

City of Crescent City

Measure S Sales Tax

Crescent City, California

*Financial Statements and
Independent Auditor's Reports*

For the year ended June 30, 2021

**City of Crescent City
Measure S Sales Tax
Financial Statements
For the year ended June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Measure S Sales Tax (Measure S Sales Tax) of the City of Crescent City, as of and for the year ended June 30, 2021, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing such an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

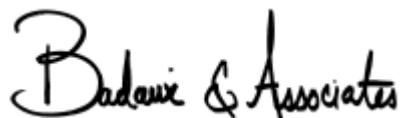
In our opinion, the financial statements referred to above present fairly in all material respects the financial position of the Measure S Sales Tax at June 30, 2021 and the results of operations and changes in fund balance for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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, 2021, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022 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 fluid and cursive, with "Badawi" on the first line and "& Associates" on the second line.

Badawi & Associates, CPAs
Berkeley, California
January 17, 2022

City of Crescent City
Measure S Sales Tax
Balance Sheet
June 30, 2021

	<u>Total</u>
ASSETS:	
Cash and investments	\$ 70,510
Taxes receivable	<u>293,775</u>
Total assets	<u>\$ 364,285</u>
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts payable	\$ 20,863
Accrued salaries and benefits	<u>10,955</u>
Total liabilities	<u>31,818</u>
Fund Balance:	
Assigned	<u>332,467</u>
Total fund balance	<u>332,467</u>
Total liabilities and fund balance	<u>\$ 364,285</u>

See accompanying Notes to Financial Statements.

City of Crescent City

Measure S Sales Tax

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2021

	<u>Total</u>
REVENUES:	
Measure S sales tax	\$ 452,930
Total revenues	<u>452,930</u>
EXPENDITURES:	
Human services and recreation:	
Salaries and benefits	78,354
Utilities	28,837
Supplies	11,020
Other	<u>2,252</u>
Total expenditures	<u>120,463</u>
Net change in fund balance	332,467
FUND BALANCE:	
Beginning of year	-
End of year	<u>\$ 332,467</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, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure S sales tax 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, 2021**

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 \$70,510 as of June 30, 2021.

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.

4. TAXES RECEIVABLES

The taxes receivables represent the Measure S sales tax revenues for the fiscal year remitted after June 30, 2021.

SUPPLEMENTARY INFORMATION

**City of Crescent City
Measure S Sales Tax
Supplementary Information
For the year ended June 30, 2021**

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Measure S sales tax	\$ -	\$ 300,000	\$ 452,930	\$ 152,930
Total revenues	-	300,000	452,930	152,930
EXPENDITURES:				
Human services and recreation:				
Salaries and benefits	-	130,257	78,354	51,903
Utilities	-	25,440	28,837	(3,397)
Supplies	-	15,500	11,020	4,480
Other	-	2,640	2,252	388
Administrative overhead allocation	-	2,769	-	2,769
Total expenditures	-	176,606	120,463	56,143
Net change in fund balance	\$ -	\$ 123,394	\$ 332,467	\$ 209,073
FUND BALANCE:				
Beginning of year				-
End of year			\$ 332,467	

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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 financial statements of the Measure S Sales Tax of the City of Crescent City, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2022.

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.

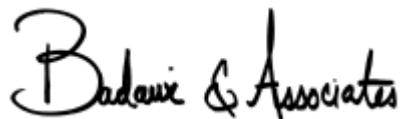
To the Honorable Mayor and Members of the City Council
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Compliance and Other Matters

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.

A handwritten signature in black ink that reads "Badawi & Associates". The "B" is large and stylized, followed by "&" and "Associates".

Badawi & Associates, CPAs
Berkeley, California
January 17, 2022