9.23)%
Noncurrent assets	<u>19,583,993</u>	<u>21,993,065</u>	<u>(2,409,072)</u>	<u>(10.95)%</u>
Total assets	<u>26,113,411</u>	<u>29,186,360</u>	<u>(3,072,949)</u>	<u>(10.53)%</u>
Deferred outflows of resources	<u>628,187</u>	<u>702,529</u>	<u>(74,342)</u>	<u>(10.58)%</u>
Liabilities:				
Current liabilities	1,647,314	941,088	706,226	75.04 %
Noncurrent liabilities	<u>8,831,764</u>	<u>12,869,035</u>	<u>(4,037,271)</u>	<u>(31.37)%</u>
Total liabilities	<u>10,479,078</u>	<u>13,810,123</u>	<u>(3,331,045)</u>	<u>(24.12)%</u>
Deferred inflows of resources	<u>4,733,507</u>	<u>4,813,276</u>	<u>(79,769)</u>	<u>(1.66)%</u>
Net position:				
Net investment in capital assets	11,208,911	9,225,775	1,983,136	21.50 %
Restricted	504,656	1,887,090	(1,382,434)	(73.26)%
Unrestricted	<u>(184,554)</u>	<u>152,625</u>	<u>(337,179)</u>	<u>(220.92)%</u>
Total net position	<u>\$ 11,529,013</u>	<u>\$ 11,265,490</u>	<u>\$ 263,523</u>	<u>2.34 %</u>

Total net position of the District increased by 2.34 percent, or \$263,523 as of June 30, 2024.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Table 2

Comparative Statement of Revenues, Expenses, and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Sales and permits	\$ 13,267	\$ 15,501	\$ (2,234)	(14.41)%
Slip rentals	910,089	932,767	(22,678)	(2.43)%
Rents and leases	1,495,103	1,534,307	(39,204)	(2.56)%
Harbor improvement surcharge	100,062	164,223	(64,161)	(39.07)%
Other revenue	<u>156,667</u>	<u>112,597</u>	<u>44,070</u>	<u>39.14 %</u>
Total operating revenues	<u>2,675,188</u>	<u>2,759,395</u>	<u>(84,207)</u>	<u>(3.05)%</u>
Operating Expenses				
Salaries, wages, and benefits	1,537,767	1,532,755	5,012	0.33 %
Bad debts	296,634	111,761	184,873	165.42 %
Depreciation	390,308	475,620	(85,312)	(17.94)%
Repairs and maintenance	237,446	248,166	(10,720)	(4.32)%
Professional and outside services	363,012	446,885	(83,873)	(18.77)%
Redwood terminal 2 expenses	12,201	224,444	(212,243)	(94.56)%
Utilities	520,404	439,286	81,118	18.47 %
Other operating expenses	<u>569,318</u>	<u>515,182</u>	<u>54,136</u>	<u>10.51 %</u>
Total operating expenses	<u>3,927,090</u>	<u>3,994,099</u>	<u>(67,009)</u>	<u>(1.68)%</u>
Operating income (loss)	<u>(1,251,902)</u>	<u>(1,234,704)</u>	<u>(17,198)</u>	<u>(1.39)%</u>
Nonoperating Revenues (Expenses)				
General property taxes	1,426,864	1,381,655	45,209	3.27 %
Investment income (loss)	420,023	446,645	(26,622)	(5.96)%
Grants income	3,222,761	1,253,663	1,969,098	157.07 %
Other nonoperating income	1,000	42,083	(41,083)	(97.62)%
Grant expenses	(3,345,138)	(1,300,960)	(2,044,178)	(157.13)%
Interest expenses	(202,192)	(138,365)	(63,827)	(46.13)%
Other nonoperating expenses	<u>(7,893)</u>	<u>(12,797)</u>	<u>4,904</u>	<u>38.32 %</u>
Total nonoperating revenues (expenses)	<u>1,515,425</u>	<u>1,671,924</u>	<u>(156,499)</u>	<u>(9.36)%</u>
Change in net position	<u>\$ 263,523</u>	<u>\$ 437,220</u>	<u>\$ (173,697)</u>	<u>(39.73)%</u>

Operating revenues decreased by \$84,207 over the prior year, and operating expenses decreased by \$67,009. The decrease in operating revenue was due to a decrease in Harbor improvement surcharge revenue of \$64,161 and revenue from rent and leases of \$39,204.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

NET POSITION OF THE DISTRICT'S ENTERPRISE FUND

Table 3 presents the net position of the District's one fund, the Enterprise Fund, and an analysis of significant changes in the fund's net position.

Table 3

Changes in Year-End Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>% Change</u>
Net Position, June 30,	<u>\$11,529,013</u>	<u>\$ 11,265,490</u>	<u>\$ 263,523</u>	<u>2.34 %</u>

The 2.34 percent increase is due to increased property tax revenues and grant income and also decreases in operating and nonoperating expenses.

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2024, and the amounts and percentages of increases and decreases of revenues in relation to the prior year.

Table 4

Summary of Revenues

	<u>2024</u>	<u>Percent of Total</u>	<u>2023</u>	<u>Change</u>	<u>% Change</u>
Revenues:					
Sales and permits	\$ 13,267	0.17 %	\$ 15,501	\$ (2,234)	(14.4)%
Slip rentals	910,089	11.75 %	932,767	(22,678)	(2.4)%
Rents and leases	1,495,103	19.30 %	1,534,307	(39,204)	(2.6)%
Harbor improvement surcharge	100,062	1.29 %	164,223	(64,161)	(39.1)%
Other operating income	156,667	2.02 %	112,597	44,070	39.1 %
General property taxes	1,426,864	18.42 %	1,381,655	45,209	3.3 %
Investment income	420,023	5.42 %	446,645	(26,622)	(6.0)%
Grant and other nonoperating incomes	<u>3,223,761</u>	<u>41.62 %</u>	<u>1,295,746</u>	<u>1,928,015</u>	<u>148.8 %</u>
Total revenues	<u>\$ 7,745,836</u>	<u>100.00 %</u>	<u>\$ 5,883,441</u>	<u>\$ 1,862,395</u>	<u>31.7 %</u>

Rents and leases decreased due to a reduction in Redwood Marine Terminal 2 rental income in 2023-24 due to the termination of the ground lease with Humboldt Bay Development Association. Slip rentals decreased due to reduction in occupancy in 2023-24. Harbor Improvement Surcharge revenue decreased due to a decrease in shipping in 2023-24. Interest income decreased due to a reduction in the interest portion of lease payments in 2023-24. Grant revenue varies from year to year based on available grant funding.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Table 5 presents the variance between the District's budget and the actual results for the fiscal year. The District had no budget modifications during the year, so the final budget and the adopted budget were identical.

