

CITY OF ANGELS
FINANCIAL STATEMENTS
JUNE 30, 2015

CITY OF ANGELS

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Angels, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Angels, California, as of and for the year ended June 30, 2015, which collectively comprise the City's basic 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 the accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 includes 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 and fair presentation of the financial statements 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, 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.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City of Angels as of June 30, 2015, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

The City of Angels has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information other than MD&A, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the City of Angels implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.

Other Information

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 19, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of my testing of internal control over financial reporting, compliance and other matters and the results of that testing and not to provide an opinion of the internal control over financial reporting, compliance or on other matters.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larry Bain, CPA,
An Accounting Corporation
January 19, 2016

CITY OF ANGELS

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 1,093,366	\$ 8,151,165	\$ 9,244,531
Accounts receivables	164,907	316,747	481,654
Due from other governments	284,249		284,249
Payroll advance receivable	16,540		16,540
Taxes receivable	200,454		200,454
Interest receivable	159,301		159,301
Prepaid expenses	16,648	5,723	22,371
Deposits			-
Restricted cash and investments	<u>772,602</u>	<u>543,978</u>	<u>1,316,580</u>
Total Current Assets	<u>2,708,067</u>	<u>9,017,613</u>	<u>11,725,680</u>
Non Current Assets			
Loans receivable	1,035,540		1,035,540
Capital assets:			
Land	804,747	116,515	921,262
Construction in Progress	123,262	22,637	145,899
Buildings and improvements	748,894	22,667,900	23,416,794
Site improvements		3,965,406	3,965,406
Equipment and vehicles	1,502,537	1,089,229	2,591,766
Infrastructure	3,729,945		3,729,945
Less: accumulated depreciation	<u>(2,920,100)</u>	<u>(9,584,617)</u>	<u>(12,504,717)</u>
Total Capital Assets	<u>3,989,285</u>	<u>18,277,070</u>	<u>22,266,355</u>
Total Non Current Assets	<u>5,024,825</u>	<u>18,277,070</u>	<u>23,301,895</u>
Total Assets	<u>7,732,892</u>	<u>27,294,683</u>	<u>35,027,575</u>
Deferred Outflows of Resources			
Deferred outflows-pensions	<u>647,433</u>	<u>78,648</u>	<u>726,081</u>
Liabilities			
Current liabilities:			
Accounts payable	103,729	173,543	277,272
Accrued wages	208,271	62,614	270,885
Due to others			-
Accrued interest payable	1,082	65,398	66,480
Due within one year	108,329	448,151	556,480
Total Current Liabilities	<u>421,411</u>	<u>749,706</u>	<u>1,171,117</u>
Noncurrent liabilities			
Due in more than one year	172,559	5,067,422	5,239,981
OPEB liability	840,231		840,231
Net pension liability	3,095,214	337,009	3,432,223
Total Liabilities Due In More Than One Year	<u>4,108,004</u>	<u>5,404,431</u>	<u>9,512,435</u>
Total Liabilities	<u>4,529,415</u>	<u>6,154,137</u>	<u>10,683,552</u>
Deferred Inflows of Resources			
Deferred inflows-pensions	545,496	70,662	616,158
Deferred inflows-advances	223,360		223,360
Total Deferred Inflows	<u>768,856</u>	<u>70,662</u>	<u>839,518</u>
Net Position			
Net investment in capital assets	3,915,089	12,837,512	16,752,601
Restricted		543,978	543,978
Unrestricted	<u>(833,035)</u>	<u>7,767,041</u>	<u>6,934,007</u>
Total Net Position	<u>\$ 3,082,054</u>	<u>\$ 21,148,532</u>	<u>\$ 24,230,586</u>

The notes to the financial statements are an integral part of this statement

CITY OF ANGELS

**STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 452,053	\$ 43,747	\$ -	\$ 57,374	\$ (350,933)	\$ -	\$ (350,933)
Public safety	1,918,771	21,653	1,408	244,776	(1,650,935)		(1,650,935)
Public works	1,071,800	79,354	273,178	124,783	(594,485)		(594,485)
Community services/recreation	1,068,489	46,329	1,453	224,936	(795,771)		(795,771)
Interest on long-term debt	13,501				(13,501)		(13,501)
Total Governmental Activities	4,524,614	191,082	276,039	651,869	(3,405,624)		(3,405,624)
Business-type Activities:							
Water	1,304,442	1,457,651				153,210	153,210
Sewer	2,046,724	2,262,801				216,077	216,077
Interest on long-term debt	220,704					(220,704)	(220,704)
Total Business-type Activities	3,571,869	3,720,452				148,583	148,583
Total Government	\$ 8,096,482	\$ 3,911,534	\$ 276,039	\$ 651,869	(3,405,624)	148,583	(3,257,042)
General Revenues:							
Taxes:							
Property taxes					678,873		678,873
Sales and use tax					580,455		580,455
Transient occupancy tax					1,067,541		1,067,541
Franchise tax					92,430		92,430
Motor vehicle in lieu tax					236,994		236,994
Other taxes					11,736		11,736
Business license and permits					61,292		61,292
Rents					18,733		18,733
Gain on sale of assets					57,607		57,607
Other income					33,370		33,370
Investment income					28,247	35,574	63,821
Transfers					(126,853)	126,853	-
Total general revenues					2,740,424	162,427	2,902,851
Change in net position					(665,200)	311,009	(354,191)
Net position - beginning					4,105,878	21,355,724	25,461,603
Prior period adjustments					(358,624)	(518,200)	(876,824)
Net position - ending					\$ 3,082,054	\$ 21,148,533	\$ 24,230,588

The notes to the financial statements are an integral part of this statement

CITY OF ANGELS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	<u>General</u>	<u>Major Special Revenue Fund CDBG Housing</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and investments	\$ 1,093,366	\$ -	\$ -	\$ 1,093,366
Restricted cash and investments		139,925	632,677	772,602
Receivables				
Accounts	30,462		134,445	164,907
Due from other governments	147,461	60,000	76,788	284,249
Taxes	200,454			200,454
Payroll advance (net of \$10,204 allowance)	16,540			16,540
Interest	6,162	153,139		159,301
Prepaid expense	16,648			16,648
Loans/notes receivable		1,035,540		1,035,540
Total Assets	<u>\$ 1,511,093</u>	<u>\$ 1,388,604</u>	<u>\$ 843,910</u>	<u>\$ 3,743,607</u>
<u>Liabilities</u>				
Liabilities				
Accounts payable	\$ 47,340	\$ 9	\$ 51,548	\$ 98,897
Accrued expenses	4,830			4,830
Accrued wages	202,186		6,085	208,271
Total Liabilities	<u>254,356</u>	<u>9</u>	<u>57,633</u>	<u>311,998</u>
<u>Deferred Inflows of Resources</u>				
Deferred Revenue-unavailable		213,139		213,139
Unearned advance-taxes			38,518	38,518
Unearned advance-capital grants			184,843	184,843
Total Deferred Inflows of Resources		<u>213,139</u>	<u>223,361</u>	<u>436,500</u>
<u>Fund Balances</u>				
Restricted for petty cash	925			925
Nonspendable	16,648			16,648
Assigned for special revenue funds		1,175,456	386,900	1,562,356
Assigned for capital projects funds			176,016	176,016
Assigned for general fund	183,699			183,699
Unassigned	1,055,465			1,055,465
Total Fund Balances	<u>1,256,737</u>	<u>1,175,456</u>	<u>562,916</u>	<u>2,995,110</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,511,093</u>	<u>\$ 1,388,604</u>	<u>\$ 843,910</u>	<u>\$ 3,743,608</u>

