CITY OF ANGELS

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and 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, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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 fund information of the City of Angels, California, as of June 30, 2009, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009 on our consideration of the City of Angels's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the financial statements. The Budgetary Comparison Information on page 29 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 17, 2009

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CITY OF ANGELS

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments - unrestricted	$ 3,029,668	$ 7,058,998	$ 10,088,666
Cash and investments - restricted	-	287,751	287,751
Accounts receivable, net	840,431	620,297	1,460,728
Taxes receivable	84,738	-	84,738
Notes receivable	912,137	-	912,137
Deferred charges - Bond issuance costs, net	-	69,938	69,938
Capital assets, net of allowance for depreciation	1,690,017	17,340,519	19,030,536
Total assets	6,556,991	25,377,503	31,934,494
LIABILITIES			
Accounts payable and accrued expense	155,239	331,475	486,714
Accrued payroll	38,117	22,546	60,663
Accrued interest	5,702	84,336	90,038
Deposits payable	43,495	13,600	57,095
Compensated absences	125,129	65,359	190,488
Long-term liabilities			
Due within one year	53,915	355,458	409,373
Due in more than one year	326,933	7,144,135	7,471,068
Total liabilities	748,530	8,016,909	8,765,439
NET ASSETS			
Invested in capital assets, net of related debt	1,309,169	9,840,926	11,150,095
Restricted for notes receivable	912,137	-	912,137
Restricted for debt service	-	287,751	287,751
Unrestricted:			
Designated for specific projects and programs	1,487,633	-	1,487,633
Undesignated	2,099,522	7,231,917	9,331,439
Total net assets/(deficit)	$ 5,808,461	$ 17,360,594	$ 23,169,055

See accompanying notes.

CITY OF ANGELS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expense	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net Revenue/(Expense) and Changes in Net Assets: Governmental Activities	Net Revenue/(Expense) and Changes in Net Assets: Business-Type Activities	Net Revenue/(Expense) and Changes in Net Assets: Total
Primary Government							
Governmental activities							
General government	$ 518,809	$ 38,224	$ -	$ -	$ (480,585)	$ -	$ (480,585)
Public works	407,718	28,430	106,649	-	(272,639)	-	(272,639)
Community development	950,246	31,502	289,756	220,435	(408,553)	-	(408,553)
Public safety	2,009,027	103,693	191,354	-	(1,713,980)	-	(1,713,980)
Parks and recreation	444,594	13,280	-	-	(431,314)	-	(431,314)
Debt Service							
Interest and fiscal charges	22,566	-	-	-	(22,566)	-	(22,566)
Total governmental activities	4,352,960	215,129	587,759	220,435	(3,329,637)	-	(3,329,637)
Business-type activities							
Water	1,789,850	1,912,689	-	-	-	122,839	122,839
Sewer	2,273,159	2,381,085	-	-	-	107,926	107,926
Total business-type activities	4,063,009	4,293,774	-	-	-	230,765	230,765
Total primary government	$ 8,415,969	$ 4,508,903	$ 587,759	$ 220,435	(3,329,637)	230,765	(3,098,872)
General Revenue							
Property taxes					820,570	-	820,570
Special assessments					163,962	-	163,962
Sales taxes					533,649	-	533,649
Franchise and other taxes					919,834	-	919,834
Motor vehicle license-in-lieu					292,604	-	292,604
Other					1,913	-	1,913
Rents					11,510	-	11,510
Interest income					50,460	156,453	206,913
Total general revenue and transfers					2,794,502	156,453	2,950,955
Change in Net Assets					(535,135)	387,218	(147,917)
Net Assets							
Beginning of year					6,343,596	16,973,376	23,316,972
End of year					$ 5,808,461	$ 17,360,594	$ 23,169,055

See accompanying notes.