Table 5
Final Budget versus Actual Results

	Original and Final Budget	Actual	Variance
Operating Revenues			
Sales and permits	\$ 14,500	\$ 13,267	\$ (1,233)
Slip rentals	990,000	910,089	(79,911)
Rents and leases	1,864,400	1,495,103	(369,297)
Harbor improvement surcharge	180,000	100,062	(79,938)
Other revenue	118,595	156,667	38,072
Total operating revenues	<u>3,167,495</u>	<u>2,675,188</u>	<u>(492,307)</u>
Operating Expenses			
Salaries, wages, and benefits	1,843,085	1,537,767	305,318
Bad debts	1,500	296,634	(295,134)
Depreciation	-	390,308	(390,308)
Dredging	3,587,000	-	3,587,000
Professional and outside services	226,450	363,012	(136,562)
Redwood terminal 2 expenses	18,000	12,201	5,799
Repairs and maintenance	293,200	237,446	55,754
Utilities	422,350	520,404	(98,054)
Other operating expenses	801,134	569,318	231,816
Total operating expenses	<u>7,192,719</u>	<u>3,927,090</u>	<u>3,265,629</u>
Operating income (loss)	<u>(4,025,224)</u>	<u>(1,251,902)</u>	<u>2,773,322</u>
Nonoperating Revenues (Expenses)			
General property taxes	1,320,000	1,426,864	106,864
Investment income (loss)	12,000	420,023	408,023
Grants income	5,784,694	3,222,761	(2,561,933)
Other nonoperating income	-	1,000	1,000
Grant expenses	(5,123,924)	(3,345,138)	1,778,786
Interest expenses	(264,555)	(202,192)	62,363
Other nonoperating expenses	(12,300)	(7,893)	4,407
Total nonoperating revenues (expenses)	<u>1,715,915</u>	<u>1,515,425</u>	<u>(200,490)</u>
Change in net position	<u>\$ (2,309,309)</u>	<u>\$ 263,523</u>	<u>\$ 2,572,832</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

Final Budget versus Actual Results

The favorable variance of \$305,318 in salaries, wages, and benefits was due to changes in the District's portion of the State-wide PERS liability and a decrease in the District's liability for other post-employment benefits. The unfavorable variance of \$390,308 in depreciation was due to the District's policy of the budgeting for actual capital outlay for the year rather than depreciation expenses. The favorable variance of \$3,587,000 in dredging expense is due to the capitalization of dredging expenditures. The unfavorable variance of \$98,054 in utilities is due to higher than anticipated utility expenses. The favorable variance of \$408,023 in investment income is due to the ongoing application of GASB 87, *Leases*, and the resulting reporting of a portion of lease payments as interest income rather than lease income. The unfavorable variance of \$2,561,933 in grant revenue and the favorable balance of \$1,778,786 in grant expenses is due to changes in available and expended grants. The favorable variance of \$4,407 in other nonoperating expenses is due to the District's policy of including the principal portion of debt service payments in the budget, and the inclusion of reserve additions and withdrawals in the budget.

Capital Assets

The District's total capital assets, net of accumulated depreciation, as of June 30, 2024 was \$16,538,222. The total increase in net capital assets from the prior year was 28%. This increase was due to capital acquisitions during the current year. Capital asset balances as of June 30, 2024 and 2023 were as follows:

Table 6
Comparative Schedule of Capital Assets

	2024	2023	Change
Land, building, and improvement	\$ 28,589,253	\$ 26,260,652	\$ 2,328,601
Automotive equipment	95,639	95,639	-
Office and operating equipment	3,977,194	3,977,194	-
Dredging costs	3,256,058	1,566,367	1,689,691
Subtotals	35,918,144	31,899,852	4,018,292
Less: accumulated depreciation	(19,379,922)	(18,989,614)	(390,308)
Capital assets, net	<u>\$ 16,538,222</u>	<u>\$ 12,910,238</u>	<u>\$ 3,627,984</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

Debt Administration

The District incurred no new long-term debt in 2023-24. The increase in net pension liability was a result of an increase in the District's share of the State-wide CalPERS net pension liability. The District is required to report its proportionate share of that liability in its financial statements. The decrease in other post-employment benefits was due to changes in staff eligible for other post-employment benefits. The ending balances for debts and other long-term liabilities, as of June 30, 2024 and 2023 are presented below in Table 7.

Table 7

Debt and Other Long-Term Liabilities

	2024	2023	Change
Notes Payable:			
Refunding Bonds Series 2014	\$ 1,500,802	\$ 1,621,350	\$ (120,548)
Compass BBVA Bank Loan	854,830	908,007	(53,177)
Sale installment note payable	<u>5,454,000</u>	<u>5,454,000</u>	<u>-</u>
Total notes payable	7,809,632	7,983,357	(173,725)
Other Long-Term Liabilities:			
OPEB	139,510	169,351	(29,841)
Net pension liability	<u>1,488,345</u>	<u>1,408,435</u>	<u>79,910</u>
Total debt and other long-term liabilities	<u>\$ 9,437,487</u>	<u>\$ 9,561,143</u>	<u>\$ (123,656)</u>

ECONOMIC FACTORS

The ground lease with Humboldt Bay Development Association was terminated during the fiscal year 2023-24 and resulted in proceeds being applied against the note receivable and enhancing the value of capital assets held by the District.

The District is in the planning and permitting phase of a Multipurpose Heavy Left Marine Terminal on Humboldt Bay with an opportunity to support the emerging offshore wind industry. This project has been the recipient of multiple grant awards totaling over a half billion dollars with the goal of replacing antiquated marine infrastructure, rural job creation and, attracting an emerging industry to Humboldt County. The District is also actively marketing cruise lines and other shippers to expand Humboldt Bay as a port of call. Also coming to conclusion is the development of a large scale recirculating aquaculture facility which has now received all of its discretionary and administrative development permits.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Humboldt Bay Harbor, Recreation and Conservation District
P.O. Box 1030
Eureka, California 95502

BASIC FINANCIAL STATEMENTS

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2024

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 3,722,700
Restricted cash and cash equivalents	504,656
Account and grant receivables, net	1,370,670
Interest receivable	13,750
Prepaid insurance	187,590
Lease receivable	<u>730,052</u>
Total current assets	<u>6,529,418</u>

NONCURRENT ASSETS:

Nondepreciable capital assets	9,016,928
Depreciable capital assets, net	7,521,294
Lease receivable, net of current portion	<u>3,045,771</u>
Total noncurrent assets	<u>19,583,993</u>
Total assets	<u>26,113,411</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	621,260
OPEB	730
Bond refunding	<u>6,197</u>
Total deferred outflows of resources	<u>628,187</u>
Total assets and deferred outflows of resources	<u><u>\$ 26,741,598</u></u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2024

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 607,228
Accrued wages, payroll taxes, and benefit	33,763
Unearned income	158,859
Compensated absences	50,957
Customer deposits payable	190,784
Notes payable	<u>605,723</u>
Total current liabilities	<u>1,647,314</u>

NONCURRENT LIABILITIES:

Net OPEB liabilities	139,510
Net pension liabilities	1,488,345
Notes payable, net of current portion	<u>7,203,909</u>
Total noncurrent liabilities	<u>8,831,764</u>
Total liabilities	<u>10,479,078</u>

DEFERRED INFLOWS OF RESOURCES

OPEB	717
Pension	70,872
Lease	3,547,189
CalTrans Spartina	996,746
CalTrans Eelgrass	<u>117,983</u>
Total deferred inflows of resources	<u>4,733,507</u>
Total liabilities and deferred inflows of resources	<u>15,212,585</u>