The notes to the financial statements are an integral part of this statement

CITY OF ANGELS

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund Balances of Governmental Funds	\$ 2,995,110
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	3,989,285
Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	213,139
Certain amounts have been recorded as pension liability, deferred outflows and deferred inflows of resources that are not due and payable and not reported in the funds.	(2,993,277)
Some liabilities, including long-term debt, compensated absences and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,122,203)</u>
Net position of governmental activities	\$ <u>3,082,054</u>

The notes to the financial statements are an integral part of this statement

CITY OF ANGELS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	Major Special Revenue Fund CDBG Housing	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,912,653	\$ -	\$ 590,889	\$ 2,503,542
Licenses and permits	153,722			153,722
Intergovernmental	311,142	-	1,230,641	1,541,783
Fines, forfeitures and penalties	21,653			21,653
Charges for current services	148,609		20,821	169,430
Use of money and property	23,690	565	2,014	26,269
Other	33,370		11,348	44,718
Total Revenues	2,604,839	565	1,855,713	4,461,117
Expenditures				
Current:				
General government	389,374			389,374
Public ways and facilities/ transportation	375,058		615,561	990,619
Public safety	1,973,015		-	1,973,015
Community development	435,748	129,453	506,891	1,072,092
Capital Outlay	93,411		68,151	161,562
Debt service				
Principal	111,393			111,393
Interest	13,501			13,501
Total Expenditures	3,391,501	129,453	1,190,603	4,711,556
Excess (Deficit) of Revenues over Expenditures	(786,661)	(128,888)	665,111	(250,439)
Other Financing Sources (Uses)				
Gain on sale of assets	57,607			57,607
Operating transfers in	377,517		25,620	403,137
Operating transfers out	(126,853)		(403,137)	(529,990)
Total Other Financing Sources (Uses)	308,271	-	(377,517)	(69,246)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(478,391)	(128,888)	287,594	(319,685)
Fund Balances, July 1, 2014	1,529,826	1,304,344	880,962	3,715,132
Prior period adjustment	205,302		(605,640)	(400,338)
Fund Balances, June 30, 2015	\$ 1,256,737	1,175,456	\$ 562,916	\$ 2,995,110

The notes to the financial statements are an integral part of this statement

CITY OF ANGELS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL-WIDE
STATEMENT OF ACTIVITIES-GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (319,685)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	161,562
Depreciation expense	(229,188)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 111,393

Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement. (532,455)

Changes in pension expense and OPEB benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. 150,607

Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. (7,434)

Change in net position of governmental activities \$ (665,200)

Check figure (665,200)

CITY OF ANGELS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Water	Sewer	Totals
Current assets:			
Cash and investments	\$ 6,349,692	\$ 1,801,473	\$ 8,151,165
Restricted cash and investments		543,978	543,978
Receivables			
Accounts (net of \$43,237 allowance)		188,767	188,767
Accounts (net of \$22,057 allowance)	127,980		127,980
Prepaid expense	1,822	3,902	5,723
Total current assets	<u>6,479,494</u>	<u>2,538,120</u>	<u>9,017,613</u>
Noncurrent assets:			
Deferred charges		-	-
Advances to other funds	755,000		755,000
Capital assets:			
Nondepreciable capital assets:			
Land	68,965	47,550	116,515
Construction in progress	1,716	20,921	22,637
Depreciable capital assets			
Building	2,220,336	20,447,565	22,667,900
Site improvements	1,330,644	2,634,762	3,965,406
Equipment	645,254	443,975	1,089,229
Less accumulated depreciation	<u>(2,519,069)</u>	<u>(7,065,548)</u>	<u>(9,584,617)</u>
Total capital assets (net of accumulated depreciation)	<u>1,747,845</u>	<u>16,529,224</u>	<u>18,277,070</u>
Total noncurrent assets	<u>2,502,845</u>	<u>16,529,224</u>	<u>19,032,070</u>
Total Assets	<u>8,982,339</u>	<u>19,067,344</u>	<u>28,049,683</u>
Deferred Outflows of Resources			
Deferred Outflows-Pensions	38,872	39,776	78,648
Total Deferred Outflows of Resources	<u>\$ 38,872</u>	<u>\$ 39,776</u>	<u>\$ 78,648</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 31,751	\$ 141,793	\$ 173,543
Accrued payroll	31,235	31,379	62,614
Current portion - notes payable	88,053	355,000	443,053
Current portion - capital lease	2,549	2,549	5,098
Interest payable		65,398	65,398
Total current liabilities	<u>153,588</u>	<u>596,118</u>	<u>749,706</u>
Noncurrent liabilities:			
Advances from other funds		755,000	755,000
Compensated absences	38,054	32,864	70,918
Net pension liability	166,568	170,441	337,009
Long-term debt	512,377	4,484,127	4,996,504
Total noncurrent liabilities	<u>716,999</u>	<u>5,442,432</u>	<u>6,159,431</u>
Total Liabilities	<u>870,587</u>	<u>6,038,550</u>	<u>6,909,137</u>
Deferred Inflows of Resources			
Deferred Inflows-Pensions	34,925	35,737	70,662
Total Deferred Inflows of Resources	<u>34,925</u>	<u>35,737</u>	<u>70,662</u>
Net position:			
Net investment in capital assets	1,147,415	11,690,097	12,837,512
Restricted for debt service		543,978	543,978
Unreserved	6,968,284	798,758	7,767,041
Total Net Position	<u>\$ 8,115,699</u>	<u>\$ 13,032,833</u>	<u>\$ 21,148,532</u>

The notes to the financial statements are an integral part of this statement

CITY OF ANGELS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 1,448,321	\$ 2,255,151	\$ 3,703,472
Connection fees	9,330	7,650	16,980
Other income			-
	<u>1,457,651</u>	<u>2,262,801</u>	<u>3,720,452</u>
Operating Expenses			
Salaries and benefits	788,772	813,901	1,602,673
Services and supplies	388,865	604,849	993,714
Depreciation expense	126,805	627,974	754,778
	<u>1,304,442</u>	<u>2,046,724</u>	<u>3,351,166</u>
Operating Income (Loss)	<u>153,209</u>	<u>216,077</u>	<u>369,286</u>
Non-Operating Revenues (Expenses)			
Interest income	31,418	4,156	35,574
Interest expense	(305)	(220,400)	(220,704)
	<u>31,113</u>	<u>(216,244)</u>	<u>(185,130)</u>
Net Income (Loss) Before Transfers	<u>184,322</u>	<u>(167)</u>	<u>184,155</u>
Other Financing Sources (Uses)			
Operating transfers in	68,942	57,911	126,853
Operating transfers out			-
	<u>68,942</u>	<u>57,911</u>	<u>126,853</u>
Net Income (Loss)	<u>253,264</u>	<u>57,744</u>	<u>311,008</u>
Net Position, July 1, 2014	8,046,896	13,308,828	21,355,724
Prior Period Adjustment	<u>(184,461)</u>	<u>(333,739)</u>	<u>(518,200)</u>
Net Position, June 30, 2015	<u>\$ 8,115,699</u>	<u>\$ 13,032,833</u>	<u>\$ 21,148,532</u>

