HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2025

HARSHWAL®
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

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JUNE 30, 2025

HARSHWAL® & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025, 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, 2025, and the respective changes in financial position, and 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 opinions.

Emphasis of Matter

We draw attention to Note 10 to the financial statements, which describes the implementation of GASB Statement No. 101, *Compensated Absences*. As described in Note 10, the District implemented this accounting standard during the year ended June 30, 2025, which resulted in a restatement of beginning net position. Our opinion is not modified with respect to this matter.

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 36 through 40, 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 July 15, 2026, 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.

Harshwal & Company LLP

San Diego, California
July 15, 2026

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, 2025. 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 $174,709, or 6.53%.
- The District's operating expenses increased by $141,737, or 3.61%.
- General revenues from taxes, interest, and investments accounted for $1,768,963 in revenues or 24.92% of all revenues.
- The District had total expenditures of $6,127,789, and total revenue of $7,098,898. The resulting increase in net position of $971,109 includes net government grant revenue of $1,269,711, and depreciation expense of $671,843.
- Notes payable debt has decreased by $1,071,901 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.

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

	2025	2024 restated	Change	% Change
Assets:				
Current assets	$ 4,230,431	$ 6,529,418	$ (2,298,987)	(35.21)%
Noncurrent assets	23,756,681	19,583,993	4,172,688	21.31 %
Total assets	27,987,112	26,113,411	1,873,701	7.18 %
Deferred outflows of resources	485,001	628,187	(143,186)	(22.79)%
Liabilities:				
Current liabilities	4,398,530	1,696,171	2,702,359	159.32 %
Noncurrent liabilities	8,121,588	8,831,764	(710,176)	(8.04)%
Total liabilities	12,520,118	10,527,935	1,992,183	18.92 %
Deferred inflows of resources	3,500,730	4,733,507	(1,232,777)	(26.04)%
Net position:				
Net investment in capital assets	12,535,972	11,208,911	1,327,061	11.84 %
Restricted	813,517	504,656	308,861	61.20 %
Unrestricted	(898,224)	(233,411)	(664,813)	284.83 %
Total net position	$ 12,451,265	$ 11,480,156	$ 971,109	8.46 %

Total net position of the District increased by 8.46%, or $971,109 as of June 30, 2025.

Table 2

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

	2025	2024	Change	% Change
Operating Revenues				
Sales and permits	$ 14,999	$ 13,267	$ 1,732	13.05 %
Slip rentals	906,082	910,089	(4,007)	(0.44)%
Rents and leases	1,301,238	1,495,103	(193,865)	(12.97)%
Harbor improvement surcharge	128,647	100,062	28,585	28.57 %
Other revenue	149,513	156,667	(7,154)	(4.57)%
Total operating revenues	2,500,479	2,675,188	(174,709)	(6.53)%
Operating Expenses				
Salaries, wages, and benefits	1,579,051	1,537,767	41,284	2.68 %
Commissioner's fees	36,000	36,000	-	0.00 %
Bad debts	93,768	296,634	(202,866)	(68.39)%
Depreciation	671,843	390,308	281,535	72.13 %
Repairs and maintenance	143,056	237,446	(94,390)	(39.75)%
Professional and outside services	394,745	363,012	31,733	8.74 %
Redwood terminal 2 expenses	6,597	12,201	(5,604)	(45.93)%
Utilities	464,583	520,404	(55,821)	(10.73)%
Other operating expenses	679,184	533,318	145,866	27.35 %
Total operating expenses	4,068,827	3,927,090	141,737	3.61 %
Operating income (loss)	(1,568,348)	(1,251,902)	(316,446)	(25.28)%
Nonoperating Revenues (Expenses)				
General property taxes	1,471,204	1,426,864	44,340	3.11 %
Investment income (loss)	297,759	420,023	(122,264)	(29.11)%
Grants income	2,829,456	3,222,761	(393,305)	(12.20)%
Other nonoperating income	-	1,000	(1,000)	(100.00)%
Grant expenses	(1,559,745)	(3,345,138)	1,785,393	53.37 %
Interest expenses	(494,679)	(202,192)	(292,487)	(144.66)%
Other nonoperating expenses	(4,538)	(7,893)	3,355	42.51 %
Total nonoperating revenues (expenses)	2,539,457	1,515,425	1,024,032	67.57 %
Change in net position	$ 971,109	$ 263,523	$ 707,586	268.51 %

Operating revenues decreased by $174,709 over the prior year, and operating expenses increased by $141,737. The decrease in operating revenue was due to a decrease in rent and lease revenue of $193,865 and the increase in operating expenses was due to increase in depreciation cost as well increase in other operating expenses.

