Del Norte Triplicate

OPINION

The Top 10 Deficiencies that Threaten the Harbor District's Financial Survival

By Linda Sutter August 13, 2026

After reviewing the Crescent City Harbor District's financial statements through June 30, 2026, together with the July 2026 invoices submitted by Community System Solutions (CSS) for management of the District's two MARAD PIDP grants, I have several serious questions that I believe require public explanation and supporting documentation.

My purpose in raising these matters is not to make unsupported accusations. The District is responsible for substantial amounts of public money, federal grant funding, tax revenues, and public infrastructure. The Board has a fiduciary responsibility to understand the District's financial condition and exercise appropriate oversight.

1. FY 2024-25 Independent Audit Remains Outstanding

As of August 9, 2026, I understand that the District's independent audit for the fiscal year ending June 30, 2025, has still not been completed and filed with the California State Controller.

California Government Code § 26909 requires the annual audit of a special district to be completed and filed with the State Controller within 12 months of the end of the fiscal year, subject to limited statutory alternatives applicable to certain districts.

For a fiscal year ending June 30, 2025, the 12-month period expired June 30, 2026.

If the audit remains outstanding, please explain:

1. Why was the FY 2024-25 audit not completed within the statutory period?

2. When will the audit be completed?

3. Has the State Controller been notified of the delay?

4. Have MARAD and other federal or state grant agencies been notified that the District's prior-year audit remains incomplete?

5. Has the delay affected any grant reimbursement, matching-fund verification, or other financial reporting?

Government Code § 53891 separately requires local agencies to furnish financial transaction reports to the State Controller in the manner prescribed by that statute. The Board should confirm that all required State

Controller filings are current.

2. The District's Own Financial Statements Show an Operating Deficit

The District's FY 2025-26 Profit and Loss statement reports approximately:

Operating income

$1,832,505

Operating expenses

$2,383,832

Net operating loss

approximately $551,596

This means the District's normal operations did not generate sufficient revenue to cover its operating expenses during FY 2025-26.

At June 30, 2026, the District's financial summary reports only approximately $437,537 in cash on hand, while its balance sheet reports approximately $754,879 in current liabilities.

Please explain the Board's financial plan for correcting the continuing operating deficit and maintaining sufficient working capital for payroll, vendors, utilities, insurance, debt payments, and other operating obligations.

3. $1 Million SB105 Tsunami Repair Funding

The June 30 financial statements report $1,000,000 as "SB105 Tsunami Funding Receivable."

The Profit and Loss statement also records $1,000,000 as "SB105 Tsunami Repair Funding" under Other Income.

However, the District's financial summary shows only approximately $437,537 in actual cash.

My understanding, based upon information provided to me by the County Auditor, is that the $1 million is maintained through the County and is available to reimburse the Harbor for qualifying tsunami-related expenditures rather than constituting $1 million presently held in the Harbor's bank accounts.

I therefore request an explanation of the accounting treatment.

6. Was the entire $1 million earned and unconditionally receivable by the District as of June 30, 2026?

7. What qualifying expenditures had the District incurred as of June 30 to support recognition of the entire $1 million?

8. Please identify the accounting authority and documentation supporting recognition of the entire $1 million as FY 2025-26 income and as a receivable.

4. Fashion Blacksmith Obligations

The June 30 balance sheet reports approximately:

Fashion Blacksmith Settlement Payable

$2,000,000

Fashion Blacksmith Payable

$948,431

This represents approximately $2.95 million in Fashion Blacksmith-related liabilities appearing on the District's books. Is this accurate because I thought it was closer to 5 million.

The District's June cash-flow records also show a $62,500 payment to Fashion Blacksmith.

Please provide the Board and public with the remaining Fashion Blacksmith payment schedule, amounts presently due, and the District's funding plan for satisfying these obligations while maintaining normal operations.

5. Ability to Finance MARAD PIDP Projects

The District has received substantial federal MARAD PIDP awards for the Seawall and Citizens' Dock projects.

These projects involve reimbursement-based grant funding requiring the District to provide substantial project funding before reimbursement.

The District's own financial statements report only approximately $437,537 in cash at June 30, while current liabilities were approximately $754,879 and normal operations generated a $551,596 annual deficit.

The Board should therefore publicly identify the District's documented financing mechanism for advancing the money necessary to perform the MARAD projects.

An award of federal grant funds is not equivalent to having unrestricted cash available to advance project costs.

The public deserves to know how the District intends to finance potentially millions of dollars in reimbursable project expenditures while simultaneously meeting payroll, accounts payable, Fashion Blacksmith payments, USDA obligations, and ordinary operating expenses.

6. Community System Solutions - Two Identical $5,000 July Invoices

I am particularly concerned by CSS invoices 701261-01 and 701262-01.

One invoice charges the FY 2022 PIDP award $5,000. The second charges the FY 2024 PIDP award another $5,000.

