CITY OF ANGELS

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2013

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	6
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	7
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	8
Statement of Net Position - Proprietary Funds	9
Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Statement of Net Position - Fiduciary Funds	12
Statement of Changes in Net Position - Fiduciary Funds	13
Notes to Financial Statements	14 - 34

TABLE OF CONTENTS (Continued)

	Page
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	35
Supplemental Only Information	
Combining Balance Sheet – Nonmajor Governmental Funds	36 - 37
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	38 – 39
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*	40 – 41
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	42

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, 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 accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 presentation of the financial statements.

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

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

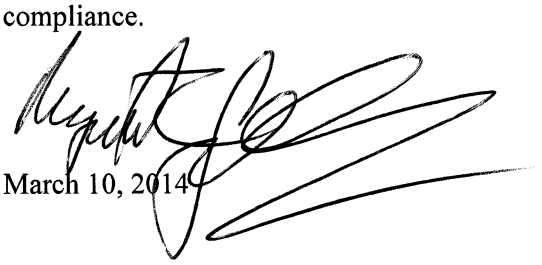
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated March 10, 2014 on our consideration of the City of Angels 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* in considering City of Angels internal control over financial reporting and compliance.



March 10, 2014

CITY OF ANGELS

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments - unrestricted	$ 3,197,701	$ 7,305,879	$ 10,503,580
Cash and investments - restricted	-	287,753	287,753
Accounts receivable, net	59,285	357,392	416,677
Due from other governments	180,500	-	180,500
Taxes receivable	251,634	-	251,634
Prepaid expense	5,020	13,181	18,201
Notes receivable	1,062,540	-	1,062,540
Deferred charges - Bond issuance costs, net	-	29,978	29,978
Capital assets, net of allowance for depreciation	1,344,958	19,637,666	20,982,624
Total assets	6,101,638	27,631,849	33,733,487
LIABILITIES			
Accounts payable and accrued expense	254,375	9,169	263,544
Accrued payroll	59,753	10,670	70,423
Accrued interest	2,108	73,690	75,798
Deposits payable	43,930	16,106	60,036
Compensated absences	186,677	15,964	202,641
Deferred revenue	258,661	-	258,661
Long-term liabilities			
Due within one year	91,209	419,989	511,198
Due in more than one year	175,589	5,874,697	6,050,286
Post-retirement health benefits	508,633	-	508,633
Total liabilities	1,580,935	6,420,285	8,001,220
NET POSITION			
Net investment in capital assets	1,078,160	13,342,980	14,421,140
Restricted for debt service	-	287,753	287,753
Restricted for specific projects and programs	1,252,760	-	1,252,760
Unrestricted	2,189,783	7,580,831	9,770,614
Total net position	$ 4,520,703	$ 21,211,564	$ 25,732,267

See accompanying notes.

CITY OF ANGELS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

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 Position: Governmental Activities	Net Revenue/(Expense) and Changes in Net Position: Business-Type Activities	Net Revenue/(Expense) and Changes in Net Position: Total
Primary Government							
Governmental activities							
General government	$ 1,441,063	$ 30,605	$ -	$ -	$ (1,410,458)	$ -	$ (1,410,458)
Public works	909,163	48,741	102,570	-	(757,852)	-	(757,852)
Community development	823,959	79,542	-	246,205	(498,212)	-	(498,212)
Public safety	1,720,111	33,302	218,386	-	(1,468,423)	-	(1,468,423)
Parks and recreation	165,594	33,160	-	-	(132,434)	-	(132,434)
Debt Service							
Interest and fiscal charges	11,348	-	-	-	(11,348)	-	(11,348)
Total governmental activities	5,071,238	225,350	320,956	246,205	(4,278,727)	-	(4,278,727)
Business-type activities							
Water	577,877	1,540,258	-	-	-	962,381	962,381
Sewer	1,685,812	2,216,596	-	-	-	530,784	530,784
Total business-type activities	2,263,689	3,756,854	-	-	-	1,493,165	1,493,165
Total primary government	$ 7,334,927	$ 3,982,204	$ 320,956	$ 246,205	(4,278,727)	1,493,165	(2,785,562)
General Revenue							
Property taxes					638,180	-	638,180
Special assessments					55,642	-	55,642
Sales taxes					546,243	-	546,243
Franchise and other taxes					1,012,052	-	1,012,052
Motor vehicle license-in-lieu					230,017	-	230,017
Rents					33,472	-	33,472
Interest income					11,173	39,866	51,039
Other income					16,524	-	16,524
Transfers					1,665,744	(1,665,744)	-
Total general revenue and transfers					4,209,047	(1,625,878)	2,583,169
Change in Net Position					(69,680)	(132,713)	(202,393)
Net Position							
Beginning of year					4,590,383	21,344,277	25,934,660
End of year					$ 4,520,703	$ 21,211,564	$ 25,732,267