CITY OF ANGELS

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,792,756	$ 1,236,912	$ 3,029,668
Accounts receivable, net	493,193	347,238	840,431
Taxes receivable	-	84,738	84,738
Due from other funds	111,130	-	111,130
Notes receivable	-	912,137	912,137
Total assets	$ 2,397,079	$ 2,581,025	$ 4,978,104
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expense	$ 104,179	$ 51,060	$ 155,239
Accrued payroll	27,541	10,576	38,117
Compensated absences	116,640	8,489	125,129
Due to other funds	-	111,130	111,130
Deposits payable	43,495	-	43,495
Total liabilities	291,855	181,255	473,110
Fund Balance			
Reserved for notes receivable	-	912,137	912,137
Unreserved:			
Designated for specific projects and programs	-	1,487,633	1,487,633
Undesiganted	2,105,224	-	2,105,224
Total fund balance	2,105,224	2,399,770	4,504,994
Total liabilities and fund balance	$ 2,397,079	$ 2,581,025	$ 4,978,104

See accompanying notes.

CITY OF ANGELS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balance	$	4,504,994
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,690,017
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		(380,848)
Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred		(5,702)
Net assets of governmental activities	$	5,808,461

See accompanying notes.

CITY OF ANGELS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes	$ 2,240,468	$ 479,825	$ 2,720,293
Licenses, permits and impact fees	46,784	-	46,784
Intergovernmental	36,064	808,194	844,258
Charges for services	83,670	35,825	119,495
Fines and forfeitures	23,112	-	23,112
Rental	11,510	-	11,510
Interest	41,750	8,710	50,460
Other	1,913	-	1,913
Total revenue	2,485,271	1,332,554	3,817,825
Expenditures			
Current			
General government	517,234	-	517,234
Public works	99,716	282,680	382,396
Community development	424,256	525,990	950,246
Public safety	1,485,104	422,173	1,907,277
Parks and recreation	434,847	-	434,847
Captial outlay	169,168	18,071	187,239
Debt Service			
Principal	51,093	-	51,093
Interest and fiscal charges	23,350	-	23,350
Total expenditures	3,204,768	1,248,914	4,453,682
Revenue over/(under) expenditures	(719,497)	83,640	(635,857)
Other Financing Sources/(Uses)			
Transfers in/(out) - net	57,600	(57,600)	-
	57,600	(57,600)	-
Change in Fund Balance	(661,897)	26,040	(635,857)
Fund Balance			
Beginning of year	2,767,121	2,373,730	5,140,851
End of year	$ 2,105,224	$ 2,399,770	$ 4,504,994

See accompanying notes.

CITY OF ANGELS

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

Net change in fund balance - total governmental funds	$	(635,857)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		51,093
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Assets the cost of those assets are capitalized as an asset and depreciated over the period of service		187,239
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds		(138,394)
In the Statement of Activities interest is accrued on long-term debt, whereas, in governmental funds interest expenditure is reported when due		784
Change in net assets of governmental activities	$	(535,135)

See accompanying notes.

CITY OF ANGELS

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
ASSETS			
Current assets			
Cash and investments - unrestricted	$ 6,003,877	$ 1,055,121	$ 7,058,998
Cash and investments - restricted for bonds	-	287,751	287,751
Accounts receivable, net	320,155	300,142	620,297
Total current assets	6,324,032	1,643,014	7,967,046
Non-current assets			
Deferred issuance costs	-	69,938	69,938
Property, plant and equipment, net of allowance for depreciation	2,153,416	15,187,103	17,340,519
Total assets	8,477,448	16,900,055	25,377,503
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	89,069	242,406	331,475
Accrued payroll	10,969	11,577	22,546
Accrued interest	-	84,336	84,336
Deposits payable	13,600	-	13,600
Current portion of long-term debt	77,463	277,995	355,458
Total current liabilities	191,101	616,314	807,415
Non-current liabilities			
Long-term debt	981,110	6,163,025	7,144,135
Compensated absences	33,307	32,052	65,359
Total noncurrent liabilities	1,014,417	6,195,077	7,209,494
Total liabilities	1,205,518	6,811,391	8,016,909
NET ASSETS			
Invested in capital assets, net of related debt	1,094,843	8,746,083	9,840,926
Restricted for debt service	-	287,751	287,751
Unrestricted/(deficit)	6,177,087	1,054,830	7,231,917
Total net assets/(deficit)	$ 7,271,930	$ 10,088,664	$ 17,360,594

See accompanying notes.