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

	2025	2024	Change	% Change
Net Position, June 30,	$ 12,451,265	$ 11,480,156	$ 971,109	8.46 %

The 8.46% increase in net position is primarily driven by decreases in bad debts and decreases in grant expenses.

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2025, and the amounts and percentages of increases and decreases of revenues in relation to the prior year.

Table 4

Summary of Revenues

	2025	Percent of Total	2024	Change	% Change
Revenues:					
Sales and permits	$ 14,999	0.21 %	$ 13,267	$ 1,732	13.1 %
Slip rentals	906,082	12.76 %	910,089	(4,007)	(0.4)%
Rents and leases	1,301,238	18.33 %	1,495,103	(193,865)	(13.0)%
Harbor improvement surcharge	128,647	1.81 %	100,062	28,585	28.6 %
Other operating income	149,513	2.11 %	156,667	(7,154)	(4.6)%
General property taxes	1,471,204	20.72 %	1,426,864	44,340	3.1 %
Investment income	297,759	4.19 %	420,023	(122,264)	(29.1)%
Grant and other nonoperating incomes	2,829,456	39.86 %	3,223,761	(394,305)	(12.2)%
Total revenues	$ 7,098,898	100.00 %	$ 7,745,836	$ (646,938)	(8.4)%

Rents and leases decreased due to a reduction in Redwood Marine Terminal 2 rental income in 2024-25 given the narrow and restrictive zoning of the Redwood Marine Terminal Site, there is a small group of users who can occupy these facilities. The District is exploring an expansion and extension of the interim use zoning as well as a Port overlay zone to open the asset to more potential users in an effort to increase occupancy and revenues.

Slip rentals decreased due to reduction in occupancy in 2024-25. Harbor Improvement Surcharge revenue increased due to an increase in shipping in 2024-25. Investment income decreased due to a reduction in the interest portion of lease payments in 2024-25. Grant revenue varies from year to year based on available grant funding.

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	$ 13,720	$ 14,999	$ 1,279
Slip rentals	971,773	906,082	(65,691)
Rents and leases	224,554	1,301,238	1,076,684
Harbor improvement surcharge	-	128,647	128,647
Other revenue	124,450	149,513	25,063
Total operating revenues	1,334,497	2,500,479	1,165,982
Operating Expenses			
Salaries, wages, and benefits	1,343,858	1,579,051	(235,193)
Commissioner's fees	36,000	36,000	-
Bad debts	3,216	93,768	(90,552)
Depreciation	-	671,843	(671,843)
Dredging	2,000,790	-	2,000,790
Professional and outside services	71,485	394,745	(323,260)
Redwood terminal 2 expenses	-	6,597	(6,597)
Repairs and maintenance	56,171	143,056	(86,885)
Utilities	284,048	464,583	(180,535)
Other operating expenses	286,823	679,184	(392,361)
Total operating expenses	4,082,391	4,068,827	13,564
Operating income (loss)	(2,747,894)	(1,568,348)	1,179,546
Nonoperating Revenues (Expenses)			
General property taxes	1,210,000	1,471,204	261,204
Investment income (loss)	6,490	297,759	291,269
Grant income	51,975	2,829,456	2,777,481
Grant expenses	-	(1,559,745)	(1,559,745)
Interest expenses	(248,402)	(494,679)	(246,277)
Other nonoperating expenses	(2,500)	(4,538)	(2,038)
Total nonoperating revenues (expenses)	1,017,563	2,539,457	1,521,894
Change in net position	$ (1,730,331)	$ 971,109	$ 2,701,440

Final Budget versus Actual Results

The unfavorable variance of $235,193 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 $671,843 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 $2,000,790 in dredging expense is due to the capitalization of dredging expenditures. The unfavorable variance of $180,535 in utilities is due to higher than anticipated utility expenses. The favorable variance of $291,269 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 favorable variance of $2,777,481 in grant revenue and the unfavorable variance of $1,559,745 in grant expenses is due to changes in available and expended grants. The unfavorable variance of $2,038 in other nonoperating expenses is due to the District's policy of including the principal portion of debt service payments in 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, 2025 was $21,488,339. The total increase in net capital assets from the prior year was 29.93%. This increase was due to capital acquisitions during the current year. Capital asset balances as of June 30, 2025 and 2024 were as follows:

Table 6

Comparative Schedule of Capital Assets

	2025	2024	Change	% Change
Land, building, and improvement	$ 28,589,253	$ 28,589,253	$ -	0.00 %
Automotive equipment	95,639	95,639	-	0.00 %
Office and operating equipment	3,998,706	3,977,194	21,512	0.54 %
Dredging costs	5,271,824	3,256,058	2,015,766	61.91 %
Multipurpose Heavy Lift Marine Terminal - CIP	3,584,682	-	3,584,682	100.00 %
Subtotals	41,540,104	35,918,144	5,621,960	15.65 %
Less: accumulated depreciation	(20,051,765)	(19,379,922)	(671,843)	3.47 %
Capital assets, net	$ 21,488,339	$ 16,538,222	$ 4,950,117	29.93 %

Debt Administration

The District incurred no new long-term debt in 2024-25. The decrease in net pension liability was a result of decrease 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, 2025 and 2024 are presented below in Table 7.