The notes to the financial statements are an integral part of this statement

CITY OF ANGELS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2015**

	Water	Sewer	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,476,638	\$ 2,264,918	\$ 3,741,556
Cash payments to suppliers	(398,297)	(637,045)	(1,035,341)
Cash payments to employees	(776,294)	(807,229)	(1,583,523)
Net Cash Provided By (Used For) Operating Activities	302,047	820,645	1,122,692
Cash Flows from Non-Capital Financing Activities			
Payments (to)/from other funds	50,000	(50,000)	-
Transfers (to)/from other funds	68,942	57,911	126,853
Net Cash Provided by Non-Capital Financing Activities	118,942	7,911	126,853
Cash Flows from Capital and Related Financing Activities			
Purchase of fixed assets	(6,734)	(69,992)	(76,726)
Reductions of debt	(78,043)	(352,025)	(430,068)
Interest expense	(305)	(223,748)	(224,052)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(85,082)	(645,765)	(730,846)
Cash Flows from Investing Activities:			
Interest income	31,419	4,154	35,573
Net Cash Provided By Investing Activities	31,419	4,154	35,573
Net Increase (Decrease) in Cash and Cash Equivalents	367,326	186,945	554,271
Cash and Cash Equivalents, July 1, 2014	5,982,366	2,158,506	8,140,872
Cash and Cash Equivalents, June 30, 2015	<u>\$ 6,349,692</u>	<u>\$ 2,345,451</u>	<u>\$ 8,695,143</u>
Reconciliation of Cash and Cash Equivalents:			
Cash and investments	\$ 6,349,692	\$ 1,801,473	\$ 8,151,165
Restricted cash and investments	-	543,978	543,978
Total Cash and Cash Equivalents	<u>\$ 6,349,692</u>	<u>\$ 2,345,451</u>	<u>\$ 8,695,143</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities			
Adjustments to operating income:			
Depreciation	126,805	627,974	754,778
(Increase) decrease in accounts receivable	35,868	2,117	37,985
(Increase) decrease in prepaid expense	(1,140)	4,051	2,912
Increase (decrease) in accounts payable	(8,292)	(36,246)	(44,539)
Increase (decrease) in accrued payroll	22,130	18,303	40,433
Increase (decrease) in net pension liability	(21,840)	(22,348)	(44,188)
Increase (decrease) in customer deposits	(16,881)		(16,881)
Increase (decrease) in compensated absences	12,188	10,718	22,906
Net Cash Provided By (Used For) Operating Activities	<u>\$ 302,047</u>	<u>\$ 820,645</u>	<u>\$ 1,122,692</u>

The notes to the financial statements are an integral part of this statement

CITY OF ANGEL

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds		Totals
	Greenhorn Creek Assessment District	LAFCO Trust Fund	
<u>Assets</u>			
Cash and investments	\$ 1,260,135	\$ 139,024	\$ 1,399,159
Due from other governments	39,406	-	39,406
Total Assets	\$ 1,299,541	\$ 139,024	\$ 1,438,565
<u>Liabilities</u>			
Due to others	\$ 1,299,541	\$ 7,710	\$ 1,307,252
Total Liabilities	1,299,541	7,710	1,307,252
<u>Net Position</u>			
Held in trust for LAFCO	-	131,314	131,314
Total Net Position	\$ -	\$ 131,314	\$ 131,314

Changes in Fiduciary Net Position-LAFCO Trust Fund

Additions:

Contributions	\$ 71,003
Total contributions	71,003

Deductions

Administrative costs	(58,897)
Total Deductions	(58,897)

Change in net position	12,105
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Net Position:

Held in trust for LAFCO:	
Beginning of year	119,209
End of year	\$ 131,314

The notes to the financial statements are an integral part of this statement

City of Angels
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies

The basic financial statements of City of Angels, California, (the “City”) have been prepared in conformity with accounting principles generally in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the acceptable standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Reporting Entity

The City was incorporated in 1912, as a municipal corporation operating under the general laws of the State of California. The City operates under a Council-Manager form of government and provides services including general government, public works, public safety, water, sewer, building inspections, public improvements, planning and zoning, and parks and recreation. Control or dependence is determined on the basis of budget adoption, selection of governing authority and designation of management, outstanding debt secured by revenues or general obligations of the City and ability to significantly influence operations.

The financial reporting entity, as defined by the GASB, consists of the primary government, the City, organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Basis of Accounting

The government-wide, proprietary and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from sales tax is recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The City considers property taxes available if they are collected within ninety days after year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

When applicable, the City reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue source does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the occurrences of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has legal claim to the resources, deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the City) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Capital Projects Fund – The Capital Projects Fund accounts for expenditures related to various capital projects within the City.

The City reports the following major enterprise funds.

Water and Sewer Funds - account for the operation of the City's water and sewer utilities. Activities of these funds include administration, operation and maintenance of the water and sewer systems and billing and collection activities. The Funds also accumulate resources for, and payment of long-term debt principal and interest. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Funds.

The City reports the following additional fund types:

Fiduciary Funds – The Fiduciary Funds accounts for assets held by the City as an agent for Greenhorn Creek Assessment District and in trust for the Local Agency Formation Commission (LAFCO)

City of Angels
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies

D. Use of Estimates

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

E. Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Restricted cash and unrestricted pooled cash and investments held by the City are considered cash equivalents for purposes of the combined statement of cash flow's because the City's cash management pool and funds invested by the City possess the characteristics of demand deposit accounts.

F. Accounts Receivable

Accounts receivable are recorded for services, provided to individuals or non-governmental entities that are billed but unpaid. The Proprietary Funds include a year-end accrual for services through the end of the fiscal year which have not yet been billed. Proprietary Fund receivables are shown net of allowance for uncollectible accounts.

G. Fixed Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Building and improvements	20-40 years
Plant System	20-60 years
Equipment and machinery	5-10 years
Infrastructure	40 years

City of Angels
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

H. Property Tax

Calaveras County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is levied each July 1 on the assessed values as of the prior January 1 for all real and personal property located in the City. Property sold after the assessment date (January 1) is reassessed and the amount of property tax levied is prorated.

Secured property taxes are due in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is levied on July 1 and due on July 31 and becomes delinquent on August 31.

Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the City, eliminating the need for an allowance for uncollectable. The County, in return, receives all penalties and interest on the related delinquent taxes.

I. Balance Sheet Classifications

Certain resources are classified as restricted assets as their use is restricted for specific purposes by bond agreements, lease agreements, trust agreements, grant agreements, City Charter provisions, or other requirements. Governmental fund types' restricted assets are for future payments of other post-retirement employment benefits. Proprietary fund types' restricted assets are for grant/bond reserve requirements and future payments of other post-employment benefits.

J. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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 due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of the vacation time accrued.

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2015, because the City does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability.

Proprietary Funds – Proprietary funds accrue a liability for unused compensated absences earned through year-end. An expense is recognized for the increase in liability from the prior year.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

L. Intergovernmental Revenues

Federal and state governments reimburse the City for costs incurred on certain fixed asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a Capital Projects Fund. Additionally, the City receives reimbursement from federal and state governments for other programs, such as housing and rehabilitation. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with the related program costs included in expenditures.

The respective grant agreements generally require the City to maintain accounting records and substantiating evidence to determine if all costs incurred and claimed are proper and that the City is in compliance with other terms of the grant agreements. These records are subject to audit by the appropriate government agency. Any amounts disallowed will reduce future claims or be directly recovered from the City.

M. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

N. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2015, fund balances for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

City of Angels
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

- Assigned fund balance - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

Note 2: Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Unless otherwise dictated by legal or contractual requirements, income earned or losses arising from the investment of pooled cash are allocated on a quarterly basis to the participating funds and component units based on their proportionate shares of the average quarterly cash balance.

The City maintains “restricted cash and investments”.

