

City of Crescent City

Measure S Sales Tax

Crescent City, California

*Financial Statements and
Independent Auditor's Reports*

For the year ended June 30, 2023

City of Crescent City
Measure S Sales Tax
Financial Statements
For the year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Measure S Sales Tax (Measure S Sales Tax) of the City of Crescent City (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Measure S Sales Tax of the City as of June 30, 2023 and the changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure S Sales Tax and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Measure S Sales Tax of the City. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the financial statements.

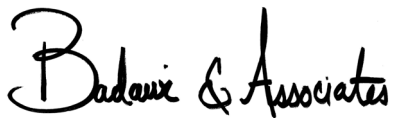
The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally

To the Honorable Mayor and Members of the City Council
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Crescent City, California
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accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the 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 January 18, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
January 18, 2024

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City of Crescent City
Measure S Sales Tax
Balance Sheet
June 30, 2023

ASSETS

Cash and investments	\$ 989,038
Taxes receivable	355,513
Accounts receivable	<u>36,831</u>
Total assets	<u>\$ 1,381,382</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities:

Accounts payable	\$ 195,636
Accrued salaries and benefits	<u>43,284</u>
Total liabilities	<u>238,920</u>

Deferred inflows of resources:

Unavailable revenues	<u>952</u>
Total deferred inflows of resources	<u>952</u>

Fund balance:

Assigned	<u>1,141,510</u>
Total fund balance	<u>1,141,510</u>

Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,381,382</u>
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City of Crescent City
Measure S Sales Tax
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023

REVENUES:

Measure S sales tax	\$ 2,319,969
Charges for services	81,967
Total revenues	<u>2,401,936</u>

EXPENDITURES:

Human services and recreation	490,280
Public Safety - Fire	182,101
Public Safety - Police	609,322
Public Works	376,708
Other	7,500
Total expenditures	<u>1,665,911</u>

Net change in fund balance	736,025
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FUND BALANCE:

Beginning of year	<u>405,485</u>
End of year	<u><u>\$ 1,141,510</u></u>

See accompanying Notes to Financial Statements.

City of Crescent City
Measure S Sales Tax
Notes to Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

All transactions of the Measure S sales tax (Measure S) are reported in the General Fund (Fund) of the City of Crescent City, California (City). A separate set of accounts have been established by the City, to account for revenues earned and expenditures incurred according to Measure S. The accompanying financial statements are for the Measure S sales tax only and are not intended to fairly present the financial position of the City.

B. *Basis of Accounting and Measurement Focus*

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available (60 days), and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. *Fund Accounting*

The operations of the Measure S sales tax are accounted for as part of the General Fund. Funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenditures.

D. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures during the reporting period. Actual results could differ from those estimates.

E. *Revenues and Receivables*

During the course of normal operations, the General fund carries a receivable balance for Measure S sales tax. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due.

City of Crescent City
Measure S Sales Tax
Notes to Financial Statements
For the year ended June 30, 2023

2. CASH AND INVESTMENTS

Measure S monies are pooled with the City's cash, cash equivalents, and investments. The City pools cash resources from all funds to facilitate the management of cash. Cash and cash equivalents are considered amounts on hand, in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments". The City invests in one external investment pool, the State of California Local Agency Investment Fund (LAIF).

All pooled cash and investments held by the City are considered cash and cash equivalents because LAIF is used essentially as demand deposits from the standpoint of the City. Information about the City's Cash and Investments is disclosed in the City's Basic Financial Statement.

Measure S cash and investments was \$989,038 as of June 30, 2023.

3. MEASURE S SALES TAX

The City placed Measure S (a 1% local tax measure) on the ballot for the November 3, 2020 general election. This transactions and use tax (generally referred to as a sales tax) is intended to support and maintain essential services including the City's police and fire departments, street maintenance and repair, and the operations of the municipal swimming pool. Measure S is a general tax, which requires voter approval of at least 50% +1. The voters of Crescent City approved the measure with 64.57% voting yes.

One of the requirements included with the Measure S ordinance is a citizens' oversight committee. The committee is made up of five voting members (City residents) and two non-voting members (City staff). The committee is charged with reviewing and reporting to the public on the revenues and expenditures of Measure S funds. The committee is also charged with making recommendations on the expenditure of Measure S funds to the City Council. All Measure S oversight committee meetings are open to the public. For the fiscal year ended June 30, 2023, the oversight committee recommended Measure S be spent on public pool operations and projects, additional firefighters and police, specific equipment for the fire and police departments, street repairs, and financial oversight.

4. RECEIVABLES

The taxes receivables represent the Measure S sales tax revenues for the fiscal year remitted after June 30, 2023.

Accounts receivables represent charges for services for work performed for other entities.

SUPPLEMENTARY INFORMATION

City of Crescent City
Measure S Sales Tax
Supplementary Information
For the year ended June 30, 2023

1. BUDGETS AND BUDGETARY ACCOUNTING

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for governmental and proprietary funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures for any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

Budgetary comparison is provided in the accompanying financial statements for the Measure S sales tax, which is budgeted within the City's General Fund.

City of Crescent City
Supplementary Information
Measure S Sales Tax
For the year ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Measure S sales tax	\$ 2,000,000	\$ 2,300,000	\$ 2,319,969	\$ 19,969
Charges for services	339,634	388,524	81,967	(306,557)
Total revenues	2,339,634	2,688,524	2,401,936	(286,588)
EXPENDITURES:				
Human services and recreation	511,701	513,440	490,280	23,160
Public Safety - Fire	702,084	810,966	182,101	628,865
Public Safety - Police	510,739	670,888	609,322	61,566
Public Works	605,000	605,000	376,708	228,292
Other	7,500	7,500	7,500	-
Total expenditures	2,337,024	2,607,794	1,665,911	941,883
Net change in fund balance	\$ 2,610	\$ 80,730	736,025	\$ 655,295
FUND BALANCE:				
Beginning of year			405,485	
End of year			\$ 1,141,510	

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**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**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Measure S Sales Tax as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

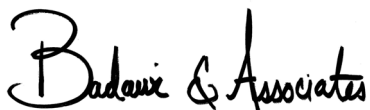
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Crescent City, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure S Sales Tax 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 is 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs
Berkeley, California
January 18, 2024