Table 7

Debt and Other Long-Term Liabilities

	2025	2024	Change	% Change
Notes Payable:				
Refunding Bonds Series 2014	$ 1,124,120	$ 1,500,802	$ (376,682)	(25.10)%
Compass BBVA Bank Loan	685,611	854,830	(169,219)	(19.80)%
Sale installment note payable	4,928,000	5,454,000	(526,000)	(9.64)%
Total notes payable	6,737,731	7,809,632	(1,071,901)	(13.73)%
Other Long-Term Liabilities:				
OPEB	94,816	139,510	(44,694)	(32.04)%
Net pension liability	1,479,612	1,488,345	(8,733)	(0.59)%
Total debt and other long-term liabilities	$ 8,312,159	$ 9,437,487	$ (1,125,328)	(11.92)%

ECONOMIC FACTORS

The District is in the pre-development phase of a Multipurpose Heavy Lift 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 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.

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, 2025

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,079,854
Restricted cash and cash equivalents	813,517
Account and grant receivables, net	1,619,067
Prepaid insurance	36,329
Lease receivable	681,664
Total current assets	4,230,431
NONCURRENT ASSETS:	
Nondepreciable capital assets	12,601,610
Depreciable capital assets, net	8,886,729
Lease receivable, net of current portion	2,268,342
Total noncurrent assets	23,756,681
Total assets	27,987,112
DEFERRED OUTFLOWS OF RESOURCES	
Pension	480,892
Bond refunding	4,109
Total deferred outflows of resources	485,001
Total assets and deferred outflows of resources	$ 28,472,113

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2025

LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	$ 3,693,800
Accrued wages, payroll taxes, and benefit	39,119
Unearned income	163,198
Compensated absences	119,451
Customer deposits payable	192,391
Notes payable	190,571
Total current liabilities	4,398,530
NONCURRENT LIABILITIES:	
Net OPEB liabilities	94,816
Net pension liabilities	1,479,612
Notes payable, net of current portion	6,547,160
Total noncurrent liabilities	8,121,588
Total liabilities	12,520,118
DEFERRED INFLOWS OF RESOURCES	
OPEB	10,067
Pension	38,154
Lease	2,690,202
CalTrans Spartina	644,324
CalTrans Eelgrass	117,983
Total deferred inflows of resources	3,500,730
Total liabilities and deferred inflows of resources	16,020,848
NET POSITION	
Net investment in capital assets	12,535,972
Restricted	813,517
Unrestricted	(898,224)
Total net position	12,451,265
Total liabilities, deferred inflows of resources, and net position	$ 28,472,113

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

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2025

OPERATING REVENUES	
Sales and permits	$ 14,999
Slip rentals	906,082
Rents and leases	1,301,238
Harbor improvement surcharge	128,647
Other revenue	149,513
Total operating revenues	2,500,479
OPERATING EXPENSES	
Payroll and related cost	1,579,051
Commissioner's fees	36,000
Accounting and auditing	90,369
Advertising and promotion	2,543
Automobile expenses	24,877
Bad debts	93,768
Communications	15,987
Conference and meetings	21,269
Depreciation	671,843
Dues and subscriptions	52,017
Election and property tax administration fee	69,454
Insurance	302,309
Rent and lease	756
Legal and other professional fees	349,785
Office expenses	75,921
Operating supplies	20,727
Outside service	44,960
Redwood terminal 2 expenses	6,597
Repairs, maintenance, and small tools	143,056
Utilities	464,583
Other operating expenses	2,955
Total operating expenses	4,068,827
Operating income (loss)	$ (1,568,348)

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, 2025

NONOPERATING REVENUES (EXPENSES)	
General property taxes	$ 1,471,204
Investment income (loss)	297,759
Governmental grant	2,829,456
Grant expenses	(1,559,745)
Interest expenses	(494,679)
Other nonoperating expenses	(4,538)
Total nonoperating revenues (expenses)	2,539,457
Change in net position	971,109
Net position, beginning of year	11,529,013
Change in Accounting Principles	(48,857)
Net position, beginning of year, *as restated*	11,480,156
Net position, end of year	$ 12,451,265