See accompanying notes.

CITY OF ANGELS

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,816,147	$ 1,381,554	$ 3,197,701
Accounts receivable, net	59,285	-	59,285
Due from other governments	75,429	105,071	180,500
Taxes receivable	150,981	100,653	251,634
Prepaid expense	5,020	-	5,020
Due from other funds	50,552	-	50,552
Notes receivable	-	1,062,540	1,062,540
Total assets	$ 2,157,414	$ 2,649,818	$ 4,807,232
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expense	$ 224,909	$ 29,466	$ 254,375
Accrued payroll	59,753	-	59,753
Compensated absences	186,677	-	186,677
Due to other funds	-	50,552	50,552
Deferred revenue	-	258,661	258,661
Deposits payable	43,930	-	43,930
Total liabilities	515,269	338,679	853,948
Fund Balance			
Nonspendable			
Notes receivable	-	1,062,540	1,062,540
Prepaid expense	5,020	-	5,020
Restricted			
Capital improvement projects	-	233,481	233,481
Circulation improvements	-	425,374	425,374
Lighting, landscape & park maintenance	-	319,765	319,765
Low-income housing activities	-	250,705	250,705
Public safety	-	23,435	23,435
Assigned			
Other post employment benefits	275,769	-	275,769
Unassigned	1,361,356	(4,161)	1,357,195
Total fund balance	1,642,145	2,311,139	3,953,284
Total liabilities and fund balance	$ 2,157,414	$ 2,649,818	$ 4,807,232

See accompanying notes.

CITY OF ANGELS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balance	$ 3,953,284
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,344,958
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(775,431)
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	(2,108)
Net position of governmental activities	$ 4,520,703

See accompanying notes.

CITY OF ANGELS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes	$ 2,079,605	$ 402,529	$ 2,482,134
Licenses, permits and impact fees	59,596	12,971	72,567
Intergovernmental	108,686	445,504	554,190
Charges for services	130,872	22,190	153,062
Fines and forfeitures	12,692	-	12,692
Rental	33,472	-	33,472
Interest	4,147	7,026	11,173
Other	16,524	-	16,524
Total revenue	2,445,594	890,220	3,335,814
Expenditures			
Current			
General government	1,278,061	-	1,278,061
Public works	615,015	288,816	903,831
Community development	439,995	383,964	823,959
Public safety	1,594,369	30,000	1,624,369
Parks and recreation	155,847	-	155,847
Captial outlay	6,574	-	6,574
Debt Service			
Principal	69,310	-	69,310
Interest and fiscal charges	12,320	-	12,320
Total expenditures	4,171,491	702,780	4,874,271
Revenue over/(under) expenditures	(1,725,897)	187,440	(1,538,457)
Other Financing Sources/(Uses)			
Transfers in/(out) - net	1,912,405	(246,661)	1,665,744
	1,912,405	(246,661)	1,665,744
Change in Fund Balance	186,508	(59,221)	127,287
Fund Balance			
Beginning of year	1,455,637	2,370,360	3,825,997
End of year	$ 1,642,145	$ 2,311,139	$ 3,953,284