CITY OF ANGELS

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
Operating Revenue			
Charges for services	$ 1,835,301	$ 2,381,085	$ 4,216,386
Connection fees	77,388	-	77,388
Total operating revenue	1,912,689	2,381,085	4,293,774
Operating Expense			
Contractual services and utilities	894,823	537,118	1,431,941
Personnel	653,068	751,576	1,404,644
Supplies and materials	124,302	244,264	368,566
Depreciation and amortization	117,657	456,497	574,154
Total operating expense	1,789,850	1,989,455	3,779,305
Operating income/(loss)	122,839	391,630	514,469
Nonoperating Revenue/(Expense)			
Interest income	129,710	26,743	156,453
Interest expense	-	(283,704)	(283,704)
Total nonoperating revenue/(expense)	129,710	(256,961)	(127,251)
Net income/(loss) before transfers	252,549	134,669	387,218
Operating Transfers In/(Out)	-	-	-
Change in Net Assets	252,549	134,669	387,218
Net Assets			
Beginning of year	7,019,381	9,953,995	16,973,376
End of year	$ 7,271,930	$ 10,088,664	$ 17,360,594

See accompanying notes.

CITY OF ANGELS

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Activities			
Receipts from customers and users	$ 1,902,177	$ 2,338,056	$ 4,240,233
Payments for contractual services and utilities	(846,103)	(333,558)	(1,179,661)
Payments to employees	(648,426)	(748,395)	(1,396,821)
Payment to suppliers	(124,302)	(244,264)	(368,566)
Net cash provided by (used in) operating activities	283,346	1,011,839	1,295,185
Capital and Related Financing Activities			
Purchase of property, plant and equipment	(107,442)	(518,072)	(625,514)
Principal paid on long-term debt	(77,307)	(272,839)	(350,146)
Interest paid on long-term debt	-	(286,470)	(286,470)
Net cash used in capital and related financing activities	(184,749)	(1,077,381)	(1,262,130)
Investing Activities			
Interest received	129,710	26,743	156,453
Net cash provided by investing activities	129,710	26,743	156,453
Net Increase (Decrease) in Cash	228,307	(38,799)	189,508
Cash			
Beginning of year	5,775,570	1,381,671	7,157,241
End of year	$ 6,003,877	$ 1,342,872	$ 7,346,749
Cash Flows from Operating Activities			
Operating income (loss)	$ 122,839	$ 391,630	$ 514,469
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	117,657	456,497	574,154
(Increase) Decrease in Accounts Receivable	(10,862)	(43,029)	(53,891)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	53,712	206,741	260,453
Net Cash Provided by Operating Activities	$ 283,346	$ 1,011,839	$ 1,295,185

See accompanying notes.

CITY OF ANGELS

STATEMENT OF FIDUCIARY NET ASSETS – AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

	Greenhorn Creek Assessment District
ASSETS	
Cash and investments	$ 829,122
Restricted cash and investments with fiscal agents	471,161
Accounts receivable	-
Total assets	1,300,283
LIABILITIES	
Accounts payable	-
Due to bondholders	1,300,283
Total liabilities	1,300,283
NET ASSETS	$ -

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Angels (City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City was incorporated as a general law city in 1912. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water and sewer; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

Included in this report is the City of Angels Redevelopment Agency (Agency). The Agency was established to administer the City's redevelopment activities and projects. Members of the City Council automatically sit as the Agency's Board, the City Manager is appointed as Executive Director with the City staff providing all support services. Currently the Agency/City legislative meetings are held concurrently. The annual financial statements for the Agency for the fiscal year ended June 30, 2009 can be obtained through the City's Finance Department.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information of all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Assets presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients 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 as general revenues.

Note 1 – Summary of Significant Accounting Policies (Continued)

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. 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 a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management, to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

The City reports the following additional fund types:

Agency Fund - The Agency Fund accounts for assets held by the City as an agent for Greenhorn Creek Assessment District.

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are 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. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its government-wide activities and Enterprise Funds, the City has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

Cash and Cash Equivalents - Cash and cash equivalents represent the City's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

Accounts Receivable – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year end accrual for services through the end of the fiscal year which have not yet been billed. Accounts receivable are reported without an allowance for uncollectibles as management considers all accounts to be collectible.

Calaveras County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIIIA of the State of California Constitution (known as Proposition 13) to levy a maximum tax of $1.00 per $100 of full cash value.