Cash and investments at June 30, 2015, consisted of the following:

Cash and investments	\$ 9,244,531
Restricted cash and investments	1,316,580
Cash and investments, statement of net position	10,561,112
Cash and investments, agency funds	1,399,159
Total cash and investments	\$ 11,960,271
Deposits with financial institutions	\$ 926,759
Imprest cash	925
Investments with fiscal agent	1,931,175
Local agency investment fund	9,101,412
Total cash and investments	\$ 11,960,271

A. Investments Authorized by the California Government Code and the Entity’s Investment Policy

The table below identifies the **investment types** that are authorized for the City of Angels by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address **interest rate risk, credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City investment policy.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 2: Cash and Investments (Continued)

A. Investments Authorized by the California Government Code and the Entity's Investment Policy (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of all investments. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investment maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-24 Months</u>
Held By Trustee:			
Mutual Funds*	\$ 1,931,175	\$ 1,931,175	\$ -
State Investment Pool*	9,101,412	9,101,412	-
Totals	<u>\$ 11,032,587</u>	<u>\$ 11,032,587</u>	<u>\$ -</u>

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging

City of Angels
Notes to Financial Statements
June 30, 2015

Note 2: Cash and Investments (Continued)

securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2015, the City's deposits balance was \$915,696 and the carrying amount was \$926,759. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance \$250,000 was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the City's name and \$621,838 was collateralized with pledged securities.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$69.67 billion. Of the \$69.67 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.08% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The City reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Retirements/ Adjustments	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 804,747	\$ -	\$ -	\$ 804,747
Construction in progress		123,262		123,262
Capital assets, being depreciated:				
Buildings and improvements	748,894	-		748,894
Equipment and vehicles	1,480,528	93,411	(71,402)	1,502,537
Infrastructure	-	3,729,945		3,729,945
Total capital assets, being depreciated	<u>2,229,422</u>	<u>3,823,356</u>		<u>5,981,376</u>
Less accumulated depreciation for:				
Buildings and improvements	(394,913)	(19,651)		(414,564)
Equipment and vehicles	(1,360,597)	(53,992)	71,402	(1,343,187)
Infrastructure		(155,545)	(1,006,804)	(1,162,349)
Total accumulated depreciation	<u>(1,755,510)</u>	<u>(229,188)</u>	<u>(935,402)</u>	<u>(2,920,100)</u>
Total capital assets, being depreciated, net	<u>473,912</u>	<u>3,594,168</u>		<u>3,061,276</u>
Governmental activities capital assets, net	<u>\$ 1,278,659</u>	<u>\$ 3,717,430</u>	<u>\$ -</u>	<u>\$ 3,989,285</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 116,515	\$ -	\$ -	\$ 116,515
Construction in progress		22,637		22,637
Capital assets, being depreciated:				
Buildings and improvements	22,667,900	-		22,667,900
Equipment	1,079,193	10,036		1,089,229
Site improvements	3,921,352	44,054		3,965,406
Total capital assets, being depreciated	<u>27,668,445</u>	<u>54,090</u>	<u>-</u>	<u>27,722,535</u>
Less accumulated depreciation	<u>(8,829,838)</u>	<u>(754,779)</u>		<u>(9,584,617)</u>
Total capital assets, being depreciated, net	<u>18,838,607</u>	<u>(700,689)</u>	<u>-</u>	<u>18,137,918</u>
Business- type activities capital assets, net	<u>\$ 18,955,122</u>	<u>\$ (678,052)</u>	<u>\$ -</u>	<u>\$ 18,277,070</u>

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$ 672
Public safety	48,153
Streets and roads	169,283
Community Development/Parks	11,080
Total Governmental Type Activities	<u>\$ 229,188</u>
Water	\$ 126,805
Sewer	627,974
Total Business Type Activities	<u>\$ 754,779</u>

City of Angels
Notes to Financial Statements
June 30, 2015

Note 4: Note Receivable

Note receivable in the amount of \$1,035,540 consist of mortgage loans for housing and property rehabilitation and construction. During the current fiscal year the City wrote off an uncollectible CDBG loan in the amount of \$27,000 and had accrued interest receivable of \$153,139 for the 2% deferred interest due on the loans.

Note 5: Long-term Liabilities

A summary of the changes in the City's long-term liabilities reported in the governmental activities column of the government-wide financial statements for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 196,518	\$ 67,366	\$ (87,193)	\$ 176,691	\$ 43,597
CalPERS pension liability		3,095,214		3,095,214	
OPEB liability	671,242	168,989		840,231	
Hydrox property lease payable	76,156		(76,156)	-	
Angels Camp Veterans Memorial	40,000		(10,000)	30,000	10,000
Vehicle capital lease	99,433		(25,237)	74,196	54,732
Total	<u>\$ 1,083,349</u>	<u>\$ 3,331,569</u>	<u>\$ (198,586)</u>	<u>\$ 4,216,332</u>	<u>\$ 108,329</u>

Governmental Activities:

Capital Leases Payable

A. Lease with John Deere Credit

Long-term debt payable at June 30, 2015 was comprised of the following individual issues:

Lease Payable

Vehicle Capital Lease- In April 2013, the City entered into an agreement with De Lage Landen Public Finance LLC to lease four vehicles in the amount of \$155,047. The City will make 60 monthly payments of \$2,824 each with interest at 3.551% as follows:

Fiscal Year Ended June 30,	
2016	\$ 28,359
2017	28,359
2018	21,269
Total minimum lease payments	<u>77,987</u>
Less: Amount representing interest	<u>(3,791)</u>
Present value of minimum lease payments	<u>\$ 74,196</u>

City of Angels
Notes to Financial Statements
June 30, 2015

Note 5: Long-term Liabilities (Continued)

Hydrox Property Lease Payable-In April 2001, the City entered into an agreement to purchase a Hydrox property for \$874,716. The City will make 15 annual payments of \$82,715 each with accrued interest at 5.5242% per annum. This debt was paid off during the current fiscal year.

Loan Payable

Angels Camp Veterans Memorial District- In December 2013, the City purchased land for \$53,805 from the Angels Camp Veterans Memorial District. As part of the sale the City entered into a promissory note for \$40,000. The City will make 4 annual payments of \$10,678 each with accrued interest at 3.25% per annum with the remaining debt service payments at June 30, 2015 as follows:

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2016	10,000	975	10,975
2017	10,000	650	10,650
2018	10,000	163	10,163
Totals	<u>\$ 30,000</u>	<u>\$ 1,788</u>	<u>\$ 31,788</u>

Business-Type Activities:

A summary of the changes in the City's long-term business-type liabilities reported in the proprietary funds statement of net position and the business-type activities column of the government-wide financial statements for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 48,012	\$ 38,075	\$ (15,169)	\$ 70,918	\$ -
CalPERS pension liability	-	337,009		337,009	-
2001A Sewer revenue bonds	535,000		(260,000)	275,000	275,000
Dept. of Water Resources note payable	670,213		(74,468)	595,745	74,468
Dept. of Water Resources revolving loan	247,892		(13,450)	234,442	13,585
USDA Sewer bond	4,400,000		(75,000)	4,325,000	80,000
Vehicle capital lease	19,390		(4,921)	14,469	5,098
Hydrox property capital lease	2,228		(2,228)	-	-
Total	<u>\$ 5,922,735</u>	<u>\$ 375,084</u>	<u>\$ (445,236)</u>	<u>\$ 5,852,583</u>	<u>\$ 448,151</u>

Bond Payable

2001A Wastewater Revenue Bonds-The City issued Wastewater Plant Improvement Revenue bonds which consisted of \$3,185,000 in bonds bearing interest at 2.6% to 4.4%. The interest is payable each October 1 and April 1. The Bonds mature annually at various amounts through October 1, 2015 with the final principal payment of \$275,000.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 5: Long-term Liabilities (Continued)