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 YEAR ENDED JUNE 30, 2013

Net change in fund balance - total governmental funds	$	127,287
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 Position		69,310
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized as an asset and depreciated over the period of service		6,574
Post-retirement benefit costs in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the Governmental Funds		(158,334)
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		(115,489)
In the Statement of Activities interest is accrued on long-term debt, whereas, in governmental funds interest expenditure is reported when due		972
Change in net position of governmental activities	$	(69,680)

See accompanying notes.

CITY OF ANGELS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
ASSETS			
Current assets			
Cash and investments - unrestricted	$ 5,638,634	$ 1,667,245	$ 7,305,879
Cash and investments - restricted for bonds	-	287,753	287,753
Accounts receivable, net	160,719	196,673	357,392
Prepaid expense	440	12,741	13,181
Total current assets	5,799,793	2,164,412	7,964,205
Non-current assets			
Advance from other fund	855,000	-	855,000
Deferred issuance costs	-	29,978	29,978
Property, plant and equipment, net of allowance for depreciation	1,987,839	17,649,827	19,637,666
Total assets	8,642,632	19,844,217	28,486,849
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	1,135	8,034	9,169
Accrued payroll	5,335	5,335	10,670
Accrued interest	-	73,690	73,690
Deposits payable	16,106	-	16,106
Current portion of long-term debt	80,558	339,431	419,989
Total current liabilities	103,134	426,490	529,624
Non-current liabilities			
Advance to other fund	-	855,000	855,000
Long-term debt	681,021	5,193,676	5,874,697
Compensated absences	7,982	7,982	15,964
Total noncurrent liabilities	689,003	6,056,658	6,745,661
Total liabilities	792,137	6,483,148	7,275,285
NET POSITION			
Net investment in capital assets	1,226,260	12,116,720	13,342,980
Restricted for debt service	-	287,753	287,753
Unrestricted	6,624,235	956,596	7,580,831
Total net position	$ 7,850,495	$ 13,361,069	$ 21,211,564

See accompanying notes.

CITY OF ANGELS

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
Operating Revenue			
Charges for services	$ 1,531,988	$ 2,210,476	$ 3,742,464
Connection fees	8,270	6,120	14,390
Total operating revenue	1,540,258	2,216,596	3,756,854
Operating Expense			
Contractual services and utilities	130,418	282,163	412,581
Personnel	229,914	356,461	586,375
Supplies and materials	85,126	188,559	273,685
Depreciation and amortization	132,309	607,596	739,905
Total operating expense	577,767	1,434,779	2,012,546
Operating income/(loss)	962,491	781,817	1,744,308
Nonoperating Revenue/(Expense)			
Interest income	33,063	6,803	39,866
Interest expense	(110)	(251,033)	(251,143)
Total nonoperating revenue/(expense)	32,953	(244,230)	(211,277)
Net income/(loss) before transfers	995,444	537,587	1,533,031
Operating Transfers In/(Out)	(881,158)	(784,586)	(1,665,744)
Change in Net Position	114,286	(246,999)	(132,713)
Net Position			
Beginning of year	7,736,209	13,608,068	21,344,277
End of year	$ 7,850,495	$ 13,361,069	$ 21,211,564

See accompanying notes.