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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,811,838
Receipts from suppliers	1,513,668
Payments to employees	(1,489,755)
Net cash provided by operating activities	1,835,751
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes for general operations	1,471,204
Receipt of grant and contract funds from other governments	2,829,456
Expenditures of grant funds	(1,559,745)
Payments for other nonoperating costs	(4,538)
Net cash provided by noncapital financing activities	2,736,377
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments to acquire, construct, and improve capital assets	(5,621,960)
Principal payments on notes payable and bonds	(1,071,901)
Interest paid	(492,591)
Leases	(31,170)
Net cash used in capital and related financing activities	(7,217,622)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	311,509
Net cash provided by investing activities	311,509
Increase (decrease) in cash and cash equivalents	(2,333,985)
Cash and cash equivalents, beginning of year	4,227,356
Cash and cash equivalents, end of year	$ 1,893,371
FINANCIAL STATEMENT PRESENTATION RECONCILIATION	
Cash and cash equivalents	$ 1,079,854
Restricted cash and cash equivalents	813,517
Cash and cash equivalents, end of year	$ 1,893,371

Continued...

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

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

Operating loss	$ (1,568,348)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Bad debts	93,768
Depreciation	671,843
Changes in assets and liabilities:	
Accounts receivable, excluding bad debts	(342,165)
Prepaid insurance	151,261
Accounts payable	3,086,572
Customer deposits payable	1,607
Accrued wages, payroll taxes, and benefit	5,356
Compensated absences	19,637
Pension and OPEB liability and deferred outflows and inflows of resources	(288,119)
Unearned income	4,339
Net cash provided by operating activities	$ 1,835,751

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

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.

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, 2025, the District determined that no allowance for doubtful accounts was necessary, 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% 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.

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:

Assets class	Useful life
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.

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% 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.

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, 2025. 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, 2025:

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.

The District has evaluated the effects of these pronouncements and has determined that the adoption did not result in any material change.

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, 2025, the District has not yet adopted the following new standards:

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, Disclosure of Certain Capital Assets, 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.

GASB Statement No. 105, Subsequent Events issued in December 2025. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 2 - CASH AND CASH EQUIVALENTS

The cash and cash equivalents as of June 30, 2025, were classified in the accompanying financial statements as follows:

Cash and cash equivalents	$ 1,079,854
Restricted cash and cash equivalents	813,517
Total cash and cash equivalents	$ 1,893,371

Restricted cash and cash equivalents activity as of June 30, 2025 was as follows:

	Marina Dredging Surcharge	Float Replacement Surcharge	Total
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2024	$ (194,356)	$ 699,012	$ 504,656
Collections during the year	234,862	73,999	308,861
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2025	$ 40,506	$ 773,011	$ 813,517
Restricted cash, June 30, 2025			$ 813,517

Total cash and cash equivalents as of June 30, 2025, consisted of the following:

Cash on hand	$ 1,112
Deposits held with financial institutions	1,171,775
Deposits held with the County Treasurer's Investment Pool	720,459
Undeposited fund	25
Total cash and cash equivalents	$ 1,893,371

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, 2025, was $726,943.

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.

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 $1,171,882 as of June 30, 2025. The District had an uninsured balance of $894,031, held with bank as of June 30, 2025.

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, 2025, were as follows:

	Beginning Balance	Additions	Ending Balance
Nondepreciable capital assets:			
Land	$ 8,801,701	$ -	$ 8,801,701
Dredging costs (old harbor)	215,227	-	215,227
Capital work-in-progress	-	3,584,682	3,584,682
Total nondepreciable capital assets	9,016,928	3,584,682	12,601,610
Depreciable capital assets:			
Building and improvement	19,787,552	-	19,787,552
Automotive equipment	95,639	-	95,639
Office and operating equipment	3,977,194	21,512	3,998,706
Dredging costs	3,040,831	2,015,766	5,056,597
Total depreciable capital assets	26,901,216	2,037,278	28,938,494
Less: accumulated depreciation	(19,379,922)	(671,843)	(20,051,765)
Depreciable capital assets, net	7,521,294	1,365,435	8,886,729
Total capital assets, net	$ 16,538,222	$ 4,950,117	$ 21,488,339

The total depreciation expense charged to operations for the year ended June 30, 2025, was $671,843.