State of California Department of Water Resources

State of California Department of Water Resources-The State of California Department of Water Resources granted a loan to the Water Fund of the City for construction of water facilities in the amount of \$1,685,595. Of this amount, \$1,489,361 was drawn down from the State. The note calls for semiannual payments of \$37,234 including interest at 0% until July 2023 as follows:

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2016	\$ 74,468	\$ -	\$ 74,468
2017	74,468		74,468
2018	74,468		74,468
2019	74,468		74,468
2020	74,468		74,468
2021-2024	223,405		223,405
Totals	<u>\$ 595,745</u>	<u>\$ -</u>	<u>\$ 595,745</u>

The United States Department of Agriculture Rural Development

The United States Department of Agriculture Rural Development- The United States Department of Agriculture Rural Development granted a loan of \$5,000,000 bearing interest at 4.25% to the Sewer Fund for construction of wastewater facilities. The notes mature annually at various amounts through April 1, 2044 as follows:

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2016	\$ 80,000	\$ 183,813	\$ 263,813
2017	80,000	180,413	260,413
2018	85,000	177,012	262,012
2019	90,000	173,400	263,400
2020	90,000	169,574	259,574
2021-2025	525,000	786,250	1,311,250
2026-2030	650,000	664,061	1,314,061
2031-2035	800,000	503,838	1,303,838
2036-2040	985,000	328,950	1,313,950
2041-44	940,000	102,000	1,042,000
Totals	<u>\$4,325,000</u>	<u>\$ 3,269,311</u>	<u>\$ 7,594,311</u>

City of Angels
Notes to Financial Statements
June 30, 2015

Note 5: Long-term Liabilities (Continued)

State of California Department of Water Resource-The City entered into a revolving loan agreement with the State of California Department of Water Resources in March 2011. The agreement provides for a loan of up to \$3,372,800 for sewer system upgrades. Upon project completion \$3,086,400 of this loan was forgiven through the receipt of a federal grant in the same amount. The final loan of \$286,400 bears interest at 1% per annum with repayment beginning September 1, 2011 over a twenty year period. The note calls for annual payments of \$15,959 including interest at 1% until September 2030 as follows:

Fiscal Year Ended	Principal	Interest	Total
June 30,			
2016	\$ 13,585	\$ 2,344	\$ 15,929
2017	13,720	2,209	15,929
2018	13,858	2,071	15,929
2019	13,996	1,933	15,929
2020	14,136	1,793	15,929
2021-2025	72,830	6,815	79,645
2026-2030	76,546	3,099	79,645
2031	15,771	158	15,929
Totals	<u>\$ 234,442</u>	<u>\$ 20,422</u>	<u>\$ 254,864</u>

Note 6: Special Assessment Districts (AD) Bonds

The City acts as an agent on behalf of the Greenhorn Creek Assessment District. The City is not liable for the debt repayment but is merely acting as the property owner’s agent in handling the debt service transactions by collecting assessments and forwarding them to the bondholders. The debt was refinanced in 2006 through the issuance of \$9,200,000 in new debt. Interest is payable semi-annually at rates ranging from 4.19% to 5% with principal payments through 2021. The bond transactions are accounted for in an Agency Fund. The outstanding principal at June 30, 2015 was \$4,405,000.

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS 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. Members with five years of total service are eligible to retire between ages 45 and 57, dependent upon the individual plan criteria, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan	Safety Police Plan	Safety Fire Plan
	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	3% @ 50	2% @ 55
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	45-50	50-55
Monthly benefits, as a % of eligible compensation	2.2% to 2.7%	2.5% to 3%	1.5% to 2%
Required employee contribution rates	8%	9.00%	8.00%
Required employer contribution rates	22.430%	41.42%	15.37%

	PEPRA Miscellaneous Plan	PEPRA Safety Police Plan
	On or after January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 62	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	57-62	52-57
Monthly benefits, as a % of eligible compensation	1% to 2%	2.2% to 2.7%
Required employee contribution rates	6.25%	6.25%
Required employer contribution rates	6.25%	6.25%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	554,168
Contributions-employee (paid by employer)	\$	20,339

City of Angels
Notes to Financial Statements
June 30, 2015

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability	
Miscellaneous Plan	\$	1,897,789
Safety Police Plan	\$	1,494,134
Safety Fire Plan	\$	38,152
PEPRA Miscellaneous Plan	\$	894
PEPRA Safety Police Plan	\$	1,254

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.12865%
Proportion - June 30, 2014	0.13887%
Change - Increase (Decrease)	0.01023%

For the year ended June 30, 2015, the City recognized pension expense of (\$19,318). At June 30, 2015, the City 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
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	-	(577,929)
Changes in proportion and differences between City contributions and proportionate share of contributions	175,191	(38,228)
City contributions subsequent to the measurement date	550,889	-
Total	<u>\$ 726,080</u>	<u>\$ (616,157)</u>

\$550,889 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
Ended June 30:	
2016	\$ (160,193)
2017	(160,193)
2018	(157,462)
2019	36,882
2020	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS

City of Angels
Notes to Financial Statements
June 30, 2015

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.5	5.13
Infrastructure and Forestland	3.0	4.5	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City'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:

	<u>Discount Rate -1% (6.5%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate +1% (8.50%)</u>
Miscellaneous Plan	\$ 3,120,192	\$ 1,897,789	\$ 883,310
Safety Police Plan	2,191,530	1,494,134	919,510
Safety Fire Plan	65,655	38,152	15,491
PEPRA Miscellaneous Plan	1,592	894	314
PEPRA Police Plan	2,158	1,254	509

City of Angels
Notes to Financial Statements
June 30, 2015

Note 8: Post-Retirement Health Benefits

Plan Description. City of Angel's Camp (City) Post-Retirement Healthcare Plan is a single-employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits only to eligible retirees and their eligible dependents. The City approved post-retirement health insurance benefits for all of its employees based on employees under the Public Employees' Medical and Hospital Care Act (PEMHCA).

The City Council passed a resolution to establish health benefit vesting requirements for future retirees under public employees' medical and hospital care act. For full time employees, if additional conditions are satisfied, the City contributes greater amounts, instead of the minimum employer contributions (MEC) whereas a) if an employee retired prior to July 1, 2009 and met eligibility requirements in effect at that time, the City contributes 50% of PERS select premium for the retiree and spouse for their lifetime, b) an employee who is hired full time by the City of Angels Camp for 5 years or longer prior to July 1, 2009 or 10 years or longer after July 1, 2009 and who has met other vesting requirements, shall receive up to a maximum 50% of the health benefit for the retiree lifetime only. The total City expense on the pay as you go basis for postretirement health benefits in the 2014-15 fiscal year was \$54,018. As of June 30, 2013, the most recent actuarial, 12 retired employees were receiving postretirement health benefits.