CITY OF ANGELS

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Activities			
Receipts from customers and users	$ 1,539,634	$ 2,232,454	$ 3,772,088
Payments for contractual services and utilities	(177,308)	(385,325)	(562,633)
Payments to employees	(293,968)	(411,444)	(705,412)
Payment to suppliers	(85,126)	(188,559)	(273,685)
Net cash provided by operating activities	983,232	1,247,126	2,230,358
Non-capital Financial Activities			
Payments (to)/from other funds	50,000	(50,000)	-
Payments (to)/from other governments	-	35,000	35,000
Transfer (to)/from other funds	(881,158)	(784,586)	(1,665,744)
Net cash provided by (used in) noncapital financing activities	(831,158)	(799,586)	(1,630,744)
Capital and Related Financing Activities			
Purchase of property, plant and equipment	(21,705)	(1,071,984)	(1,093,689)
Principal received (paid) on long-term debt, net	(64,421)	(316,132)	(380,553)
Interest paid on long-term debt	(110)	(252,535)	(252,645)
Net cash used in capital and related financing activities	(86,236)	(1,640,651)	(1,726,887)
Investing Activities			
Interest received	35,355	7,739	43,094
Net cash provided by investing activities	35,355	7,739	43,094
Net Increase (Decrease) in Cash	101,193	(1,185,372)	(1,084,179)
Cash			
Beginning of year	5,537,441	3,140,370	8,677,811
End of year	$ 5,638,634	$ 1,954,998	$ 7,593,632
Cash Flows from Operating Activities			
Operating income (loss)	$ 962,491	$ 781,817	$ 1,744,308
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	132,309	607,596	739,905
(Increase) Decrease in Accounts Receivable	(624)	15,858	15,234
(Increase) Decrease in Prepaid Expenses	3,487	(8,947)	(5,460)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(114,431)	(149,198)	(263,629)
Net Cash Provided by Operating Activities	$ 983,232	$ 1,247,126	$ 2,230,358

See accompanying notes.

CITY OF ANGELS

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Greenhorn Creek Assessment District	LAFCO Trust Fund
ASSETS		
Cash and investments	$ 789,506	$ 120,909
Restricted cash and investments with fiscal agents	471,161	-
Due from other governments	39,981	-
Total assets	1,300,648	120,909
LIABILITIES		
Accounts payable	14,000	-
Due to bondholders	1,286,648	-
Total liabilities	1,300,648	-
NET POSITION		
Held in trust for Local Agency Formation Commission	-	120,909
Total net position	$ -	$ 120,909

See accompanying notes.

CITY OF ANGELS

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	LAFCO Trust Fund
Additions	
Contributions	$ 77,797
Project revenue	4,150
Interest	423
Total additions	82,370
Deductions	
Administrative costs	122,703
Change in Net Position	(40,333)
Net Position	
Beginning of year	161,242
End of year	$ 120,909

See accompanying notes.

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.

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.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) 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 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.

Net position is 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 position. 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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 major enterprise funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

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).

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.

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.

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 consist of deposits in the State of California Local Agency Investment Fund and money market funds. Investments are stated at cost or amortized cost.

Note 1 – Summary of Significant Accounting Policies (Continued)

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. Proprietary Fund receivables are shown net of allowance for uncollectible accounts.

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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Deferred Revenue – Revenues received but not yet earned are deferred until such time as those monies meet the revenue recognition criteria. In the case of intergovernmental revenues in the fund financial statements (e.g., grants, entitlements and shared revenue), the basis of accounting for such revenue is determined according to the procedures common to each type in which the grant, entitlement, or shared revenue is recorded. Grants, entitlements and shared revenues receive earlier than the time established by the revenue recognition criteria are reported as deferred revenues. Revenues earned but not yet received, may not be available in a timely manner to pay current expenditures or obligations. Such receivables, not meeting the availability criteria necessary for accrual under modified accrual basis accounting principles, are offset by deferred revenue and revenue is not recognized for that period in the fund financial statements. In the government-wide financial statements, however, availability criteria are not considered. Instead, revenues become and remain receivable, from the point in time when revenue is earned through performance or similar recognition standards, until received.

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 Position. 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 Position. 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 Position.

Net Position/Fund Equity - The government-wide and business-type activities financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment In Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. 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 Position - This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Fund Equity – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.

- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.

- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.

- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.

- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

Note 1 – Summary of Significant Accounting Policies (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

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.