Both invoices contain precisely the same staffing:

Mike Bahr

23 hours at $100

$2,300

Benita Jangala

4 hours at $75

$300

Trinket Glasgow

20 hours at $65

$1,300

Sami Burns

20 hours at $55

$1,100

Each invoice total

67 hours

$5,000

More importantly, the descriptions of work performed are substantially identical. The invoices even state that CSS reviewed agreements and requirements for "both PIDP awards." additionally this is a consent agenda item which did not provide substantiation of these hours or documents for the invoices. this is a brown act violation.

This raises an obvious cost-allocation question: when work benefits two federal awards, how is the District ensuring that the same work is not charged independently to both grants?

Federal grant expenditures are governed by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 C.F.R. Part 200. Among other requirements, 2 C.F.R. § 200.403 establishes basic requirements for allowable costs, 2 C.F.R. § 200.405 governs allocable costs and allocation among federal awards and other activities, and 2 C.F.R. § 200.303 requires a non-federal entity receiving federal awards to establish and maintain effective internal controls over the federal award.

Accordingly, before these invoices are approved or charged to the respective federal awards, I request:

9. The underlying employee time records supporting both invoices.

10. Dates worked by each CSS employee.

11. Tasks performed during each billed period.

12. Identification of the specific federal award charged for each task.

13. Identification of work benefiting both grants.

14. The methodology used to allocate shared work between the two federal awards.

15. Copies of the quarterly reports and baseline reports referenced in the invoices.

16. Copies of the Construction Design RFP or RFPs referenced in both invoices.

I am not alleging that CSS double-billed the District or the federal government. I am asking the Board to establish through documentation why two separate federal awards received invoices containing identical employees, identical hours, identical charges, and substantially identical descriptions of work.

7. CSS Review of "Harbor District Bylaws"

Both CSS invoices state: "Reviewed Harbor District bylaws, policies and other internal guidance documents to determine if elements needed to meet grant requirements are contained in the documents."

This statement raises another concern. My understanding is that the bylaws proposed beginning in 2025 have never been formally approved and adopted by the Board.

If that is correct, then CSS should identify exactly which "Harbor District bylaws" it reviewed.

Please provide:

17. The bylaws reviewed by CSS.

18. The date those bylaws were adopted.

19. The Board agenda and minutes reflecting their adoption.

20. Any resolution adopting those bylaws.

21. If the documents reviewed were proposed or draft bylaws that were never adopted, confirmation that CSS and MARAD understand that those documents are drafts rather than operative District bylaws.

This distinction is particularly important when a federal grant consultant is reviewing District governance documents for compliance with federal grant requirements.

8. CEO Housing Compensation and Other Compensation

I also request clarification concerning CEO Michael Rademaker's housing compensation.

I personally observed District payroll/accounting information showing a $1,500 monthly housing benefit/payment.

The District's FY 2025-26 Profit and Loss statement reports approximately $20,453.80 under "Team Housing & Additional Expenses."

Please provide the general-ledger detail supporting that account and explain how the CEO's monthly housing compensation is recorded, including whether it is processed through payroll and included in taxable compensation where required by applicable tax law.

I am requesting documentation rather than drawing conclusions regarding its tax treatment.

9. Fiscal Officer/Consultant Compensation

I further request that the Board explain how compensation paid to Fiscal Officer Sandy Moreno is reflected in these financial statements.

I understand that Ms. Moreno has recently received a substantial lump-sum payment and has stated that additional compensation remains owed to her, which exceeds the contract benefit.

Because the financial reports supplied to the public end June 30, 2026, later payments would not necessarily appear in the $437,537 June 30 cash balance.

The Board should disclose the outstanding contractual obligations owed to its fiscal consultant and explain how those obligations affect the District's present cash position.

10. Board Oversight

These issues should not be treated individually as isolated bookkeeping questions.

Taken together, the District is confronting:

22. an outstanding prior-year independent audit;

23. a reported $551,596 operating deficit;

24. current liabilities exceeding reported cash;

25. substantial remaining Fashion Blacksmith obligations;

26. a multimillion-dollar USDA obligation;

27. major deteriorating infrastructure requiring investment;

28. reimbursement-based federal capital projects requiring substantial working capital;

29. questions concerning the recognition of $1 million in tsunami funding;

30. two substantially identical $5,000 invoices charged to separate federal PIDP awards; and

31. unresolved questions concerning District governance documents and compensation accounting.

The Commissioners - not consultants or staff - are ultimately responsible for exercising oversight over the public resources entrusted to this District.

I respectfully request that these matters be addressed publicly and that the supporting documentation be made available so that the Commissioners and taxpayers can independently understand the District's true financial condition.

The Harbor's receipt of millions of dollars in federal grant awards makes strong financial controls, accurate accounting, independent auditing, and transparent Board oversight more important - not less.

I look forward to the Board's response.

Respectfully,

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https://triplicate.com/opinion/the-top-10-deficiencies-that-threaten-the-harbor-district-s-financial-survival

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