NET POSITION

Net investment in capital assets	11,208,911
Restricted	504,656
Unrestricted	<u>(184,554)</u>
Total net position	<u>11,529,013</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 26,741,598</u></u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES

Sales and permits	\$ 13,267
Slip rentals	910,089
Rents and leases	1,495,103
Harbor improvement surcharge	100,062
Other revenue	<u>156,667</u>
Total operating revenues	<u>2,675,188</u>

OPERATING EXPENSES

Payroll and related cost	1,537,767
Commissioner's fees	30,000
Accounting and auditing	87,605
Advertising and promotion	5,299
Automobile expenses	29,367
Bad debts	296,634
Communications	20,917
Conference and meetings	22,992
Depreciation	390,308
Dues and subscriptions	56,472
Election and property tax administration fee	77,625
Insurance	152,294
Rent and lease	1,256
Legal and other professional fees	341,765
Office expenses	64,389
Operating supplies	20,486
Outside service	21,247
Redwood terminal 2 expenses	12,201
Repairs, maintenance, and small tools	237,446
Utilities	520,404
Dredging expense	(555)
Other operating expenses	<u>1,171</u>
Total operating expenses	<u>3,927,090</u>

Operating income (loss)	<u>\$ (1,251,902)</u>
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Continued...

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

NONOPERATING REVENUES (EXPENSES)

General property taxes	\$ 1,426,864
Investment income (loss)	420,023
Governmental grant	3,222,761
Other nonoperating incomes	1,000
Grant expenses	(3,345,138)
Interest expenses	(202,192)
Other nonoperating expenses	<u>(7,893)</u>
Total nonoperating revenues (expenses)	<u>1,515,425</u>
Change in net position	263,523
Net position, beginning	<u>11,265,490</u>
Net position, ending	<u><u>\$ 11,529,013</u></u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to customers	\$ (1,421,402)
Payments to suppliers	(1,862,939)
Payments to employees	<u>(1,482,190)</u>
Net cash provided (used) by operating activities	<u>(4,766,531)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes for general operations	1,426,864
Receipt of grant and contract funds from other governments	3,222,761
Expenditures of grant funds	(3,345,138)
Payments for other nonoperating costs	(7,893)
Other nonoperating receipts	<u>1,000</u>
Net cash provided (used) by noncapital financing activities	<u>1,297,594</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments to acquire, construct, and improve capital assets	(4,018,292)
Principal payments on notes payable and bonds	(173,725)
Interest paid	(199,718)
Leases	<u>194,299</u>
Net cash provided (used) by capital and related financing activities	<u>(4,197,436)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	129,852
Proceeds from note receivable	<u>5,849,375</u>
Net cash provided (used) by investing activities	<u>5,979,227</u>

Increase (decrease) in cash and cash equivalents (1,687,146)

Cash and cash equivalents, beginning 5,914,502

Cash and cash equivalents, ending \$ 4,227,356

FINANCIAL STATEMENT PRESENTATION RECONCILIATION

Cash and cash equivalents	\$ 3,722,700
Restricted cash and cash equivalents	<u>504,656</u>
Cash and cash equivalents, ending	<u><u>\$ 4,227,356</u></u>

Continued...

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (1,251,902)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Bad debts	296,634
Depreciation	390,308
Changes in assets and liabilities:	
Accounts receivable, excluding bad debts	(870,413)
Prepaid expenses	(164,046)
Accounts payable - related to operating activities	300,122
Customer deposits payable	(2,408)
Accrued liabilities	(18,903)
Pension and OPEB liability and deferred outflows and inflows of resources	40,277
Unearned income	<u>(3,486,200)</u>
Net cash provided (used) by operating activities	<u>\$ (4,766,531)</u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Humboldt Bay Harbor, Recreation and Conservation District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of financial statements.

A. Reporting Entity

The accompanying financial statements include all organizations, activities, and functions that comprise the District. The District has no oversight responsibility over any other governmental unit and is not included in any other governmental "reporting entity" as defined in GASB pronouncements. The District is governed by a five-member Board of Commissioners from the five supervisorial districts in Humboldt County.

B. Nature of Activities

The District is a special district created in 1970 by the State of California. The District was formed for the development of Humboldt County's harbors and ports, for the promotion of commerce, navigation, fisheries, and recreation thereon, as well as the protection of the County's natural resources.

C. Basis of Presentation

The financial statements required by *GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by *GASB Statement No. 63*, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District utilizes an enterprise fund, which is a proprietary fund type. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds account for goods or services that are provided to outside parties. The District has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the District prepares its statement of cash flows using the direct method.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. The basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements. Proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for rents and tidelands leases and harbor improvement surcharges. Operating expenses include the cost of maintaining the marina and tidelands, general and administrative expenses, and depreciation of capital assets.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. Measurement Focus/Basis of Accounting - Cont'd

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Other government grants represent nonoperating revenues received from other agencies related to harbor projects, including Spartina eradication, homeland security, port access, aquaponics expansion, and other initiatives. Other nonoperating income includes the portion of the PG&E funding (see Note 10) that has been recognized. Grant expenses primarily represent nonoperating expenses related to the other government grants nonoperating revenues.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

E. Budget and Budgetary Accounting

The Board of Commissioners adopts a budget annually to be effective July 1st of the ensuing fiscal year. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgetary data for expenses, as revised, are presented in the accompanying supplementary information.

F. Allowance for Doubtful Accounts

The District evaluates the collectability of receivables in order to determine the allowance for doubtful accounts. As of June 30, 2024, the District recorded an allowance for doubtful accounts of \$34,817. Based on historical experience, the District does not expect additional amounts to become uncollectable; however, if they are, they will be charged to operations as a bad debt expense. The impact of any bad debt expense recorded in the future is expected to be immaterial to the financial statements.

G. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be all cash on hand, demand deposits, and pooled cash and investments. The pooled cash and investments consist of cash pooled with the Humboldt County Treasurer's Investment Pool and are used as a demand deposit account.

The District follows the authority governing investments for municipal governments set forth in the California Government Code, Sections 53601 through 53659. The County Treasurer's Investment Pool is administered by the County of Humboldt Treasurer's Office and conforms to the California Government Code. The County's portfolio normally consists of U.S. Treasury issues, U.S. Agency agreements, banker's acceptances, and the State of California Local Agency Investment Fund. All cash invested by the County in demand deposit accounts is collateralized to 110 percent with approved U.S. Government securities, such as Treasury Bills and other U.S. Treasury issues.

The fair value of the District's investments in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio.

H. Capital Assets

The capitalization threshold for all capital assets is \$2,000. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets that individually may be below threshold amounts are capitalized if collectively, they are above the threshold amount.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Capital Assets - Cont'd

Depreciation of all exhaustible capital assets is charged as an expense against operations, with accumulated depreciation reflected in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

<u>Assets class</u>	<u>Useful life</u>
Equipment	3 - 10 Years
Dredging projects	10 Years
Buildings and improvements	5 - 40 Years

I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

J. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

- *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- *Restricted net position* is considered restricted, if its use is constrained to a particular purpose. Restrictions are imposed by creditors, grantors, contributors, laws, or regulations.
- *Unrestricted net position* consists of all other net positions that do not meet the definition of "net investment in capital assets" or "restricted net position" and are available for general use by the District.