Implementation of New GASB Pronouncements - The District adopted new accounting standards in order to conform with the following Governmental Accounting Standards Board Statements (GASB):

- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the authoritative pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.*

- In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 10,503,580
Cash and Investments with fiscal agent	287,753
Fiduciary Funds:	
Cash and Investments	910,415
Restricted Cash and Investments with fiscal agent	471,161
Total Cash and Investments	$ 12,172,909

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	$ 825
Deposits with Financial Institutions	6,743,474
Local Agency Investment Fund	4,669,695
Held by Fiscal Agent:	
Mutual Fund	758,915
Total Cash and Investments	$ 12,172,909

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, 2013 the City had the following investments.

Investment Type		Maturity Date
Local Agency Investment Fund	$ 4,669,695	N/A
Held by Bond Trustee:		
Mutual Fund	758,915	N/A
Total	$ 5,428,610	

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	$ 4,669,695	N/A	$ 4,669,695
Held by Bond Trustee:			
Mutual Fund	758,915	N/A	758,915
Total	$ 5,428,610		$ 5,428,610

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.

$5,723,926 of the City's deposits with financial institutions is in excess of federal depository insurance limits.

Note 3 – Cash and Investments (Continued)

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 $1,122,184 consist of mortgage loans for housing and property rehabilitation and construction.

Note 5 – Interfund Receivables and Payables

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2013 are as follows:

	Due From	Due To
General Fund	$ -	$ 50,552
Public Safety Fund	11,427	-
TOT Emergency Service Fund	36,800	-
TOT Tourism Fund	1,413	-
Fire Impact Fees Fund	912	-
	$ 50,552	$ 50,552

Note 6 – 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 position. 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 6 – Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
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	748,894	-	-	748,894
Machinery and equipment	1,616,028	136,320	-	1,752,348
Total capital assets, being depreciated	2,364,922	136,320	-	2,501,242
Less accumulated depreciation for:				
Buildings and improvements	(355,611)	(19,651)	-	(375,262)
Machinery and equipment	(1,436,126)	(95,838)	-	(1,531,964)
Total accumulated depreciation	(1,791,737)	(115,489)	-	(1,907,226)
Total capital assets, being depreciated, net	573,185	20,831	-	594,016
Governmental activities capital assets, net	$ 1,324,127	$ 20,831	$ -	$ 1,344,958
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 116,515	$ -	$ -	$ 116,515
Construction in progress	542,256	1,013,074	(1,555,330)	-
Total capital assets, not being depreciated	658,771	1,013,074	(1,555,330)	116,515
Capital assets, being depreciated				
Buildings and improvements	20,854,789	-	-	20,854,789
Infrastructure	4,211,405	1,555,330	-	5,766,735
Machinery and equipment	883,564	80,615	-	964,179
Total capital assets, being depreciated	25,949,758	1,635,945	-	27,585,703
Less: accumulated depreciation	(7,334,637)	(729,915)	-	(8,064,552)
Total capital assets, being depreciated, net	18,615,121	906,030	-	19,521,151
Business-type activities capital assets, net	$ 19,273,892	$ 1,919,104	$ (1,555,330)	$ 19,637,666

Note 6 – Capital Assets (Continued)

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

Governmental Functions:	
General Government	$ 4,668
Public Works and Development	5,332
Public Safety	95,742
Parks and Recreation	9,747
	$ 115,489
Business-Type Functions:	
Water	$ 132,309
Sewer	597,606
	$ 729,915