Interfund Receivables/Payables - Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

Advances To/From Other Funds - This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets - Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Note 1 – Summary of Significant Accounting Policies (Continued)

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. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and improvements	20 - 40
Plant system	20 - 60
Machinery and equipment	5 - 10
Infrastructure	40

Compensated Absences - It is the City's policy to permit all employees to accumulate earned but unused vacation, sick pay and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday and sick leave along with any compensation time that is expected to be paid with expendable available financial resources is reported as an expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

Long-Term Obligations - In the Government-Wide Financial Statements and in the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Assets. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Note 1 – Summary of Significant Accounting Policies (Continued)

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Non-Current Governmental Assets/Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Assets.

Net Assets/Fund Equity - The government-wide and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested In Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted Net Assets - This category presents external restrictions on net assets imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Assets - This category represents net assets of the City not restricted for any project or other purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the City of Angels Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during May of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	$ 10,088,666
Cash and Investments with fiscal agent	287,751
Fiduciary Funds:	
Cash and Investments	829,122
Restricted Cash and Investments with fiscal agent	471,161
Total Cash and Investments	$ 11,676,700

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	$ 625
Deposits with Financial Institutions	1,755,955
Local Agency Investment Fund	9,161,207
Held by Fiscal Agent:	
Mutual Fund	758,913
Total Cash and Investments	$ 11,676,700

Note 3 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City 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. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

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 an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2009 the City had the following investments.

Investment Type		Maturity Date
Local Agency Investment Fund	$ 9,161,207	N/A
Held by Bond Trustee:		
Mutual Fund	758,913	N/A
Total	$ 9,920,120	

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type		Minimum Legal Rating	Rating as of Year End Not Rated
Local Agency Investment Fund	$ 9,161,207	N/A	$ 9,161,207
Held by Bond Trustee:			
Mutual Fund	758,913	N/A	758,913
Total	$ 9,920,120		$ 9,920,120

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments.

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 deposits or will not be able to recover collateral securities that are in the possession of an outside 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 3 – Cash and Investments (Continued)

$1,127,219 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4 – Notes Receivable

Notes receivable in the amount of $912,137 consist of mortgage loans for housing and property rehabilitation and construction.

Note 5 – Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following page presents summary information on capital assets.

Note 5 – Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 750,942	$ -	$ -	$ 750,942
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	750,942	-	-	750,942
Capital assets, being depreciated				
Buildings and improvements	614,259	134,635	-	748,894
Machinery and equipment	1,534,235	52,604	(10,000)	1,576,839
Total capital assets, being depreciated	2,148,494	187,239	(10,000)	2,325,733
Less accumulated depreciation for:				
Buildings and improvements	(279,806)	(16,799)	-	(296,605)
Machinery and equipment	(978,458)	(121,595)	10,000	(1,090,053)
Total accumulated depreciation	(1,258,264)	(138,394)	10,000	(1,386,658)
Total capital assets, being depreciated, net	806,966	48,845	-	939,075
Governmental activities capital assets, net	$ 1,557,908	$ 48,845	$ -	$ 1,690,017
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 116,515	$ -	$ -	$ 116,515
Construction in progress	-	625,514	-	625,514
Total capital assets, not being depreciated	116,515	625,514	-	742,029
Capital assets, being depreciated				
Buildings and improvements	20,854,789	-	-	20,854,789
Infrastructure	672,827	-	-	672,827
Machinery and equipment	602,497	-	-	602,497
Total capital assets, being depreciated	22,130,113	-	-	22,130,113
Less: accumulated depreciation	(4,967,459)	(564,164)	-	(5,531,623)
Total capital assets, being depreciated, net	17,162,654	(564,164)	-	16,598,490
Business-type activities capital assets, net	$ 17,279,169	$ 61,350	$ -	$ 17,340,519

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Functions:	
General Government	$ 1,575
Public Works and Development	25,322
Public Safety	101,750
Parks and Recreation	9,747
	$ 138,394
Business-Type Functions:	
Water	$ 117,657
Sewer	446,507
	$ 564,164