K. Property Taxes

The lien date for secured property taxes is March 1st of each year. Taxes are levied as of July 1st on all secured real property and are due and payable on November 1st and February 1st of the following fiscal year. Humboldt County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

Since the passage of California Proposition 13, beginning with the fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on the State formula.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

K. Property Taxes - Cont'd

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted by the County. Under this Plan, the County's auditor/controller distributes 100 percent of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues on the accrual basis of accounting.

L. Postemployment Benefits other than Pensions

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 District'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.

M. Pensions

For purposes of measuring the net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) Plan (the "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 they are currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Leases

Lessee

The District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

N. Leases - Cont'd

Lessor

The District 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.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, 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.

O. Compensated Absences

All vested vacation is recognized as an expense and as a liability at the anniversary date of hire during the year ended June 30, 2024. The liability for compensated absences is reported as accrued vacation payable. Additionally, 50% of accrued sick hours over 240 is vested and reported as accrued sick leave payable. The accrued vacation payable and accrued sick leave payable are payable from unrestricted current assets.

P. Current Accounting Pronouncements

The District adopted the following new accounting pronouncements issued by the GASB during the current fiscal year ended June 30, 2024:

GASB has issued Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62, effective for the year ending June 30, 2024. This Statement amends GASB Statement No. 62 in order to enhance accounting and financial reporting requirements for accounting changes and error corrections.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Q. Future Accounting Pronouncements

The District has adopted all current statements of the Governmental Accounting Standards Board (GASB) that are applicable. As of June 30, 2024, the District implemented the following new standards issued by GASB:

GASB has issued Statement No. 101, Compensated Absences, effective for the year ending June 30, 2025. This Statement amends the existing requirements related to Compensated Absences by updating the recognition and measurement guidance.

GASB has issued Statement No. 102, Certain Risk Disclosures, effective for the year ending June 30, 2025. This Statement's objective is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB has issued Statement No. 103, Financial Reporting Model Improvements, effective for the year ending June 30, 2026. This Statement's objective is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assisting a government's accountability. Additionally, the statements also address certain application issues.

GASB has issued Statement No. 104, New Capital Asset Disclosures, effective for the year ending June 30, 2026, which requires capital assets held for sale, intangible assets, lease assets, and subscription assets to be broken out separately in note disclosure.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 - CASH AND CASH EQUIVALENTS

The cash and cash equivalents as of June 30, 2024, were classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 3,722,700
Restricted cash and cash equivalents	<u>504,656</u>
Total cash and cash equivalents	<u>\$ 4,227,356</u>

Restricted cash and cash equivalents activity as of June 30, 2024 was as follows:

	Marina Dredging Surcharge	Float Replacement Surcharge	Total
Unexpended cash from marina dredging and float replacement surcharges, July 01, 2023	\$ 1,261,572	\$ 625,518	\$ 1,887,090
Collections during the year	233,363	73,494	306,857
Less: amount spent during the year	<u>(1,689,291)</u>	<u>-</u>	<u>(1,689,291)</u>
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2024	<u>\$ (194,356)</u>	<u>\$ 699,012</u>	<u>\$ 504,656</u>
Restricted cash, June 30, 2024			<u>\$ 504,656</u>

Total cash and cash equivalents as of June 30, 2024, consisted of the following:

Cash on hand	\$ 1,180
Deposits held with financial institutions	2,924,822
Deposits held with the County Treasurer's Investment Pool	<u>1,301,354</u>
Total cash and cash equivalents	<u>\$ 4,227,356</u>

The District may invest in any obligations, bonds, or securities in accordance with Section 53601 of the California Government Code, provided that the investment is in compliance with any debt covenant.

Fair value of Deposits held with the County Treasurer's Investment Pool as of June 30, 2024, was \$1,275,068.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure by a financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that financial institutions secure cash deposits made by state or local governments by pledging securities as collateral. The fair value of the pledged securities must equal at least 110% of the amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 - CASH AND CASH EQUIVALENTS - CONT'D

Custodial Credit Risk - Cont'd

The District has not waived the collateralization requirement. The District had deposits with bank balances totaling \$2,879,678 as of June 30, 2024. The District had an uninsured balance of \$2,611,196, held with bank as of June 30, 2024.

The custodial credit risk for the County Treasurer's Investment Pool is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a specific policy which relates to interest rate risk.

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the external investment pool with the County Treasury is not rated.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets as of June 30, 2024, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,801,701	\$ -	\$ -	\$ 8,801,701
Dredging costs (old harbor)	215,227	-	-	215,227
Total nondepreciable capital assets	9,016,928	-	-	9,016,928
Depreciable capital assets:				
Building and improvement	17,458,951	2,328,601	-	19,787,552
Automotive equipment	95,639	-	-	95,639
Office and operating equipment	3,977,194	-	-	3,977,194
Dredging costs	1,351,140	1,689,691	-	3,040,831
Total depreciable capital assets	22,882,924	4,018,292	-	26,901,216
Less: accumulated depreciation	(18,989,614)	(390,308)	-	(19,379,922)
Depreciable capital assets, net	3,893,310	3,627,984	-	7,521,294
Total capital assets, net	\$ 12,910,238	\$ 3,627,984	\$ -	\$ 16,538,222

The total depreciation expense charged to operations for the year ended June 30, 2024, was \$390,308.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable as of June 30, 2024:

	Beginning Balance	Deletion	Ending Balance	Current Portion
Series 2014 Refunding Bonds	\$ 1,621,350	\$ (120,548)	\$ 1,500,802	\$ 248,560
Compass BBVA Bank Loan	908,007	(53,177)	854,830	111,163
Series 2023 Installment Sale Obligations	<u>5,454,000</u>	<u>-</u>	<u>5,454,000</u>	<u>246,000</u>
Total	<u>\$ 7,983,357</u>	<u>\$ (173,725)</u>	<u>\$ 7,809,632</u>	<u>\$ 605,723</u>

Refunding of Debt:

On December 22, 2014, the District issued \$3,333,674 in revenue bonds with an interest rate of 4.1 percent, to refund \$2,180,000 of outstanding 2004 revenue bonds with an average interest rate of 5.417 percent and \$1,241,382 of notes payable to the California Department of Boating and Waterways with an interest rate of 4.5 percent. The bonds are secured by net revenues of the District. The District used \$217,702 of proceeds from the debt service reserve fund on the 2004 revenue bonds to fund the refunding issuance costs and reduce the balance borrowed on the 2014 refunding bonds.

The District used \$43,600 of the proceeds from the refund to pay a call premium on the refunding. The call premium is recorded as a deferred outflow of resources and amortized as interest expense over the 15-year term of the bonds.