Funding Policy. The contribution requirement of plan members is established by the City Council. As of June 30, 2015 the City Council did not establish a funding policy. The 2014-15 fiscal year actuarial determined contribution was calculated on amortized funding over a 30 year period using entry age normal cost. For the fiscal year ending June 30, 2015 the City contributed \$0 towards the unfunded actuarial accrued liability (UAAL). The City did not choose a trustee for the plan as of June 30, 2015. The City made the net contribution for fiscal year end June 30, 2015 directly to health insurance providers totalling \$54,018. All retiree plan members receiving this benefit contributed 50% of their total premiums.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 8: Post-Retirement Health Benefits (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to City's Healthcare Plan:

Annual Required Contribution (ARC).	\$ 238,968
Interest on OPEB obligation	26,588
Adjustment to the ARC	(42,549)
Annual OPEB expense	223,007
Unreimbursed retiree premiums paid to plan providers	(54,018)
Increase in the net OPEB obligation	168,989
Net OPEB obligation - beginning of year	671,242
Net OPEB obligation - end of year	\$ 840,231

The following is the three year disclosure of the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation at the end of the fiscal years:

Fiscal Year End	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
June 30, 2013	\$ 203,008	24.30%	\$ (508,633)
June 30, 2014	212,890	23.60%	(671,242)
June 30, 2015	223,007	24.22%	(840,231)

Funded Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,955,786. As of June 30, 2015, the City's annual required contribution was not funded and is shown as a liability in the City balance sheet. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits as follows:

Fiscal Year Ended	Actuarial Accrued Liability	Actuarial Value Of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UUAL As a % of Payroll
6/30/2013	\$ 1,686,478	\$ -	\$ 1,686,478	0%	\$ 2,837,760	59.4%
6/30/2014	1,820,341	-	1,820,341	0%	2,929,987	62.1%
6/30/2015	1,955,786	-	1,955,786	0%	3,025,212	64.6%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2013, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of 4% based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The actuarial assumptions include an estimated inflation rate of 3%, estimated payroll growth of 3.25% and the annual healthcare premiums will increase an between 4.6% and 8.5% per year.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 9: Deferred Inflows of Resources

Deferred inflows of resources in governmental funds arise when potential revenue does not meet the “available” criteria for recognition in the current period. Deferred inflows of resources (deferred revenue in accrual based statements) also arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

Note 10: Interfund Transactions

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either “due from/due to other funds” (amounts due within one year), “advances to/from other funds” (non-current portions of interfund lending/borrowing transactions), or “loans to/from other funds” (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Interfund transactions for the fiscal year ended June 30, 2015 are summarized as follows:

Fund Type	Advances To Other Funds	Advances From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ -	\$ -	\$ 377,517	\$ 126,853
Special Revenue				398,357
Capital Project			25,620	4,780
Water	755,000	-	68,942	-
Sewer	-	755,000	57,911	-
Total	\$ 755,000	\$ 755,000	\$ 529,990	\$ 529,990

Note 11: Joint Venture-Utica Power Authority

The City of Angels entered into a joint exercise of powers agreement with Union Public District (UPUD) for the purpose of purchasing and operating the Utica/Angels Hydro Electric Projects. Each of the member entities shall be responsible for paying one-half (1/2) of all UPA Project costs and liabilities, including annual operation, maintenance and replacement costs of the Project, and all costs of maintaining the Projects in compliance with requirements^[1b1] of the FERC or other regulatory authority. The agreement establishes a separate and distinct entity, the Utica Power Authority (UPA). The UPA is not a component unit of the City.

City of Angels
Notes to Financial Statements
June 30, 2015

Note 12: Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends and the obligation to pay assessments based on a formula which among other expenses, charges the City's account for liability losses under \$50,000 and workers' compensation losses under \$50,000. The CSJVRMA purchases excess reinsurance^[1b2] from \$1,000,000 to \$15,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$500,000 to \$1,500,000 and purchases excess reinsurance above \$1,500,000 to the statutory limit.

The CSJVRMA is a consortium of 55 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-today business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2015 is available at "csjvrma.org".

Note 13: Stewardship, Compliance and Accountability

A. Restatement of Net Position and Fund Balance

Adjustments resulting from errors or a change to comply with provisions of previously issued or retroactively applied accounting standards are treated as prior period adjustments. Accordingly the City reports these changes as a restatement to beginning net position in the government-wide statement of activities and proprietary fund statement of revenue, expenses and changes in net position and as a restatement to beginning fund balance in the statement of revenues expenditures and changes in fund balance. During the current fiscal year prior period adjustments were required to correct misstatements of capital assets, accounts receivable, accounts payable, and deferred revenue.

The impact of the restatements to beginning government-wide financial statement net position is presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position Reported as of June 30, 2014	\$ 4,105,878	\$ 21,355,724
Adjustments for:		
Record prior year infrastructure assets	2,778,252	
Remove prior year bond issue discount		(19,988)
Restate prior year compensated absences	34,787	
Implement GASB 68 for pensions	(3,312,875)	(373,212)
Recognize prior year interest on CDBG loans	132,428	
Accrue prior year payable for CRWQCB fine		(125,000)
Record prior year unrecorded investment	8,784	-
Total adjustment	<u>(358,624)</u>	<u>(518,200)</u>
Net Position, July 1, 2014 as restated	<u>\$ 3,747,254</u>	<u>\$ 20,837,524</u>

City of Angels
Notes to Financial Statements
June 30, 2015

Note 13: Stewardship, Compliance and Accountability (Continued)

The impact of the restatements to beginning fund financial statement, fund balances is presented below:

	General Fund	Non-Major Funds	Water Fund	Sewer Fund
Fund Balance, June 30, 2014	\$ 1,529,826	\$ 2,184,971	\$ 8,046,896	\$ 13,308,828
Adjustments for:				
Restate prior year compensated absences	196,518	7,526		
Remove prior year bond issue discount				(19,988)
Recognize prior year deferred revenue		(613,166)		
Implement GASB 68 for pensions			(184,461)	(188,751)
Accrue prior year payable for CRWQCB fine				(125,000)
Record prior year unrecorded investment	8,784			
Total adjustment	<u>205,302</u>	<u>(605,640)</u>	<u>(184,461)</u>	<u>(333,739)</u>
Fund Balance, July 1, 2014 as restated	<u>\$ 1,735,128</u>	<u>\$ 1,579,331</u>	<u>\$ 7,862,435</u>	<u>\$ 12,975,089</u>

Note 14: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City’s ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 15: Gann Limit

Total Subject Revenue 2014-15	\$ 2,714,454
Amount of limit for 2014-15	<u>2,750,663</u>
Amount (under)/over limit (all sources)	<u>\$ (36,209)</u>

Note 16: Commitments and Contingencies

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Contingent Liabilities

On September 6, 2011 the City received a Notice of Violation (“NOV”) from the Central Regional Water Quality Control Board (the Board) regarding violations associated with spills of wastewater at the spray field. The NOV indicated that the violations were subject to a penalty of \$125,000, but the Board staff could recommend removing the penalty if the violations are cured and the City successfully contests the complaint. The City has implemented new procedures to avoid future similar violations. A liability has been recognized in the wastewater fund for \$125,000 at June 30, 2015.