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable as of June 30, 2025:

	Beginning Balance	Deletion	Ending Balance	Current Portion
Series 2014 Refunding Bonds	$ 1,500,802	$ (376,682)	$ 1,124,120	$ 130,740
Compass BBVA Bank Loan	854,830	(169,219)	685,611	59,831
Series 2023 Installment Sale Obligations	5,454,000	(526,000)	4,928,000	-
Total	$ 7,809,632	$ (1,071,901)	$ 6,737,731	$ 190,571

Refunding of Debt:

On December 22, 2014, the District issued $3,333,674 in revenue bonds with an interest rate of 4.1%, to refund $2,180,000 of outstanding 2004 revenue bonds with an average interest rate of 5.417% and $1,241,382 of notes payable to the California Department of Boating and Waterways with an interest rate of 4.5%. 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, 2025, are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 130,740	$ 23,045	$ 153,785
2027	269,577	37,994	307,571
2028	280,743	26,828	307,571
2029	292,371	15,199	307,570
2030	150,689	3,089	153,778
Total	$ 1,124,120	$ 106,155	$ 1,230,275

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, 2025, future debt service related to this loan was as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 59,831	$ 20,538	$ 80,369
2027	125,091	35,646	160,737
2028	132,696	28,041	160,737
2029	140,763	19,974	160,737
2030	149,321	11,415	160,736
Thereafter	77,909	2,337	80,246
Total	$ 685,611	$ 117,951	$ 803,562

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, 2025, future debt service related to this loan was as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ -	$ 104,720	$ 104,720
2027	292,000	203,235	495,235
2028	304,000	190,570	494,570
2029	317,000	177,374	494,374
2030	331,000	163,604	494,604
2031 - 2035	1,876,000	590,113	2,466,113
2036 - 2040	1,808,000	157,718	1,965,718
Total	$ 4,928,000	$ 1,587,334	$ 6,515,334

NOTE 5 - LEASE RECEIVABLES

The District entered into various lease agreement with lease terms ranging from 1 to 29 years. As of June 30, 2025, the receivable balance was $2,950,006. The annual discount rate is 7% and monthly lease payments range from $48 to $9,429. Deferred inflows of resources were $2,690,202 and revenue recognized was $933,444.

Minimum lease payments receivable are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 681,664	$ 186,379	$ 868,043
2027	365,951	148,610	514,561
2028	234,439	127,200	361,639
2029	106,717	114,894	221,611
2030	114,322	107,289	221,611
2031-2035	586,484	406,059	992,543
2036-2040	341,936	249,334	591,270
2041-2045	455,680	109,340	565,020
2046-2050	62,813	10,957	73,770
Total	$ 2,950,006	$ 1,460,062	$ 4,410,068

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, 2025, 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	1
Inactive employees entitled to, but not yet receiving benefits	-
Total	2

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, 2025, the District's cash contributions were $38,436, and there was no estimated implied subsidy, resulting in total payments of $38,436. 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, 2025, the District's contributions for post-employment health benefit costs were $15,083.

D. Annual OPEB Cost and Net OPEB Obligation

The District's Net OPEB liability was measured as of June 30, 2025 and the Total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of June 30, 2025.

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	5.2%
Inflation	2.5%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	5.2% 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, 2025.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 5.2%, 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.

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	2021 CalPERS Mortality for Miscellaneous and Schools Employees 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. 2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees 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.
Retirement	2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees 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.
Turnover	2021 CalPERS Turnover for Miscellaneous Employees 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.

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, 2025 are as follows:

Net OPEB liability - beginning of year	$ 139,510
Service cost	2,907
Interest on total OPEB liability	4,785
Employer contribution as Benefit Payments	(38,436)
Experience (Gains)/Losses	(10,939)
Changes in assumptions	(3,011)
Net changes during 2024-25	(44,694)
Net OPEB liability - end of year	$ 94,816

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 (5.2 percent) that is 1-percentage-point lower (4.2 percent) or 1-percentage-point higher (6.2 percent) than the current discount rate:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	$ 97,200	$ 94,816	$ 92,357

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	$ 90,345	$ 94,816	$ 99,585

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, 2025, the District recognized OPEB expense/(income) of $3,822.

As of the fiscal year, ended June 30, 2025, 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	$ -	$ (2,254)
Difference between expected and actual experience	-	(7,813)
Total	$ -	$ (10,067)

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
2026	$ (4,091)
2027	(3,987)
2028	(1,989)
Total	$ (10,067)

M. Payable to the HC Plan

As of June 30, 2025, the District reported no amount payable for any outstanding amount of contributions to the HC plan required for the year ended June 30, 2025.

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 PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA 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, 2025 are summarized as follows:

Employer rate plan	Miscellaneous Prior to January 01, 2013	PEPRA 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	6.93%	7.75%
Required employer contribution rates	11.88%	7.68%

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, 2025, was $193,880.

