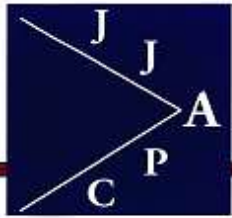


CITY OF CERES
REPORT ON COMPLIANCE WITH
STANISLAUS COUNTY MEASURE H
FOR FIRE AND POLICE PUBLIC PURPOSES
FOR THE YEAR ENDED JUNE 30, 2022

City of Ceres
Measure H Compliance Report
For the year ended June 30, 2022

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JJACPA, Inc.

A Professional Accounting Services Corp.

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the management of the City of Ceres (City), solely to assist you with compliance with the reporting requirements of the Stanislaus County Initiative Measure H (Initiative) requirements for the year ended June 30, 2022. The City's management is responsible for the financial information included in this report and the compliance with the Stanislaus County Measure H Funds use of funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

- a. Verified the appropriateness of personnel and support costs, including equipment purchases, using the City's policies and procedures as the standard for verification.

Findings: No exceptions were noted.

- b. Determined that the Balance Sheet and Schedule of Changes in Fund Balance are an accurate reflection of information contained in the City's records.

Findings: No exceptions were noted.

- c. Determined that revenues from the Measure H Funds for the period are included in the Schedule of Changes in Fund Balance even if they were deposited by the City after the end of the period (i.e., treats revenues from Measure H on a modified accrual basis).

Findings: No exceptions were noted.

- d. Determined that personnel time charged to the program were expended only for fire and police services.

Findings: No exceptions were noted.

- e. Determined that personnel expenses charged to the program are limited to personnel funded by the Initiative for the purposes stated in d above.

Findings: No exceptions were noted.

- f. Determined that direct charges to Measure H Funds are not also included in indirect costs (i.e., space charges) also charged to the Fund.

Findings: No exceptions were noted.

- g. Determined that equipment purchases made with Measure H Funds are only for items specifically approved by the Initiative in the City's budget.

Findings: No exceptions were noted.

- h. Determined that equipment purchased with Measure H Funds is in the custody and use of the personnel funded by Measure H.

Findings: No exceptions were noted.

- i. Identified non-compliance with applicable statute, regulation, City policy, or Initiative requirements, and any questionable or disallowed amounts received for the period.

Findings: No exceptions were noted.

Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City management, the City Council, others within the entity, and Stanislaus County or other applicable governmental entities and is not intended to be and should not be used by anyone other than these specified parties.

February 24, 2023

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA

FINANCIAL STATEMENTS

City of Ceres
Measure H Fund
Balance Sheet
June 30, 2022

ASSETS		2022
Assets:		
Cash		\$ 1,789,702
Taxes receivable		845,499
Interest receivable		230
Total assets		\$ 2,635,431
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable		\$ 27,607
Total liabilities		27,607
Fund Balance:		
Restricted for fire and police public services		2,607,824
Total fund balance		2,607,824
Total liabilities and fund balance		\$ 2,635,431

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

City of Ceres

Measure H Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2022

	2022
REVENUES:	
Sales tax	\$ 4,891,723
Use of money and property	5,746
Other revenues	328
Total revenues	<u>4,897,797</u>
EXPENDITURES:	
Payroll and related costs	2,281,706
Contractual services	1,101,127
Materials and supplies	489,903
Total expenditures	<u>3,872,736</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,025,061</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	-
Transfers out	(152,000)
Total other financing sources (uses)	<u>(152,000)</u>
Net change in fund balances	873,061
FUND BALANCES:	
Beginning of year	1,734,763
End of year	<u><u>\$ 2,607,824</u></u>

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

City of Ceres
Measure H Compliance Report
For the year ended June 30, 2022

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure H Fund of the City of Ceres (City) are included as a separate special revenue fund in the basic financial statements of the City. The Measure H Fund is used to account for the City's share of revenues earned and expenditures incurred under Measure H. The accompanying financial statements are for the Measure H Fund only and are not intended to fairly present the financial position of the City and the results of its operations.

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, 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. Description of Funds

The accounts are maintained using fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts.

The City uses a special revenue fund to account for financial resources received from the half cent sales tax provision of Measure H. These funds are to be used towards salaries and benefits, and the obtaining, furnishing, operating, and/or maintaining of fire and police public services.