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured/unsecured	\$ 701,446	\$ 701,446	\$ 678,873	\$ (22,573)
Sales	605,000	605,000	580,455	(24,545)
Transient occupancy	561,750	561,750	641,589	79,839
Real property transfer	11,000	11,000	11,736	736
Total Taxes	<u>1,879,196</u>	<u>1,879,196</u>	<u>1,912,653</u>	<u>33,456</u>
Licenses and Permits				
Business licenses	22,000	22,000	21,987	(13)
Building permits	73,920	73,920	39,305	(34,615)
Franchise fees	85,000	85,000	92,430	7,430
Total Licenses and Permits	<u>180,920</u>	<u>180,920</u>	<u>153,722</u>	<u>(27,198)</u>
Intergovernmental				
Motor vehicle in lieu	235,420	235,420	236,994	1,574
Reimbursement - highway sweeping	2,712	2,712	2,712	
Reimbursement - public safety	20,500	20,500	13,559	(6,941)
Peace officers training	5,000	5,000	3,215	(1,785)
Mandated cost reimbursements			54,662	54,662
Total Intergovernmental	<u>263,632</u>	<u>263,632</u>	<u>311,142</u>	<u>47,510</u>
Fines, Forfeitures and Penalties				
Parking citations public safety reimbursements	22,000	22,000	21,653	(347)
Total Fines, Forfeitures and Penalties	<u>22,000</u>	<u>22,000</u>	<u>21,653</u>	<u>(347)</u>
Charges for Current Services				
Plan checking	14,950	14,950	79,354	64,404
Administrative fees	22,975	22,975	22,926	(49)
Museum	50,000	50,000	46,329	(3,671)
Total Charges for Current Services	<u>87,925</u>	<u>87,925</u>	<u>148,609</u>	<u>60,684</u>
Use of Money and Property				
Interest and investment income	4,000	4,000	4,957	957
Rent	19,133	19,133	18,733	(400)
Total Use of Money and Property	<u>23,133</u>	<u>23,133</u>	<u>23,690</u>	<u>557</u>
Other				
Insurance refunds and dividends			11,587	11,587
Miscellaneous - all others	4,900	4,900	21,783	16,883
Total Other	<u>4,900</u>	<u>4,900</u>	<u>33,370</u>	<u>28,470</u>
Total Revenues	<u>\$ 2,461,706</u>	<u>\$ 2,461,706</u>	<u>\$ 2,604,839</u>	<u>\$ 143,133</u>

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 2,461,706	\$ 2,461,706	\$ 2,604,839	\$ 143,133
Expenditures				
General Government				
City council	13,285	13,285	13,038	247
City attorney	25,260	25,260	24,246	1,014
Finance and administration	258,486	258,486	352,090	(93,604)
Total General Government	297,031	297,031	389,374	(92,344)
Public Ways and Facilities/Transportation				
Engineering			5,616	(5,616)
Building and planning	173,926	173,926	302,974	(129,048)
Street sweeping/maintenance	6,966	6,966	10,480	(3,514)
Public works	73,136	73,136	55,988	17,148
Total Public Ways and Facilities/Transportation	254,028	254,028	375,058	(121,030)
Public Safety				
Fire	522,181	522,181	523,081	(900)
Police	1,414,955	1,414,955	1,449,934	(34,979)
Total Public Safety	1,937,136	1,937,136	1,973,015	(35,879)
Community Development				
Museum	222,216	222,216	219,896	2,320
Visitors bureau	21,841	21,841	17,724	4,117
Community support	138,975	138,975	135,366	
Parks	62,609	62,609	62,762	(153)
Total Community Development	445,641	445,641	435,748	6,284
Debt Service				
Principal	111,393	111,393	111,393	-
Interest	15,427	15,427	13,501	1,926
Total Debt Service	126,820	126,820	124,895	1,926
Capital Outlay				
Structures and improvements				
Equipment	34,400	34,400	93,411	(59,011)
Total Capital Outlay	34,400	34,400	93,411	(59,011)
Total Expenditures	3,095,056	3,095,056	3,391,501	(300,053)
Excess (Deficit) of Revenues Over Expenditures				
Before Other Financing Sources (Uses)	(633,350)	(633,350)	(786,661)	(153,311)
Other Financing Sources (Uses)				
Gain on sale of assets			57,607	57,607
Operating transfers in	390,622	390,622	377,517	(13,105)
Operating transfers out			(126,853)	(126,853)
Total Other Financing Sources (Uses)	390,622	390,622	308,271	(82,351)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (242,728)	\$ (242,728)	(478,391)	\$ (235,663)
Fund Balance, July 1, 2014			1,529,826	
Prior Period Adjustment			205,302	
Fund Balance, June 30, 2015			\$ 1,256,737	

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
June 30, 2015**

<u>Actuarial Valuation Date</u>	<u>City's proportion of the net pension liability (asset)</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered employee payroll</u>	<u>City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>CalPERS-Miscellaneous Plan</u>					
6/30/2014	0.07690%	\$1,897,789	\$1,285,743	147.60%	79.40%
<u>CalPERS-PEPRA Miscellaneous Plan</u>					
6/30/2014	0.00004%	\$894	\$98,615	0.91%	83.02%
<u>CalPERS-Safety Fire Plan</u>					
6/30/2014	0.00102%	\$38,152	\$138,217	27.60%	81.42%
<u>CalPERS-Safety Police Plan</u>					
6/30/2014	0.03983%	\$1,494,134	\$468,655	318.81%	71.30%
<u>CalPERS-Pepra Safety Police Plan</u>					
6/30/2014	0.00003%	\$1,254	\$47,577	2.64%	81.42%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
June 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
<u>CalPERS-Miscellaneous Plan</u>					
6/30/2014	\$289,779	(\$289,779)	\$0	\$1,285,743	22.54%
<u>CalPERS-PEPRA Miscellaneous Plan</u>					
6/30/2014	\$12,057	(\$12,057)	\$0	\$98,615	12.23%
<u>CalPERS-Safety Fire Plan</u>					
6/30/2014	\$28,105	(\$28,105)	\$0	\$138,217	20.33%
<u>CalPERS-Safety Police Plan</u>					
6/30/2014	\$188,453	(\$188,453)	\$0	\$468,655	40.21%
<u>CalPERS-Pepra Safety Police Plan</u>					
6/30/2014	\$10,860	(\$10,860)	\$0	\$47,577	22.83%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

CITY OF ANGELS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Budgets and Budgetary Accounting

As required by the laws of the State of California, the City prepares and legally adopts a final balanced operating budget. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

Budgets for the general, special revenue, debt service and capital project funds are adopted on the modified accrual basis of accounting. The budgets for the general and special revenue funds are the only legally adopted budgets. Budgets for the debt service, capital project funds and proprietary funds are used for management and control purposes only.

At the fund level, actual expenditures cannot exceed budgeted appropriations. In order to accommodate operational changes that may result during the course of a budget year, management can modify in line items of a budget, not to exceed 20% of said line item, with the limitation that the overall departmental budget shall not be exceeded without Council approval.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the City Council.

CITY OF ANGELS

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>Assets</u>			
Restricted cash and investments	\$ 279,578	\$ 353,099	\$ 632,677
Receivables	134,445		134,445
Due from other governments	<u>69,024</u>	<u>7,764</u>	<u>76,788</u>
 Total Assets	 <u>\$ 483,047</u>	 <u>\$ 360,863</u>	 <u>\$ 843,910</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 51,544	\$ 5	\$ 51,549
Accrued wages	<u>6,085</u>		<u>6,085</u>
 Total Liabilities	 <u>57,629</u>	 <u>5</u>	 <u>57,634</u>
 Deferred Inflows of Resources			
Unearned advance- taxes	38,518		38,518
Unearned advance-capital project fund		<u>184,843</u>	<u>184,843</u>
 Total Deferred Inflows of Resources	 <u>38,518</u>	 <u>184,843</u>	 <u>223,361</u>
 Fund Balances			
Assigned	<u>386,900</u>	<u>176,015</u>	<u>562,915</u>
 Total Fund Balance	 <u>386,900</u>	 <u>176,015</u>	 <u>562,915</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 483,047</u>	 <u>\$ 360,863</u>	 <u>\$ 843,910</u>