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

As of June 30, 2025, the District reported net pension liability of $1,479,612 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, 2025 and June 30, 2024, for the Miscellaneous Risk Pool was as follows:

Proportion - June 30, 2024	0.029764	%
Proportion - June 30, 2025	0.030592	%
Change - increase/(decrease)	0.000828	%

For the year ended June 30, 2025, the District recognized pension expense of $98,917. As of June 30, 2025, 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	$ 111,186	$ -
Change in assumptions	36,999	-
Differences between projected and actual investment earnings	103,062	-
Change in employer's proportion	-	-
Differences between employer's contributions and proportionate share of contributions	35,765	(38,154)
Contributions subsequent to measurement date	193,880	-
Total	$ 480,892	$ (38,154)

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
2026	$ 82,327
2027	183,441
2028	6,150
2029	(23,060)
Total	$ 248,858

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

Total pension liability for the June 30, 2024 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, 2024. 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.

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)	$ 2,306,828	$ 1,479,612	$ 798,692

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, 2024, 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.*

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 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 15, 2026, 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.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101, which establishes updated accounting and financial reporting requirements for compensated absences. As a result of the implementation, the District determined that compensated absence liabilities were understated in the prior year by $48,857. Accordingly, the financial statements for the year ended June 30, 2025, have been restated to reflect this adjustment.

A description, and the effect of the changes, is as follows:

Net position previously reported, June 30, 2024	$ 11,529,013
Change in Accounting Principles	(48,857)
Net position, as restated, July 1, 2024	$ 11,480,156

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	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	$ 2,907	$ 2,939	$ 2,890	$ 3,392	$ 4,715	$ 3,771	$ 20,986	$ 19,877
Interest on total OPEB liability	4,785	5,556	6,071	4,454	6,905	7,841	19,794	21,313
Employer contribution as benefit payments	(38,436)	(37,184)	(33,459)	(32,364)	(55,906)	(75,367)	(83,586)	(80,371)
Experience gains/losses	(10,939)	-	8,046	-	(80,755)	(5,321)	(118,069)	-
Changes in assumptions	(3,011)	(1,152)	(989)	(9,400)	2,952	16,988	3,564	-
Net change in net OPEB liability	(44,694)	(29,841)	(17,441)	(33,918)	(122,089)	(52,088)	(157,311)	(39,181)
Net OPEB liability - beginning of year	139,510	169,351	186,792	220,710	342,799	394,887	552,198	591,379
Net OPEB liability - end of year	$ 94,816	$ 139,510	$ 169,351	$ 186,792	$ 220,710	$ 342,799	$ 394,887	$ 552,198
Covered employee payroll	$ 65,783	$ 58,486	$ 6,565	$ 41,913	$ 47,351	$ 60,367	$ 276,928	$ 376,937
Net OPEB liability as a percentage of covered employee payroll	144.13 %	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 3.93% to 5.2%.
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, 2025	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
Plan's Proportion of the Net Pension Liability/(Asset)	0.030592%	0.029760%	0.030100%	0.030425%	0.027280%	0.010080%	0.009570%	0.009500%	0.009023%	0.007965%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 1,479,612	$ 1,488,345	$ 1,408,435	$ 577,703	$ 1,150,835	$ 1,033,203	$ 921,868	$ 941,780	$ 780,795	$ 546,685
Plan's Covered-Employee Payroll	$ 947,863	$ 1,024,217	$ 832,988	$ 788,024	$ 764,169	$ 764,169	$ 889,228	$ 794,364	$ 863,258	$ 871,775
Plan's Proportionate Share of the Net Pension Liability/(Asset) as Percentage of Covered-Employee Payroll	156.10%	145.32%	169.08%	73.31%	150.60%	135.21%	103.67%	118.56%	90.45%	62.71%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.86%	74.44%	75.98%	89.43%	77.39%	79.58%	78.81%	77.50%	80.01%	83.38%

* 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, 2025	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
Actuarially Determined Contributions	$ 193,880	$ 171,732	$ 173,016	$ 150,868	$ 136,505	$ 55,338	$ 54,414	$ 53,870	$ 83,233	$ 75,091
Actual Contributions During the Measurement Period	(193,880)	(171,732)	(173,016)	(150,868)	(136,505)	(55,338)	(54,414)	(53,870)	(83,233)	(75,091)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 947,863	$1,024,217	$ 832,988	$ 788,024	$ 764,169	$ 764,169	$ 889,228	$ 794,364	$ 863,258	$ 871,775
Contributions as a Percentage of Covered Employee Payroll	20.45 %	16.77 %	20.77 %	19.15 %	17.86 %	7.24 %	6.12 %	6.78 %	9.64 %	8.61 %

* 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 AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2025