Note 6 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. In governmental fund types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred in proprietary funds are deferred and amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method. The City's debt transactions are summarized below and discussed in detail thereafter:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
Governmental Activity Long Term Debt					
Hydrox Property Lease Payable	$ 431,941	$ -	$ (51,093)	$ 380,848	$ 53,915
Total Governmental Activity Debt	$ 431,941	$ -	$ (51,093)	$ 380,848	$ 53,915
Business-Type Activity Long Term Debt					
Bond Payable					
2001A Water and Wastewater Revenue Bonds	$ 1,905,000	$ -	$ (210,000)	$ 1,695,000	$ 215,000
Loans Payable					
California Department of Water Resources	1,117,021	-	(74,468)	1,042,553	74,468
U.S. Department of Agriculture					
Rural Development	4,790,000	-	(60,000)	4,730,000	60,000
Hydrox Property Lease Payable	37,718	-	(5,678)	32,040	5,990
Total Business-Type Activity Debt	$ 7,849,739	$ -	$ (350,146)	$ 7,499,593	$ 355,458
Compensated Absences					
Government Activities	$ 82,417	$ 42,712	$ -	$ 125,129	
Business-Type Activities	$ 57,240	$ 8,119	$ -	$ 65,359	

Note 6 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2009 was comprised of the following individual issues:

Lease Payable

Hydrox Property – 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.

Bond Payable

2001A Water and 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.

Loans Payable

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.

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.

Note 6 – Long-Term Debt (Continued)

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2009 were as follows:

	Governmental Activities		Business-Type Activities	
Years ending June 30,	Principal	Interest	Principal	Interest
2010	$ 53,915	$ 22,809	$ 355,458	$ 266,304
2011	54,944	19,499	372,740	255,391
2012	58,436	16,007	377,740	243,755
2013	65,763	12,322	393,975	231,590
2014	74,281	8,434	394,468	218,505
2015-2019	73,509	4,330	1,317,340	925,378
2020-2024	-	-	797,872	807,500
2025-2029	-	-	625,000	690,625
2030-2034	-	-	765,000	546,550
2035-2039	-	-	945,000	369,113
2040-2044	-	-	1,155,000	151,087
	$ 380,848	$ 83,401	$ 7,499,593	$ 4,705,798

Note 7 – 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 3.375% to 5% with principal payments through 2018. The bond transactions are accounted for in an Agency Fund. The current outstanding principal is $7,625,000.

Note 8 – Fund Balance

Fund Balance and Retained Earnings Deficits - The following is a summary of deficit fund balances and retained earnings as of June 30, 2009:

Capital projects fund	
TOT Emergency Service	$ (8,782)
Redevelopment Agency	(111,130)
CDBG Grant Fund	(20)
Fire Impact Fees	(3,951)
	$ (123,883)

Note 9 – Defined Benefit Pension Plan

Plan Description

The City of Angels contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 16.334% for non-safety employees, 8.117% for firefighters, and 29.917% for police, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Costs

For 2009, the City's annual pension cost of $527,601 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007 was 15 years.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$ 576,681	100%	$ -
6/30/2008	531,398	100%	-
6/30/2009	527,601	100%	-

A new State law authorized the creation of risk pools by PERS and required mandatory participation of employers to help reduce large fluctuations in their contribution rates. The City of Angels is now required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

Note 10 – Post Retirement Benefits

The City provides post employment health benefits for life. Upon retirement, the City will pay up to 50% of health premiums for employees with over 20 years of service. Employees earn this at 2.5% per year. Total benefits paid in the current fiscal year was $50,560.

Note 11 – Joint Venture – Utica Power Authority

The City of Angels entered into a joint exercise of powers agreement with Union Public Utility 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 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.

Note 12 – Risk Management/Joint Venture

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 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-to-day 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.

Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

The City is a defendant in various lawsuits and claims. The City attorney anticipates that actual or potential claims against the City, not covered by insurance, would not materially affect the financial position of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANGELS

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Taxes	$ 2,570,400	$ 2,570,400	$ 2,240,468	$ (329,932)
Licenses, permits and impact fees	109,100	109,100	46,784	(62,316)
Intergovernmental	37,635	37,635	36,064	(1,571)
Charges for services	128,412	128,412	83,670	(44,742)
Fines and forfeitures	37,438	37,438	23,112	(14,326)
Interest and rents	138,460	138,460	53,260	(85,200)
Other	5,300	5,300	1,913	(3,387)
Total revenue	3,026,745	3,026,745	2,485,271	(541,474)
Expenditures				
Current				
General government	523,349	523,349	517,234	6,115
Public works	116,909	116,909	99,716	17,193
Community development	479,850	479,850	424,256	55,594
Public safety	1,627,763	1,627,763	1,485,104	142,659
Parks and recreation	376,507	376,507	434,847	(58,340)
Capital outlay	436,000	436,000	169,168	266,832
Debt Service				
Principal	51,093	51,093	51,093	-
Interest and fiscal charges	23,350	23,350	23,350	-
Total expenditures	3,634,821	3,634,821	3,204,768	430,053
Revenue over (under)expenditures	(608,076)	(608,076)	(719,497)	(111,421)
Other Financing Sources				
Transfers in (out) - net	-	-	57,600	57,600
Net Change in Fund Balance	$ (608,076)	$ (608,076)	(661,897)	$ (53,821)
Fund Balance				
Beginning of year			2,767,121	
End of year			$ 2,105,224	

SUPPLEMENTAL ONLY INFORMATION

CITY OF ANGELS

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds						
	Local Transportation	Gas Tax	CDBG Housing	Utica Power Authority	Light and Landscape District	Public Safety	TOT Emergency Service
ASSETS							
Cash and investments	$ -	$ 135,229	$ 191,986	$ 142,128	$ 449,672	$ 114,544	$ (33,638)
Accounts receivable, net	-	13,708	189,996	1,559	-	80,373	-
Taxes receivable	-	-	-	-	-	-	28,246
Notes receivable	-	-	912,137	-	-	-	-
Total assets	$ -	$ 148,937	$ 1,294,119	$ 143,687	$ 449,672	$ 194,917	$ (5,392)
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable and accrued expense	$ -	$ 2,239	$ 2,555	$ -	$ 7,579	$ 1,989	$ -
Accrued payroll	-	2,691	-	-	-	4,495	3,390
Compensated absences	-	8,489	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	13,419	2,555	-	7,579	6,484	3,390
Fund Balance							
Reserved for notes receivable	-	-	912,137	-	-	-	-
Unreserved, designated for specific projects and programs	-	135,518	379,427	143,687	442,093	188,433	(8,782)
Total fund balance	-	135,518	1,291,564	143,687	442,093	188,433	(8,782)
Total liabilities and fund balance	$ -	$ 148,937	$ 1,294,119	$ 143,687	$ 449,672	$ 194,917	$ (5,392)

CITY OF ANGELS

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2009

	Special Revenue Funds		Capital Projects Funds					Total
	TOT Roads	TOT Tourism	Redevelopment Agency	Prop 1B	Capital Projects Fund	Transportation Impact Fees	Fire Impact Fees	Non-major Governmental Funds
ASSETS								
Cash and investments	$ 79,441	$ 352	$ -	$ 175,828	$ (25,105)	$ 10,426	$ (3,951)	$ 1,236,912
Accounts receivable, net	-	-	-	-	61,602	-	-	347,238
Taxes receivable	28,246	28,246	-	-	-	-	-	84,738
Notes receivable	-	-	-	-	-	-	-	912,137
Total assets	$ 107,687	$ 28,598	$ -	$ 175,828	$ 36,497	$ 10,426	$ (3,951)	$ 2,581,025
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable and accrued expense	$ -	$ -	$ -	$ -	$ 36,517	$ 181	$ -	51,060
Accrued payroll	-	-	-	-	-	-	-	10,576
Compensated absences	-	-	-	-	-	-	-	8,489
Due to other funds	-	-	111,130	-	-	-	-	111,130
Total liabilities	-	-	111,130	-	36,517	181	-	181,255
Fund Balance								
Reserved for notes receivable	-	-	-	-	-	-	-	912,137
Unreserved, designated for specific projects and programs	107,687	28,598	(111,130)	175,828	(20)	10,245	(3,951)	1,487,633
Total fund balance	107,687	28,598	(111,130)	175,828	(20)	10,245	(3,951)	2,399,770
Total liabilities and fund balance	$ 107,687	$ 28,598	$ -	$ 175,828	$ 36,497	$ 10,426	$ (3,951)	$ 2,581,025