CITY OF ANGELS

**Combining Statement of Revenues, Expenditure and
Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2015**

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Taxes and assessments	\$ 590,889	\$ -	\$ 590,889
Intergovernmental	352,785	877,856	1,230,641
Use of money and property	1,040	975	2,014
Developer contributions		11,348	11,348
Charges for services	20,821		20,821
	<u>965,534</u>	<u>890,179</u>	<u>1,855,713</u>
Total Revenues			
Expenditures			
Current:			
Public ways and facilities/ transportation	351,506	264,055	615,561
Public safety		-	-
Community development	506,891	-	506,891
Capital outlay		68,151	68,151
	<u>858,397</u>	<u>332,207</u>	<u>1,190,604</u>
Total Expenditures			
Excess (Deficit) of Revenues Over Expenditures	<u>107,137</u>	<u>557,973</u>	<u>665,110</u>
Other Financing Sources (Uses)			
Operating transfers in		25,620	25,620
Operating transfers out	(401,682)	(1,455)	(403,137)
	<u>(401,682)</u>	<u>24,165</u>	<u>(377,517)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	<u>(294,545)</u>	<u>582,138</u>	<u>287,592</u>
Fund Balances, July 1, 2014	<u>673,919</u>	<u>207,043</u>	<u>880,962</u>
Prior Period Adjustment	<u>7,526</u>	<u>(613,166)</u>	<u>(605,640)</u>
Fund Balances, June 30, 2015	<u>\$ 386,900</u>	<u>\$ 176,015</u>	<u>\$ 562,914</u>

CITY OF ANGELS

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015**

	Gas Tax	Local Transportation	Utica Power Authority	L&L District	Public Safety	TOT Emergency Service	TOT Roads	TOT Tourism	Totals
<u>Assets</u>									
Restricted cash and investments	\$ 62,979	\$ 7,278	\$ 67,617	\$ 66,243	\$ (2,248)	\$ (41,450)	\$ 119,089	\$ 70	\$ 279,578
Receivables			2,013			44,144	44,144	44,144	134,445
Due from other governments				8,247	60,777				69,024
Total Assets	\$ 62,979	\$ 7,278	\$ 69,630	\$ 74,490	\$ 58,529	\$ 2,694	\$ 163,233	\$ 44,214	\$ 483,047
<u>Liabilities and Fund Balances</u>									
<u>Liabilities</u>									
Accounts payable	\$ 68	\$ -	\$ -	\$ 9,956	\$ -	\$ -	\$ -	\$ 41,520	\$ 51,544
Accrued wages							6,085		6,085
Total Liabilities	68			9,956			6,085	41,520	57,629
<u>Deferred Inflows of Resources</u>									
Unearned Advance-Taxes					38,518				38,518
<u>Fund Balances</u>									
Assigned	62,911	7,278	69,630	64,534	20,011	2,694	157,148	2,694	386,900
Total Fund Balance	62,911	7,278	69,630	64,534	20,011	2,694	157,148	2,694	386,900
Total Liabilities and Deferred Inflows and Fund Balances	\$ 62,979	\$ 7,278	\$ 69,630	\$ 74,490	\$ 58,529	\$ 2,694	\$ 163,233	\$ 44,214	\$ 483,047

CITY OF ANGELS

**Combining Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
June 30, 2015**

	Gas Tax	Local Transportation	Utica Power Authority	L&L District	Public Safety	TOT Emergency Service	TOT Roads	TOT Tourism	Totals
Revenues									
Taxes and assessments	\$ -	\$ -	\$ -	\$ 164,936	\$ -	\$ 141,984	\$ 141,984	\$ 141,984	\$ 590,889
Intergovernmental	112,601	12,182			228,002				352,785
Use of money and property	96	9	169	430	89		247		1,040
Charges for services			20,821						20,821
Total Revenues	112,697	12,191	20,990	165,366	228,091	141,984	142,231	141,984	965,534
Expenditures									
Current:									
Public ways and facilities/ transportation	77,454		150,000				124,052		351,506
Public safety				365,037				141,854	506,891
Community development									
Capital outlay									
Total Expenditures	77,454		150,000	365,037			124,052	141,854	858,397
Excess (Deficit) of Revenues Over Expenditures	35,243	12,191	(129,010)	(199,671)	228,091	141,984	18,179	130	107,137
Other Financing Sources (Uses)									
Operating transfers in									-
Operating transfers out		(4,913)			(221,523)	(146,807)	(28,439)		(401,682)
Total Other Financing Sources (Uses)		(4,913)			(221,523)	(146,807)	(28,439)		(401,682)
Net Change in Fund Balances	35,243	7,278	(129,010)	(199,671)	6,568	(4,823)	(10,260)	130	(294,545)
Fund Balances, July 1, 2014	27,668		198,640	264,205	13,443	7,517	159,882	2,564	673,919
Prior Period Adjustment							7,526		7,526
Fund Balances, June 30, 2015	\$ 62,911	\$ 7,278	\$ 69,630	\$ 64,534	\$ 20,011	\$ 2,694	\$ 157,148	\$ 2,694	\$ 386,900

CITY OF ANGELS

**Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2015**

	<u>Park Impact Fees</u>	<u>Police Impact Fees</u>	<u>Transportation Impact Fees</u>	<u>Fire Impact Fees</u>	<u>Capital Projects</u>	<u>Totals</u>
<u>Assets</u>						
Restricted cash and investments	\$ -	\$ 2,642	\$ 172,229	\$ (2,182)	\$ 180,410	\$ 353,099
Due from other governments				3,325	4,439	7,764
Total Assets	<u>\$ -</u>	<u>\$ 2,642</u>	<u>\$ 172,229</u>	<u>\$ 1,143</u>	<u>\$ 184,849</u>	<u>\$ 360,863</u>
<u>Liabilities</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5
Total Liabilities					5	5
<u>Deferred inflows of resources</u>						
Deferred inflows of resources						
Unearned revenue-advances					184,843	184,843
Total deferred inflows of resources					184,843	184,843
<u>Fund Balances</u>						
Assigned		2,642	172,229	1,143	1	176,015
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 2,642</u>	<u>\$ 172,229</u>	<u>\$ 1,143</u>	<u>\$ 184,849</u>	<u>\$ 360,863</u>

CITY OF ANGELS
Combining Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Project Funds
June 30, 2015

	<u>Park Impact Fees</u>	<u>Police Impact Fees</u>	<u>Transportation Impact Fees</u>	<u>Fire Impact Fees</u>	<u>Capital Projects</u>	<u>Totals</u>
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 877,856	\$ 877,856
Developer contributions	1,453	586	8,488	821	-	11,348
Use of money and property		6	467	2	500	975
Total Revenues	<u>1,453</u>	<u>592</u>	<u>8,955</u>	<u>823</u>	<u>878,356</u>	<u>890,179</u>
Expenditures						
Current:						
Public ways and facilities/ Transportation			41,062		222,993	264,055
Public safety						-
Community support						-
Capital outlay					68,151	68,151
Total Expenditures			<u>41,062</u>		<u>291,144</u>	<u>332,206</u>
Excess (Deficit) of Revenues Over Expenditures	1,453	592	(32,107)	823	587,212	557,973
Other Financing Sources (Uses)						
Operating transfers in					25,620	25,620
Operating transfers out	(1,455)					(1,455)
Total Other Financing Sources (Uses)	<u>(1,455)</u>				<u>25,620</u>	<u>24,165</u>
Net Change in Fund Balances	<u>(2)</u>	<u>592</u>	<u>(32,107)</u>	<u>823</u>	<u>612,832</u>	<u>582,138</u>
Fund Balances, July 1, 2014	<u>2</u>	<u>2,050</u>	<u>204,336</u>	<u>320</u>	<u>335</u>	<u>207,043</u>
Prior Period Adjustments					(613,166)	(613,166)
Fund Balances, June 30, 2015	<u>\$ -</u>	<u>\$ 2,642</u>	<u>\$ 172,229</u>	<u>\$ 1,143</u>	<u>1</u>	<u>176,015</u>