Note 7 – 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, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Governmental Activity Long Term Debt					
Vehicle Capital Lease	$ -	$ 129,746	$ (5,956)	$ 123,790	$ 24,357
Hydrox Property Lease Payable	206,362	-	(63,354)	143,008	66,852
Total Governmental Activity Debt	$ 206,362	$ 129,746	$ (69,310)	$ 266,798	$ 91,209
Business-Type Activity Long Term Debt					
Bond Payable					
2001A Wastewater Revenue Bonds	$ 1,025,000	$ -	$ (240,000)	$ 785,000	$ 250,000
Loans Payable					
California Department of Water Resources	819,149	-	(74,468)	744,681	74,468
U.S. Department of Agriculture					
Rural Development	4,540,000	-	(70,000)	4,470,000	70,000
California Department of Water Resources	274,394	-	(13,185)	261,209	13,342
Vehicle Capital Lease	-	25,302	(1,162)	24,140	4,750
Hydrox Property Lease Payable	16,697	-	(7,040)	9,657	7,429
Total Business-Type Activity Debt	$ 6,675,240	$ 25,302	$ (405,855)	$ 6,294,687	$ 419,989
Compensated Absences					
Government Activities	$ 120,308	$ 66,369	$ -	$ 186,677	
Business-Type Activities	$ 87,616	$ -	$ (71,652)	$ 15,964	

Note 7 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2013 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%.

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.

State of California Department of Water Resources – 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.

Note 7 – Long-Term Debt (Continued)

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2013 were as follows:

	Governmental Activities		Business-Type Activities	
Years ending June 30,	Principal	Interest	Principal	Interest
2014	91,209	12,436	419,989	221,902
2015	101,393	7,452	430,094	207,782
2016	26,147	2,212	448,176	192,644
2017	27,091	1,268	173,499	182,873
2018	20,958	311	177,438	179,148
2019-2023	-	-	923,872	836,166
2024-2028	-	-	675,180	720,743
2029-2033	-	-	781,439	578,729
2034-2038	-	-	905,000	407,575
2039-2043	-	-	1,110,000	198,262
2044	-	-	250,000	10,625
	$ 266,798	$ 23,679	$ 6,294,687	$ 3,736,449

Note 8 – 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 $5,490,000.

Note 9 – Advances From/To Other Funds

In order to assist the Sewer Fund with its sewer line replacement project, the Water Fund lent it $1,105,000 in June 2012. The loan will be repaid in annual installments plus interest at 2% per annum. The balance owed at June 30, 2013 was $855,000.

Note 10 – Fund Balance

Fund Balance and Retained Earnings Deficits - The following is a summary of deficit fund balances and retained earnings as of June 30, 2013:

TOT Emergency Service	$ (3,249)
Fire Impact Fees	(912)
	$ (4,161)

These deficits are are expected to be relieved from future revenues or transfers from other funds.

Note 11 – 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 21.002% for non-safety employees, 15.358% for firefighters, and 33.267% 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 2013, the City's annual pension cost of $498,486 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. 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.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 523,059	100%	$ -
6/30/2012	418,092	100%	-
6/30/2013	498,486	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 12 – Post-Employment Health Care Benefits

Post Retirement Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Prior to adopting the requirements of GASB Statement No. 45, the City recognized the cost of postemployment healthcare in the year it was paid. With the implementation of GASB Statement No. 45 the City started reporting the accumulated liability from prior years in order to provide information useful in assessing potential demands on the City's future cash flows.

Plan Description

The City provides 50% of the monthly medical insurance premiums for retired employee and spouse for life and is retired prior to July 1, 2009. To be eligible for these benefits, the employee must be 50 years of age upon retirement with five (5) years of service. For employees retiring after July 1, 2009, at age 50 or older, with 5 years of City service if hired prior to July 1, 2009 or ten years of service if hired after that date, the City provides 50% of the monthly medical insurance premiums for the employee only.

Funding Policy

The contributions requirements of plan members and the City are established and may be amended by the City. The City determines the required contributions using the Entry Age Normal Method. The required contribution is based on projected pay-as-you-go financing requirements. For 2013, the City contributed $49,287 to the plan through current year premium payments.

Membership in the plan consisted of the following at June 30, 2013, the date of the latest actuarial valuation.