The annual requirements to amortize the outstanding bonds payable, as of June 30, 2024, are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 248,560	\$ 59,011	\$ 307,571
2026	258,855	48,716	307,571
2027	269,577	37,994	307,571
2028	280,743	26,828	307,571
2029	292,371	15,199	307,570
2030	<u>150,696</u>	<u>3,089</u>	<u>153,785</u>
Total	<u>\$ 1,500,802</u>	<u>\$ 190,837</u>	<u>\$ 1,691,639</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 - NOTES PAYABLE - CONT'D

Compass BBVA Bank Loan:

On March 8, 2016, the District borrowed \$1,560,000 from Compass BBVA Bank, at a 5.99% annual interest rate. Payments of principal and interest are due semiannually with the first payment due July 1, 2016. The loan matures on July 1, 2030. In conjunction with this loan, the District entered into an installment sale agreement and pledged all net revenues as collateral with Compass BBVA Bank for the payment of this obligation.

As of June 30, 2024, future debt service related to this loan was as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 111,163	\$ 49,574	\$ 160,737
2026	117,921	42,815	160,736
2027	125,091	35,646	160,737
2028	132,696	28,041	160,737
2029	367,959	33,726	401,685
Total	<u>\$ 854,830</u>	<u>\$ 189,802</u>	<u>\$ 1,044,632</u>

Series 2023 Installment Sale Obligations

The District has entered into an agreement, represented by this Promissory Note, pursuant to the 2023 Installment Sale Agreement dated May 01, 2023. The agreement is executed and delivered by the District with Signature Public Funding Corp., a New York corporation and non-bank affiliate of Flagstar Bank.

The District promises to pay the total borrowed amount of \$5,454,000 and interest is calculated at the rate of 4.25% from the Closing Date of May 25, 2023, or from the most recent 2023 obligation payment date to which interest has been paid or duly provided. Interest will be payable semiannually on each obligation payment date until the borrowed amount of \$5,454,000 is paid in full.

As of June 30, 2024, future debt service related to this loan was as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 246,000	\$ 226,568	\$ 472,568
2026	280,000	215,390	495,390
2027	292,000	203,235	495,235
2028	304,000	190,570	494,570
2029	317,000	177,374	494,374
2030 - 2034	1,410,000	565,803	1,975,803
2035 - 2039	2,605,000	345,632	2,950,632
Total	<u>\$ 5,454,000</u>	<u>\$ 1,924,572</u>	<u>\$ 7,378,572</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 - LEASE RECEIVABLES

The District entered into various Lease Agreement with lease terms ranging from 1 to 29 years. As of June 30, 2024, the receivable balance was \$3,775,823. The annual discount rate is 7 percent and monthly lease payments range from \$48 to \$9,429. Deferred inflow of resources was \$3,547,189 and revenue recognized was \$980,138.

Minimum lease payments receivable are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 730,052	\$ 243,080	\$ 973,132
2026	704,322	192,365	896,687
2027	367,107	153,849	520,956
2028	244,011	131,992	376,003
2029	120,016	118,839	238,855
2030-2034	657,596	453,892	1,111,488
2035-2039	356,081	273,577	629,658
2040-2044	445,502	140,518	586,020
2045-2050	151,136	19,885	171,021
Total	<u>\$ 3,775,823</u>	<u>\$ 1,727,997</u>	<u>\$ 5,503,820</u>

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The District has established the Humboldt Bay Harbor, Recreation, and Conservation District Retiree Healthcare Plan (HC Plan), a single-employer plan. The HC Plan provides healthcare insurance for eligible retirees and their spouses. The District pays 100% of the health insurance premiums for retired employees with a minimum of ten years of service and who have reached a minimum of fifty-five years of age up until age sixty-five. The District pays 50% of the health insurance premiums for the retiree spouse, who must enroll in Medicare, if eligible. Any employee hired after December 1, 2011, will not be eligible for retiree health insurance. The HC Plan has not established or accumulated any assets in a trust. A separate financial report has not been prepared for the HC Plan.

Employees Covered

As of June 30, 2024, actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	1
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	<u>0</u>
Total	<u><u>3</u></u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - CONT'D

B. Contributions

The HC Plan and its contribution requirements are established by agreements with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the current insurance premiums due for the participating retirees. For the fiscal year ending June 30, 2024, the District's cash contributions were \$37,184, and there was no estimated implied subsidy, resulting in total payments of \$37,184. No trust has been created for the purpose of prefunding obligations for past services.

C. Funding Policy

The District funds post-employment health benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2024, the District's contributions for post-employment health benefit costs were \$38,434.

D. Annual OPEB Cost and Net OPEB Obligation

The District's Net OPEB liability was measured as of June 30, 2024 and the Total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

E. Actuarial Methods and Assumptions:

The Total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-age actuarial cost method
Discount Rate	3.93%
Inflation	2.5%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.93% net of expenses
Mortality Rate	Derived using 2021 CalPERS Mortality for Miscellaneous and Schools Employees tables
Pre-Retirement Turnover	Derived using 2021 CalPERS Turnover for Miscellaneous Employees tables
Healthcare Trend Rate	4.00%

There were no plan assets as of June 30, 2024.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.93%, based on an index of 20-year General Obligation municipal bonds. The projection of cash flows used to determine the discount rate assumed that District contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - CONT'D

G. Information Related to Assumptions and Other Inputs

The following is the table on which the assumptions are based.

Mortality	<p>2021 CalPERS Mortality for Miscellaneous and Schools Employees</p> <p>The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables.</p> <p>2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees</p> <p>The mortality assumptions are based on the 2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables.</p>
Retirement	<p>2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees</p> <p>The retirement assumptions are based on the 2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.</p>
Turnover	<p>2021 CalPERS Turnover for Miscellaneous Employees</p> <p>The turnover assumptions are based on the 2021 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.</p>

For other assumptions, actual plan provisions and plan data were used.

The alternative measurement method was not used in this valuation.

H. Changes in Net OPEB Liability

The changes in Net OPEB liability as of June 30, 2024 are as follows:

Net OPEB liability - beginning of year	\$ 169,351
Service cost	2,939
Interest on total OPEB liability	5,556
Employer contribution as Benefit Payments	(37,184)
Changes in assumptions	(1,152)
Net changes during 2023-24	(29,841)
Net OPEB liability - end of year	\$ <u>139,510</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - CONT'D

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

Sensitivity of the Net OPEB liability to changes in the discount rate. The following presents the Net OPEB liability, as well as what the Net OPEB liability would be, if it was calculated using a discount rate (3.93 percent) that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	\$ <u>142,620</u>	\$ <u>139,510</u>	\$ <u>137,136</u>

J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Sensitivity of the Net OPEB liability to changes in the healthcare cost trend rates. The following presents the Net OPEB liability, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates (4.00 percent) that are 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rates:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	\$ <u>133,305</u>	\$ <u>139,510</u>	\$ <u>146,070</u>

K. 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 expenses. The recognition period differs depending on the source of the gain or loss.

L. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense/(income) of \$8,495.

As of the fiscal year, ended June 30, 2024, the District reported deferred outflows and inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (717)
Difference between expected and actual experience	<u>730</u>	<u>-</u>
Total	\$ <u><u>730</u></u>	\$ <u><u>(717)</u></u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - CONT'D

L. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Cont'd

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Deferred Outflow/ (Inflows) of Resources
2025	\$ 117
2026	(104)
Total	\$ <u>13</u>

M. Payable to the HC Plan

As of June 30, 2024, the District reported no amount payable for any outstanding amount of contributions to the HC plan required for the year ended June 30, 2024.