	Marina			General		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Sales and permits	$ 11,720	$ 12,999	$ 1,279	$ 2,000	$ 2,000	$ -
Slip rentals	971,773	893,339	(78,434)	-	12,743	12,743
Rents and leases	224,554	242,388	17,834	-	1,058,850	1,058,850
Harbor improvement surcharge	-	-	-	-	128,647	128,647
Other revenues	124,450	109,945	(14,505)	-	39,568	39,568
Total operating revenues	1,332,497	1,258,671	(73,826)	2,000	1,241,808	1,239,808
OPERATING EXPENSES						
Payroll and related costs	675,172	582,725	92,447	668,686	996,326	(327,640)
Commissioner's fees	-	-	-	36,000	36,000	-
Advertising and promotion	550	796	(246)	4,007	1,747	2,260
Bad debt	3,216	-	3,216	-	93,768	(93,768)
Communications	-	120	(120)	11,000	15,867	(4,867)
Conference and meetings	200	2,789	(2,589)	21,629	18,480	3,149
Dues and subscriptions	600	6,836	(6,236)	42,000	45,181	(3,181)
Elections and property tax administration fees	-	-	-	(167)	69,454	(69,621)
Insurance	52,900	108,287	(55,387)	17,156	194,022	(176,866)
Automotive expenses	89	1,500	(1,411)	11,819	23,377	(11,558)
Office expenses	250	-	250	26,450	75,921	(49,471)
Operating supplies	16,637	17,903	(1,266)	-	2,824	(2,824)
Outside services	17,722	26,005	(8,283)	17	18,955	(18,938)
Legal and other professional fees	-	-	-	53,748	349,785	(296,037)
Accounting fees	-	-	-	80,000	90,369	(10,369)
Repairs and maintenance	48,966	34,631	14,335	7,206	108,425	(101,219)
Utilities	275,548	227,665	47,883	8,500	236,918	(228,418)
Rent and leases	-	-	-	-	756	(756)
Redwood terminal 2 expenses	-	-	-	-	6,597	(6,597)
Dredging expenses	2,000,000	-	2,000,000	790	-	790
Other operating expenses	1,700	1,454	246	-	1,501	(1,501)
Depreciation	-	358,565	(358,565)	-	313,278	(313,278)
Total operating expenses	3,093,550	1,369,276	1,724,274	988,841	2,699,551	(1,710,710)
Operating income (loss)	$ (1,761,053)	$ (110,605)	$ 1,650,448	$ (986,841)	$ (1,457,743)	$ (470,902)

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL - MARINA AND GENERAL FOR THE YEAR ENDED JUNE 30, 2025

	Marina			General		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
NONOPERATING REVENUES						
Investment income	$ 70	$ 6,702	$ 6,632	$ 6,420	$ 291,057	$ 284,637
Other government grants	809	-	(809)	51,166	2,829,456	2,778,290
General property taxes	-	-	-	1,210,000	1,471,204	261,204
Total nonoperating revenues	879	6,702	5,823	1,267,586	4,591,717	3,324,131
NONOPERATING EXPENSES						
Grant expenses	-	-	-	-	1,559,745	(1,559,745)
Interest expenses	148,259	270,753	(122,494)	100,143	223,926	(123,783)
Other nonoperating expenses	-	-	-	2,500	4,538	(2,038)
Total nonoperating expenses	148,259	270,753	(122,494)	102,643	1,788,209	(1,685,566)
Net nonoperating revenues (expenses)	(147,380)	(264,051)	(116,671)	1,164,943	2,803,508	1,638,565
Change in net position	$ (1,908,433)	$ (374,656)	$ 1,533,777	$ 178,102	$ 1,345,765	$ 1,167,663

SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

STATEMENT OF REVENUES AND EXPENSES - UNRESTRICTED AND TIDELANDS TRUST FOR THE YEAR ENDED JUNE 30, 2025

	Unrestricted	Tidelands Trust	Total
OPERATING REVENUES			
Sales and permits	$ 7,899	$ 7,100	$ 14,999
Slip rentals and dredging/float replacement	-	906,082	906,082
Utility charges	123,823	55,890	179,713
Rents and Leases	838,460	2,910	841,370
Rents - tideland leases	-	334,475	334,475
Late fees and interest on past due accounts	6,583	54,639	61,222
Harbor improvement surcharge	-	128,647	128,647
Pilotage services	-	1,571	1,571
Other revenue	50	32,350	32,400
Total operating revenues	976,815	1,523,664	2,500,479
OPERATING EXPENSES			
Salaries and wages	540,079	447,312	987,391
Payroll benefits	467,047	124,613	591,660
Commissioner's fees	25,200	10,800	36,000
Advertising and promotion	1,477	1,066	2,543
Bad debts	-	93,768	93,768
Communications	13,918	2,069	15,987
Conference and meetings	18,371	2,898	21,269
Dues and subscriptions	25,680	8,047	33,727
County elections fees and property taxes	69,454	-	69,454
Insurance	175,024	127,285	302,309
Automotive expenses	15,938	8,939	24,877
Office expenses	75,488	433	75,921
Operating supplies	2,824	17,903	20,727
Outside services	18,955	26,005	44,960
Permits	18,290	-	18,290
Legal and professional fees	275,985	73,800	349,785
Accounting fees	24,750	65,619	90,369
Rents and leases	756	-	756
Repairs and maintenance	86,621	56,435	143,056
Utilities	343,008	121,575	464,583
Redwood terminal 2 expenses	6,597	-	6,597
Other operating expenses	2,607	348	2,955
Depreciation	313,278	358,565	671,843
Total operating expenses	2,521,347	1,547,480	4,068,827
Operating income (loss)	$ (1,544,532)	$ (23,816)	$ (1,568,348)