CITY OF ANGELS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						
	Local Transportation	Gas Tax	CDBG Housing	Utica Power Authority	Light and Landscape District	Public Safety	TOT Emergency Service
Revenue							
Taxes	$ -	$ -	$ -	$ -	$ 163,962	$ -	$ 105,288
Intergovernmental	3,006	103,643	289,756	-	-	191,354	-
Charges for services	-	-	-	20,374	-	15,451	-
Interest	-	-	-	761	7,949	-	-
Total revenue	3,006	103,643	289,756	21,135	171,911	206,805	105,288
Expenditures							
Public works	4,202	162,959	-	3,088	105,836	-	-
Community development	-	-	28,000	-	-	-	-
Public safety	-	-	-	-	-	296,755	125,418
Capital outlay	-	-	-	-	-	18,071	-
Total expenditures	4,202	162,959	28,000	3,088	105,836	314,826	125,418
Revenue over (under) expenditures	(1,196)	(59,316)	261,756	18,047	66,075	(108,021)	(20,130)
Other financing sources/(uses)							
Operating transfers in/(out) - net	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Change in Fund Balance	(1,196)	(59,316)	261,756	18,047	66,075	(108,021)	(20,130)
Fund Balance							
Beginning of year	1,196	194,834	1,029,808	125,640	376,018	296,454	11,348
End of year	$ -	$ 135,518	$ 1,291,564	$ 143,687	$ 442,093	$ 188,433	$ (8,782)

CITY OF ANGELS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds		Capital Projects Fund					
	TOT Roads	TOT Tourism	Redevelopment Agency	Prop 1B	Capital Projects Fund	Transportation Impact Fees	Fire Impact Fees	Total Non-major Governmental Funds
Revenue								
Taxes	$ 105,288	$ 105,287	$ -	$ -	$ -	$ -	$ -	$ 479,825
Intergovernmental	-	-	-	-	220,435	-	-	808,194
Charges for services	-	-	-	-	-	-	-	35,825
Interest	-	-	-	-	-	-	-	8,710
Total revenue	105,288	105,287	-	-	220,435	-	-	1,332,554
Expenditures								
Public works	6,241	-	-	-	-	354	-	282,680
Community development	-	77,041	-	200,494	220,455	-	-	525,990
Public safety	-	-	-	-	-	-	-	422,173
Capital outlay	-	-	-	-	-	-	-	18,071
Total expenditures	6,241	77,041	-	200,494	220,455	354	-	1,248,914
Revenue over (under) expenditures	99,047	28,246	-	(200,494)	(20)	(354)	-	83,640
Other financing sources/(uses)								
Operating transfers in/(out) - net	-	-	(57,600)	376,322	-	(376,322)	-	(57,600)
	-	-	(57,600)	376,322	-	(376,322)	-	(57,600)
Change in Fund Balance	99,047	28,246	(57,600)	175,828	(20)	(376,676)	-	26,040
Fund Balance								
Beginning of year	8,640	352	(53,530)	-	-	386,921	(3,951)	2,373,730
End of year	$ 107,687	$ 28,598	$ (111,130)	$ 175,828	$ (20)	$ 10,245	$ (3,951)	$ 2,399,770

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

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Travis Evenson

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Honorable Mayor and City Council
City of Angels, California

We have audited the financial statements of the City of Angels, as of, and for the year ended June 30, 2009, and have issued our report thereon dated September 17, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Angels's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination or significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

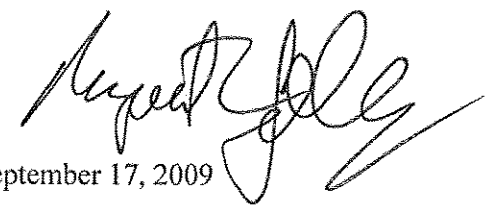
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Angels's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the City of Angels in a separate letter dated September 17, 2009.

This report is intended solely for the information and use of the City Council, management, federal and state awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



September 17, 2009

CITY OF ANGELS REDEVELOPMENT AGENCY

INDEPENDENT AUDITOR'S REPORTS
AND
FINANCIAL STATEMENTS
JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Angels Redevelopment Agency
Angels Camp, California

We have audited the accompanying component unit financial statements of the governmental activities of each major fund for the City of Angels Redevelopment Agency (Agency), a component unit of the City of City of Angels, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the foregoing table of contents. The component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the component unit financial statements based on our audit.