NOTE 7 - PENSION PLAN

A. Plan Description

The Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "Plan") is administered by the California Public Employees' Retirement System (CalPERS). The plan consists of a miscellaneous risk pool and a risk safety pool, which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The District does not have any rate plans in the safety risk pool.

B. Benefits Provided

The Plan 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. Classic members and PEPRSA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRSA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The costs of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect as of June 30, 2024 are summarized as follows:

Employer rate plan	Miscellaneous Prior to January 01, 2013	PEPRSA Misc. on or after January 01, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Required employee contribution rates	7%	7.75%
Required employer contribution rates	11.84%	7.68%

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - PENSION PLAN - CONT'D

C. Contribution

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The District's contributions to the Miscellaneous Risk Pool plan for the year ended June 30, 2024, was \$171,732.

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

As of June 30, 2024, the District reported net pension liability of \$1,488,345 for its proportionate share of net pension liability of the Miscellaneous Risk Pool.

The District's proportionate share of the net pension liability as of June 30, 2024 and June 30, 2023, for the Miscellaneous Risk Pool was as follows:

Proportion - June 30, 2023	0.030100 %
Proportion - June 30, 2024	<u>0.029760 %</u>
Change - increase/(decrease)	<u>(0.000340)%</u>

For the year ended June 30, 2024, the District recognized pension expense of \$274,899. As of June 30, 2024, the District 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
Difference between expected and actual experience	\$ 76,033	\$ (11,794)
Change in assumptions	89,858	-
Differences between projected and actual investment earnings	240,976	-
Change in employer's proportion	42,661	(6,351)
Differences between employer's contributions and proportionate share of contributions	-	(52,727)
Contributions subsequent to measurement date	<u>171,732</u>	<u>-</u>
Total	<u>\$ 621,260</u>	<u>\$ (70,872)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - PENSION PLAN - CONT'D

D. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions - Cont'd

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2025	\$ 115,602
2026	77,513
2027	178,627
2028	6,914
Total	<u>\$ 378,656</u>

E. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with updated procedures used to roll forward the total pension liability to June 30, 2023. The total pension liability was based on the following assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

*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 MP 2020 published by the society of actuaries.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - PENSION PLAN - CONT'D

G. Long-term Expected Rate of Return

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.

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

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10*, **
Global equity- cap weighted	30.00 %	4.54 %
Global equity- noncap 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)%

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

H. Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Miscellaneous Risk Pool as of the measurement date, calculated using the discount rate, as well as what the District'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:

	Discount Rate Less 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate Plus 1% (7.90%)
Net pension liability (asset)	\$ 2,275,895	\$ 1,488,345	\$ 840,123

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in CalPERS' ACFR for the fiscal year ended June 30, 2023, and the CalPERS' GASB 68 Accounting Valuation Report for the public agency cost-sharing multiple-employer defined benefit pension plan, which is available on CalPERS' website at <https://www.calpers.ca.gov/docs/forms-publications/gasb-68>.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial coverage for each of those risks of loss. There have been no significant reductions in insurance coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 9 - NEW MARKET TAX CREDIT TRANSACTION

The District is a sponsor of New Markets Tax Credits (NMTC) to support redevelopment in distressed communities. The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments in operating businesses and real estate projects located in low-income communities.

The District, in collaboration with Chase Bank (Bank), entered into various agreements to provide for the completion of the Humboldt Bay Eco-Industrial Park project, consisting of renovations and improvements to property in Samoa, Humboldt County, California.

As part of the NMTC Program transaction, a new independent entity, Humboldt Bay Development Association, Inc. (HBDA), a not-for-profit organization, was formed to participate under the Federal NMTC guidelines and to complete the project improvements. Also, pursuant to NMTC Program requirements, several financial intermediaries were established to finance the project. HBDA's construction costs are projected to be approximately \$5.20 million.

As required under the NMTC agreements with these entities, the District loaned the Chase NMTC Samoa Investment Fund, LLC \$5,849,375 and within the NMTC structure invested \$398,057 in cash to the transaction. Within the structure of the NMTC transaction, this \$398,057 cash investment was offset by a \$565,000 reimbursement from HBDA for project costs incurred by the District prior to the NMTC closing, and the funds to provide the loan to Chase NMTC Samoa Investment Fund, LLC were obtained through proceeds in the amount of \$3,906,000 for a long-term ground lease of the Samoa property to HBDA and from a \$1,560,000 loan obtained from Compass BBVA Bank.

The District's leveraged loan receivable from Chase NMTC Samoa Investment Fund, LLC bears interest of 2.7481% and is receivable in quarterly interest-only payments from June 10, 2016, through March 10, 2023; thereafter principal and interest payments are due until March 10, 2046. During the year, the loan was fully recovered.

The District recorded the ground lease as unearned revenue in the liabilities section of its balance sheet, and will recognize operating income over the course of the lease.

To fund HBDA's initial cost of the ground lease and the remaining project costs to be incurred by HBDA, within the NMTC structure New Markets Community Capital XVII, LLC and CNMC SUT-CDE 69, LLC loaned HBDA funds totaling \$8,680,000. In addition, the District and HBDA signed lease agreements under which the District is leasing-back the Samoa, California property from HBDA for the District's operations related to that asset.

The ground lease is terminated and closed out during the fiscal year 2023-2024. The proceeds from this termination are applied against notes receivable and to enhance the value of capital assets held by the District.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 - COMMITMENTS AND CONTINGENCIES

PG&E Agreement

During 2014, Pacific Gas and Electric (PG&E) paid the District \$2.0 million for the specific purpose of procuring dredging equipment, financing initial start-up and training of the District personnel, and reuse or disposal of dredged material. As part of the agreement, the District has committed to perform a one-time dredging of certain real property owned by PG&E and located near King Salmon, known as Fisherman's Channel. The District assumes responsibility for the dredging activities and repair work of Fisherman's Channel, and upon completion of these contract terms, the District will obtain ownership of the Fisherman's Channel. As of June 30, 2024, there is no PG&E funding.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 4, 2025, the date at which the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN YEARS*

Measurement Period, June 30	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 2,939	\$ 2,890	\$ 3,392	\$ 4,715	\$ 3,771	\$ 20,986	\$ 19,877
Interest on total OPEB liability	5,556	6,071	4,454	6,905	7,841	19,794	21,313
Employer contribution as benefit payments	(37,184)	(33,459)	(32,364)	(55,906)	(75,367)	(83,586)	(80,371)
Experience gains/losses	-	8,046	-	(80,755)	(5,321)	(118,069)	-
Changes in assumptions	<u>(1,152)</u>	<u>(989)</u>	<u>(9,400)</u>	<u>2,952</u>	<u>16,988</u>	<u>3,564</u>	<u>-</u>
Net change in net OPEB liability	(29,841)	(17,441)	(33,918)	(122,089)	(52,088)	(157,311)	(39,181)
Net OPEB liability - beginning of year	<u>169,351</u>	<u>186,792</u>	<u>220,710</u>	<u>342,799</u>	<u>394,887</u>	<u>552,198</u>	<u>591,379</u>
Net OPEB liability - end of year	<u>\$ 139,510</u>	<u>\$ 169,351</u>	<u>\$ 186,792</u>	<u>\$ 220,710</u>	<u>\$ 342,799</u>	<u>\$ 394,887</u>	<u>\$ 552,198</u>
Covered employee payroll	\$ 58,486	\$ 6,565	\$ 41,913	\$ 47,351	\$ 60,367	\$ 276,928	\$ 376,937
Net OPEB liability as a percentage of covered employee payroll	238.54 %	2,579.60 %	445.67 %	466.11 %	567.86 %	142.60 %	146.50 %

NOTES TO SCHEDULE

1. The District's retiree healthcare plan had no assets accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement no. 75, paragraph 4.
2. Changes in assumptions - Discount rate changed from 3.65% to 3.93%.
3. There are no statutorily or contractually established contribution requirements.