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

STATEMENT OF REVENUES AND EXPENSES - UNRESTRICTED AND TIDELANDS TRUST FOR THE YEAR ENDED JUNE 30, 2025

	Unrestricted	Tidelands Trust	Total
NONOPERATING REVENUES			
Investment income	$ 174,123	$ 123,636	$ 297,759
General property taxes	1,471,204	-	1,471,204
Other government grants	1,383,980	1,445,476	2,829,456
Total nonoperating revenues	3,029,307	1,569,112	4,598,419
NONOPERATING EXPENSES			
Interest expenses	143,290	351,389	494,679
Grant expenses	1,083,778	475,967	1,559,745
Other nonoperating expenses	2,740	1,798	4,538
Total nonoperating expenses	1,229,808	829,154	2,058,962
Net nonoperating revenues (expenses)	1,799,499	739,958	2,539,457
Change in net position	254,967	716,142	971,109
Net position, beginning of year	12,405,295	(876,282)	11,529,013
Change in Accounting Principles	(26,871)	(21,986)	(48,857)
Net position, beginning of year, *as restated*	12,378,424	(898,268)	11,480,156
Net position, end of year	$ 12,633,391	$ (182,126)	$ 12,451,265

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

STATEMENT OF REVENUES AND EXPENSES - MARINA AND GENERAL FOR THE YEAR ENDED JUNE 30, 2025

	Marina	General	Total
OPERATING REVENUES			
Sales and permits	$ 12,999	$ 2,000	$ 14,999
Slip rentals	893,339	12,743	906,082
Rents and leases	242,388	1,058,850	1,301,238
Harbor improvement surcharge	-	128,647	128,647
Other revenue	109,945	39,568	149,513
Total operating revenues	1,258,671	1,241,808	2,500,479
OPERATING EXPENSES			
Payroll and related costs	582,725	996,326	1,579,051
Commissioner's fees	-	36,000	36,000
Advertising and promotion	796	1,747	2,543
Bad debts	-	93,768	93,768
Communications	120	15,867	15,987
Conference and meetings	2,789	18,480	21,269
Dues and subscriptions	6,836	45,181	52,017
Elections and property tax administration fees	-	69,454	69,454
Insurance	108,287	194,022	302,309
Automotive expenses	1,500	23,377	24,877
Office expenses	-	75,921	75,921
Operating supplies	17,903	2,824	20,727
Outside services	26,005	18,955	44,960
Accounting fees	-	90,369	90,369
Rent and leases	-	756	756
Legal and other professional fees	-	349,785	349,785
Repairs and maintenance	34,631	108,425	143,056
Utilities	227,665	236,918	464,583
Redwood terminal 2 expenses	-	6,597	6,597
Other operating expenses	1,454	1,501	2,955
Depreciation	358,565	313,278	671,843
Total operating expenses	1,369,276	2,699,551	4,068,827
Operating income (loss)	$ (110,605)	$ (1,457,743)	$ (1,568,348)

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES - MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2025

	Marina	General	Total
NONOPERATING REVENUES			
Investment income	$ 6,702	$ 291,057	$ 297,759
General property taxes	-	1,471,204	1,471,204
Other government grants	-	2,829,456	2,829,456
Total nonoperating revenues	6,702	4,591,717	4,598,419
NONOPERATING EXPENSES			
Interest expenses	270,753	223,926	494,679
Grant expenses	-	1,559,745	1,559,745
Other nonoperating expenses	-	4,538	4,538
Total nonoperating expenses	270,753	1,788,209	2,058,962
Net nonoperating revenues (expenses)	(264,051)	2,803,508	2,539,457
Change in net position	$ (374,656)	$ 1,345,765	$ 971,109

COMPLIANCE SECTION

HARSHWAL® & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 15, 2026.

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.

Harshwal & Company LLP

San Diego, California
July 15, 2026

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025

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

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, 2025

There were no findings reported in the prior year.