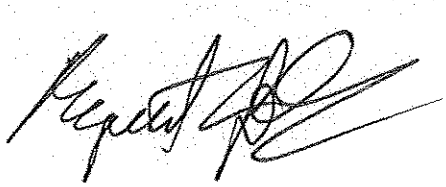
We conducted our audit in accordance with United States of America generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund of the Agency at June 30, 2009, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in Note 3 to the financial statements, the Agency has net deficiency in net assets of $111,130 at June 30, 2009, that raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



September 17, 2009

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

CITY OF ANGELS REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets	
Cash and investments	$ -
Total assets	-
Liabilities	
Long-term debt	
Due in more than one year	111,130
Total liabilities	111,130
Net Assets	
Unrestricted (deficit)	(111,130)
Total net assets (deficit)	$ (111,130)

CITY OF ANGELS REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Expenses	Operating Grants and Contributions	Net Revenue/(Expenses) and Changes in Net Assets Primary Government: Governmental Activities	Total
FUNCTIONS/PROGRAMS				
Primary government:				
Governmental activities:				
Community redevelopment	$ 57,600	$ -	$ (57,600)	$ (57,600)
Total governmental activities	$ 57,600	$ -	(57,600)	(57,600)
GENERAL REVENUE				
Transfer from City of Angels			-	-
Total general revenue			-	-
CHANGE IN NET ASSETS			(57,600)	(57,600)
NET ASSETS (DEFICIT)				
Beginning of year			(53,530)	(53,530)
End of year			$ (111,130)	$ (111,130)

CITY OF ANGELS REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Total Governmental Funds
ASSETS	
Cash and investments	$ -
Total assets	$ -
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	-
Total liabilities	-
Fund Balance	
Unreserved and undesignated	-
Total fund balance	-
Total liabilities and fund balance	$ -

CITY OF ANGELS REDEVELOPMENT AGENCY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances	$ -
Amounts reported for governmental activities in the statement of net assets are different because:	
The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Fund Balance Sheet:	
Advances from City of Angels	(111,130)
Net assets of governmental activities	$ (111,130)

Note 1 – Summary of Significant Accounting Policies

Organization and Purpose – The City of Angels Redevelopment Agency (Agency) was formed under the provisions of the Community Redevelopment Law (California Health and Safety Code).

The Agency is an integral part of the City of Angels. Accordingly, the accompanying basic financial statements are included as a component of the basic financial statements of the City.

The financial statements of the City of Angels Redevelopment Agency have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

Government-wide Statements - T he Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) charges paid by the recipients of goods or services offered by the programs and b) 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 as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

Major Funds – GASB Statement No. 34 defines major funds and requires that the Agency's major governmental type funds to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The Agency has determined that all its funds are major funds.

The Agency reported the following major governmental fund in the accompanying financial statements:

Redevelopment Agency Fund – This fund accounts for redevelopment activity.

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be collectible when it is collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Agency considers property taxes and other revenue to be available in the period for which levied if it is collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency provides funds for certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Government-wide Financial Statements

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Fund Financial Statements

Fund Equity – Reservations of fund balances of governmental funds are created to either report legal covenants, including State laws that require a portion of the fund equity to be segregated or identify the portion of the fund equity not available for future expenditures.

Note 2– Long-Term Debt

Changes in long-term debt for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Advances from the City of Angels	$ 53,530	$ 57,600	$ -	$ 111,130
	$ 53,530	$ 57,600	$ -	$ 111,130

Advance Payable – The City of Angels advanced $111,130 to the Agency with a 0 % interest rate and no payment due date.

Note 3 – Going Concern

The Agency has a deficit net asset balance as of June 30, 2009, which raises doubt about its ability to continue as a going concern. The deficit has occurred due to the Agency incurring start up costs in excess of revenues. Once the redevelopment agency is active, the Agency will be able to reverse the deficit.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
City of Angels Redevelopment Agency
City of Angels, California

We have audited the financial statements of the Redevelopment Agency of the City of Angels, as of, and for the year ended June 30, 2009, and have issued our report thereon dated September 17, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Redevelopment Agency of the City of Angels internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination or significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by Governmental Accounting and Auditing Committee of the California Society of Certified

Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, others within the entity, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

September 17, 2009