* 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.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS*

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.029760%	0.030100%	0.030425%	0.027280%	0.010080%	0.009570%	0.009500%	0.009023%	0.007965%	0.008534%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,488,345	\$ 1,408,435	\$ 577,703	\$ 1,150,835	\$ 1,033,203	\$ 921,868	\$ 941,780	\$ 780,795	\$ 546,685	\$ 531,034
Plan's Covered-Employee Payroll	\$ 1,024,217	\$ 832,988	\$ 788,024	\$ 764,169	\$ 764,169	\$ 889,228	\$ 794,364	\$ 863,258	\$ 871,775	\$ 730,490
Plan's Proportionate Share of the Net Pension Liability/(Asset) as Percentage of Covered-Employee Payroll	145.32%	169.08%	73.31%	150.60%	135.21%	103.67%	118.56%	90.45%	62.71%	72.70%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	74.44%	75.98%	89.43%	77.39%	79.58%	78.81%	77.50%	80.01%	83.38%	83.19%

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS*

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially Determined Contributions	\$ 171,732	\$ 173,016	\$ 150,868	\$ 136,505	\$ 55,338	\$ 54,414	\$ 53,870	\$ 83,233	\$ 75,091	\$ 68,939
Actual Contributions During the Measurement Period	<u>(171,732)</u>	<u>(173,016)</u>	<u>(150,868)</u>	<u>(136,505)</u>	<u>(55,338)</u>	<u>(54,414)</u>	<u>(53,870)</u>	<u>(83,233)</u>	<u>(75,091)</u>	<u>(68,939)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$1,024,217	\$ 832,988	\$ 788,024	\$ 764,169	\$ 764,169	\$ 889,228	\$ 794,364	\$ 863,258	\$ 871,775	\$ 730,490
Contributions as a Percentage of Covered Employee Payroll	16.77 %	20.77 %	19.15 %	17.86 %	7.24 %	6.12 %	6.78 %	9.64 %	8.61 %	9.44 %

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2024

	Marina		Variance
	Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES			
Sales and permits	\$ 12,500	\$ 11,367	\$ (1,133)
Slip rentals	968,000	884,271	(83,729)
Rents and leases	207,900	228,351	20,451
Other revenues	84,420	122,368	37,948
Total operating revenues	<u>1,272,820</u>	<u>1,246,357</u>	<u>(26,463)</u>
OPERATING EXPENSES			
Payroll and related costs	508,917	605,444	(96,527)
Advertising and promotion	700	549	151
Bad debt	1,500	53,152	(51,652)
Conference and meetings	4,000	761	3,239
Dues and subscriptions	-	500	(500)
Insurance	-	58,221	(58,221)
Automotive expenses	200	(164)	364
Office expenses	850	237	613
Operating supplies	17,850	16,479	1,371
Outside service	-	15,443	(15,443)
Legal and other professional fees	-	350	(350)
Repairs and maintenance	84,400	45,280	39,120
Utilities	215,000	260,110	(45,110)
Dredging expenses	3,587,000	(2,640)	3,589,640
Capital outlay	35,750	-	35,750
Other operating expense	2,000	1,218	782
Depreciation	-	225,060	(225,060)
Total operating expenses	<u>4,458,167</u>	<u>1,280,000</u>	<u>3,178,167</u>
Operating income (loss)	<u>\$ (3,185,347)</u>	<u>\$ (33,643)</u>	<u>\$ 3,151,704</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2024

	Marina		Variance
	Budget	Actual	Favorable (Unfavorable)
NONOPERATING REVENUES			
Investment income	\$ -	\$ 677	\$ 677
Other government grants	<u>200,000</u>	<u>1,100</u>	<u>(198,900)</u>
Total nonoperating revenues	<u>200,000</u>	<u>1,777</u>	<u>(198,223)</u>
NONOPERATING EXPENSES			
Grant expenses	-	21,710	(21,710)
Interest expenses	<u>89,147</u>	<u>4,450</u>	<u>84,697</u>
Total nonoperating expenses	<u>89,147</u>	<u>26,160</u>	<u>62,987</u>
Net nonoperating revenues and expenses	<u>110,853</u>	<u>(24,383)</u>	<u>(135,236)</u>
Change in net position	<u>\$ (3,074,494)</u>	<u>\$ (58,026)</u>	<u>\$ 3,016,468</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2024

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES			
Sales and permits	\$ 2,000	\$ 1,900	\$ (100)
Slip rentals	22,000	25,818	3,818
Rents and leases	1,656,500	1,266,752	(389,748)
Harbor improvement surcharge	180,000	100,062	(79,938)
Other revenues	34,175	34,299	124
Total operating revenues	<u>1,894,675</u>	<u>1,428,831</u>	<u>(465,844)</u>
OPERATING EXPENSES			
Payroll and related cost	1,334,168	932,323	401,845
Commissioner's fees	36,000	30,000	6,000
Advertising and promotion	1,500	4,750	(3,250)
Bad debt	-	243,482	(243,482)
Communications	28,000	20,917	7,083
Conference and meetings	32,500	22,231	10,269
Dues and subscriptions	53,900	55,972	(2,072)
Elections and property tax administration fees	66,000	77,625	(11,625)
Insurance	139,519	94,073	45,446
Automotive expenses	32,500	29,531	2,969
Office expenses	26,865	64,152	(37,287)
Operating supplies	6,700	4,007	2,693
Outside services	39,050	5,804	33,246
Accounting fees	55,000	87,605	(32,605)
Repairs and maintenance	208,800	192,166	16,634
Utilities	207,350	260,294	(52,944)
Rent and leases	4,300	1,256	3,044
Redwood terminal 2 expenses	18,000	12,201	5,799
Dredging expenses	-	2,085	(2,085)
Legal and other professional expenses	187,400	341,415	(154,015)
Depreciation	-	165,248	(165,248)
Capital outlay	251,500	-	251,500
Other operating expenses	5,500	(47)	5,547
Total operating expenses	<u>2,734,552</u>	<u>2,647,090</u>	<u>87,462</u>
Operating income (loss)	<u>\$ (839,877)</u>	<u>\$ (1,218,259)</u>	<u>\$ (378,382)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2024