D. Fund Balance

Fund balance consists of only restricted amounts. Restricted amounts consist of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government.

City of Ceres
Measure H Compliance Report
For the year ended June 30, 2022

Notes to Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash and Investments

The Measure H Fund pools its cash with the City. The City pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of monthly cash and investment balances. The Measure H Fund, through the City pool, participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities (See Note 2D). LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

F. Receivables

Receivables represent the sales tax revenues due from the California State Board of Equalization.

G. 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.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

The Measure H Fund participates in the City's cash and investment pool that includes all other City funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to each fund based on average month-end and investment balances in these funds. The Measure H Fund had cash and investments balance of \$1,789,702 at June 30, 2022.

City of Ceres
Measure H Compliance Report
For the year ended June 30, 2022

Notes to Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, Continued

The California Government Code requires California banks and savings and loan associations to secure cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

B. Investments

The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, which is more conservative than State statutes. Under provisions of this policy, the City is authorized to invest in the following types of investments:

Medium-term Corporate Notes Government Agency Securities
Certificates of Deposit Treasury Bills and Notes
Bankers' Acceptances Passbook Savings Accounts
Commercial Paper State of California Local Agency Investment Fund
Repurchase Agreements

C. Risk Disclosure

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2022, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	100%

Credit Risk: It is the City's policy that commercial paper has a rating of "A-1" or higher by a nationally recognized statistical rating organization (NRSRO) and have a maturity date not exceeding 180 days from the date of purchase. Medium-term notes, with a final maturity not exceeding five years from the date of purchase, must have a rating of A or the equivalent by a NRSRO. Federal instrumentalities must have a rating of AAA or the equivalent by a NRSRO at the time of purchase with a maximum maturity of five years at the time of purchase. LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

City of Ceres
Measure H Compliance Report
For the year ended June 30, 2022

Notes to Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

C. Risk Disclosure, Continued

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City currently has no security investments other than LAIF.

D. External Investment Pool – Local Agency Investment Fund

The City's investments with LAIF at June 30, 2022, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes - debt securities (other than Asset-Backed Securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities - generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2022 was \$35,761,173,309 of which the City had a balance of \$4,524,156. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2022 has a portfolio with market valuation of \$193,463,490 thousand. Of the total invested, 98.12% was invested in non-derivative financial products and 1.88% in structured notes and asset-backed securities. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

SUPPLEMENTARY INFORMATION

City of Ceres

Measure H Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Sales tax	\$ 4,336,616	\$ 4,336,616	\$ 4,891,723	\$ 555,107
Investment income	8,000	8,000	5,746	(2,254)
Reimbursements	-	-	328	328
Total revenues	<u>4,344,616</u>	<u>4,344,616</u>	<u>4,897,797</u>	<u>553,181</u>
EXPENDITURES:				
Payroll and related costs	3,125,718	3,125,718	2,281,706	844,012
Contractual services	355,129	380,129	1,101,127	(720,998)
Materials and supplies	778,048	797,968	489,903	308,065
Total expenditures	<u>4,258,895</u>	<u>4,303,815</u>	<u>3,872,736</u>	<u>431,079</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>85,721</u>	<u>40,801</u>	<u>1,025,061</u>	<u>984,260</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(152,000)	(152,000)	(152,000)	-
Total other financing sources (uses)	<u>(152,000)</u>	<u>(152,000)</u>	<u>(152,000)</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)			873,061	
FUND BALANCES:				
Beginning of year			1,734,763	
End of year			<u>\$ 2,607,824</u>	

City of Ceres
Measure H Compliance Report
For the year ended June 30, 2022

Note to Supplementary Information

A. Budget

An annual budget is adopted by City Council for the special revenue funds. The budget is the maximum authorization for spending in a fiscal year. An encumbrance system is used to record commitments and obligations incurred throughout the year to ensure the budget authorization is not exceeded. The budget is developed for the Special Revenue Funds using the modified accrual basis of accounting. Amendments to the approved budget are approved by City Council. Supplemental appropriations are authorized by City Council during the year. All unencumbered budget appropriations lapse at the end of each fiscal year. Encumbrances for significant capital projects are re-appropriated as part of the following year's budget. Outstanding encumbrances are committed in fund balance. At the fund level, expenditures may not legally exceed appropriations.