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
NONOPERATING REVENUES			
Investment income	\$ 12,000	\$ 419,346	\$ 407,346
General property taxes	1,320,000	1,426,864	106,864
Other government grants	5,584,694	3,221,661	(2,363,033)
Other nonoperating incomes	-	1,000	1,000
Total nonoperating revenues	<u>6,916,694</u>	<u>5,068,871</u>	<u>(1,847,823)</u>
NONOPERATING EXPENSES			
Interest expenses	175,408	197,742	(22,334)
Grant expenses	5,123,924	3,323,428	1,800,496
Other nonoperating expenses	<u>12,300</u>	<u>7,893</u>	<u>4,407</u>
Total nonoperating expenses	<u>5,311,632</u>	<u>3,529,063</u>	<u>1,782,569</u>
Net nonoperating revenues and expenses	<u>1,605,062</u>	<u>1,539,808</u>	<u>(65,254)</u>
Change in net position	<u>\$ 765,185</u>	<u>\$ 321,549</u>	<u>\$ (443,636)</u>

SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
OPERATING REVENUES			
Sales and permits	\$ 6,467	\$ 6,800	\$ 13,267
Slip rentals and dredging/float replacement	4,339	905,750	910,089
Utility charges	37,871	53,693	91,564
Rents and Leases	1,085,493	5,509	1,091,002
Rents - tideland leases	-	364,733	364,733
Late fees and interest on past due accounts	1,315	68,850	70,165
Harbor improvement surcharge	-	100,062	100,062
Pilotage services	-	1,951	1,951
Other revenue	5	32,350	32,355
	<u>1,135,490</u>	<u>1,539,698</u>	<u>2,675,188</u>
Total operating revenues			
OPERATING EXPENSES			
Salaries and wages	520,313	472,089	992,402
Payroll benefits	399,202	146,163	545,365
Commissioner's fees	21,000	9,000	30,000
Advertising and promotion	1,975	3,324	5,299
Bad debts	-	296,634	296,634
Communications	18,863	2,054	20,917
Conference and meetings	20,949	2,043	22,992
Dues and subscriptions	34,096	7,610	41,706
County elections fees and property taxes	77,624	-	77,624
Insurance	74,306	77,987	152,293
Automotive expenses	22,500	6,868	29,368
Office expenses	55,258	9,131	64,389
Operating supplies	16,737	3,749	20,486
Outside services	22,820	(1,572)	21,248
Permits	673	14,093	14,766
Legal and professional fees	312,101	29,664	341,765
Accounting fees	23,826	63,780	87,606
Rents and leases	1,256	-	1,256
Repairs and maintenance	73,709	163,737	237,446
Utilities	376,833	143,571	520,404
Dredging expense	(555)	-	(555)
Redwood terminal 2 expenses	12,201	-	12,201
Other expenses	1,182	(12)	1,170
Depreciation	67,847	322,461	390,308
	<u>2,154,716</u>	<u>1,772,374</u>	<u>3,927,090</u>
Total operating expenses			
Operating income (loss)	\$ <u>(1,019,226)</u>	\$ <u>(232,676)</u>	\$ <u>(1,251,902)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
NONOPERATING REVENUES			
Investment income	\$ 232,660	\$ 187,363	\$ 420,023
General property taxes	1,426,863	-	1,426,863
Other government grants	900,464	2,322,297	3,222,761
Other nonoperating incomes	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total nonoperating revenues	<u>2,560,987</u>	<u>2,509,660</u>	<u>5,070,647</u>
NONOPERATING EXPENSES			
Interest expenses	12,305	189,887	202,192
Grant expenses	1,195,526	2,149,611	3,345,137
Other nonoperating expenses	<u>7,893</u>	<u>-</u>	<u>7,893</u>
Total nonoperating expenses	<u>1,215,724</u>	<u>2,339,498</u>	<u>3,555,222</u>
Net nonoperating revenues (expenses)	<u>1,345,263</u>	<u>170,162</u>	<u>1,515,425</u>
Change in net position	326,037	(62,514)	263,523
Net position, beginning	<u>12,079,258</u>	<u>(813,768)</u>	<u>11,265,490</u>
Net position, ending	<u>\$ 12,405,295</u>	<u>\$ (876,282)</u>	<u>\$ 11,529,013</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Marina</u>	<u>General</u>	<u>Total</u>
OPERATING REVENUES			
Sales and permits	\$ 11,367	\$ 1,900	\$ 13,267
Slip rentals	884,271	25,818	910,089
Rents and leases	228,351	1,266,752	1,495,103
Harbor improvement surcharge	-	100,062	100,062
Other revenue	<u>122,368</u>	<u>34,299</u>	<u>156,667</u>
Total operating revenues	<u>1,246,357</u>	<u>1,428,831</u>	<u>2,675,188</u>
OPERATING EXPENSES			
Payroll and related costs	605,444	932,323	1,537,767
Commissioner's fees	-	30,000	30,000
Advertising and promotion	549	4,750	5,299
Bad debts	53,152	243,482	296,634
Communications	-	20,917	20,917
Conference and meetings	761	22,231	22,992
Dues and subscriptions	500	55,972	56,472
Elections and property tax administration fees	-	77,625	77,625
Insurance	58,221	94,073	152,294
Automotive expenses	(164)	29,531	29,367
Office expenses	237	64,152	64,389
Operating supplies	16,479	4,007	20,486
Outside services	15,443	5,804	21,247
Accounting fees	-	87,605	87,605
Rent and leases	-	1,256	1,256
Legal and other professional fees	350	341,415	341,765
Repairs and maintenance	45,280	192,166	237,446
Utilities	260,110	260,294	520,404
Redwood terminal 2 expenses	-	12,201	12,201
Dredging expense	(2,640)	2,085	(555)
Other operating expenses	1,218	(47)	1,171
Depreciation	<u>225,060</u>	<u>165,248</u>	<u>390,308</u>
Total operating expenses	<u>1,280,000</u>	<u>2,647,090</u>	<u>3,927,090</u>
Operating income (loss)	<u>\$ (33,643)</u>	<u>\$ (1,218,259)</u>	<u>\$ (1,251,902)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Marina</u>	<u>General</u>	<u>Total</u>
NONOPERATING REVENUES			
Investment income	\$ 677	\$ 419,346	\$ 420,023
General property taxes	-	1,426,864	1,426,864
Other government grants	1,100	3,221,661	3,222,761
Other nonoperating incomes	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total nonoperating revenues	<u>1,777</u>	<u>5,068,871</u>	<u>5,070,648</u>
NONOPERATING EXPENSES			
Interest expenses	4,450	197,742	202,192
Grant expenses	21,710	3,323,428	3,345,138
Other nonoperating expenses	<u>-</u>	<u>7,893</u>	<u>7,893</u>
Total nonoperating expenses	<u>26,160</u>	<u>3,529,063</u>	<u>3,555,223</u>
Net nonoperating revenues (expenses)	<u>(24,383)</u>	<u>1,539,808</u>	<u>1,515,425</u>
Change in net position	<u><u>\$ (58,026)</u></u>	<u><u>\$ 321,549</u></u>	<u><u>\$ 263,523</u></u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District
Eureka, 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 business-type activities of Humboldt Bay Harbor, Recreation and Conservation District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 4, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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.

Harshmal & Company LLP

San Diego, California
June 4, 2025

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II - FINANCIAL STATEMENTS FINDINGS

There are no findings in the current year to report.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024**

There were no findings reported in the prior year.