Retirees receiving benefits	12
Active plan members eligible	60
Total	72
Retired employees:	
Average Age	66.3
Average Retirement Age	60

Note 12 – Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the perameters of GASB 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 acturarial liabilities (or funding excess) over a period of thirty (30) years. The following table shows the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (OPEB cost)	$ 210,546
Interest on net OPEB obligation	14,196
Adjustment to annual required contribution	(21,734)
Annual OPEB cost (expense)	203,008
Age adjusted contributions made	(49,287)
Increase in net OPEB obligation	153,721
Net OPEB obligation, beginning of year	354,912
Net OPEB obligation, end of year	$ 508,633

OPEB Cost Contributed

Year Ended June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 153,483	$ 17,559	11.4%	$ 277,514
2012	167,359	89,961	53.8%	354,912
2013	203,008	49,287	24.3%	508,633

Schedule of Funding Progess

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
06/30/13	$ 1,686,478	-	$ 1,686,478	0.0%	$ 2,837,760	59.4%

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 employement, 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 status and progress, as shown above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 12 – Post-Employment Health Care Benefits (Continued)

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 plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual OPEB cost was determined as part of the June 30, 2013 actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date	June 30, 2013	
Actuarial Cost Method	Entry Age Normal	
Asset Valuation Method	Market Value	
Amortization Method	Level Dollar Amount	
Remaining Amortization Period	27 years	
Actuarial Assumptions:		
Investment Rate of Return	4.0%	
Inflation Rate	3.0%	
Payroll Increase	3.25%	
Health Cost Trend Rates:	Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:	
	Year After Valuation Date	Medical Premiums
	2014	Actual Premiums
	2015	8.5%
	2016	8.0%
	2017	7.5%
	2018	7.0%
	Thereafter	6.5% to 4.6%

Note 13 – 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 14 – 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.

Note 15 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through March 10, 2014, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANGELS

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Taxes	$ 2,063,000	$ 2,063,000	$ 2,079,605	$ 16,605
Licenses, permits and impact fees	55,800	55,800	59,596	3,796
Intergovernmental	-	-	108,686	108,686
Charges for services	124,287	124,287	130,872	6,585
Fines and forfeitures	-	-	12,692	12,692
Interest and rents	38,730	38,730	37,619	(1,111)
Other	-	-	16,524	16,524
Total revenue	2,281,817	2,281,817	2,445,594	163,777
Expenditures				
Current				
General government	1,104,440	1,104,440	1,278,061	(173,621)
Public works	572,175	572,175	615,015	(42,840)
Community development	1,125,495	1,125,495	439,995	685,500
Public safety	1,585,595	1,585,595	1,594,369	(8,774)
Parks and recreation	146,685	146,685	155,847	(9,162)
Capital outlay	-	-	6,574	(6,574)
Debt Service				
Principal	70,395	70,395	69,310	1,085
Interest and fiscal charges	12,320	12,320	12,320	-
Total expenditures	4,617,105	4,617,105	4,171,491	445,614
Revenue over (under)expenditures	(2,335,288)	(2,335,288)	(1,725,897)	609,391
Other Financing Sources				
Transfers in (out) - net	2,576,005	2,576,005	1,912,405	(663,600)
Net Change in Fund Balance	$ 240,717	$ 240,717	186,508	$ (54,209)
Fund Balance				
Beginning of year			1,455,637	
End of year			$ 1,642,145	

SUPPLEMENTAL ONLY INFORMATION

CITY OF ANGELS

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds							
	Gas Tax	Local Transportation	CDBG Housing	Utica Power Authority	Light and Landscape District	Public Safety	TOT Emergency Service	TOT Roads
ASSETS								
Cash and investments	$ 24,824	$ -	$ 250,705	$ 225,518	$ 316,911	$ -	$ -	$ 166,514
Due from other governments	9,340	-	-	1,935	2,854	55,980	-	-
Taxes receivable	-	-	-	-	-	-	33,551	33,551
Notes receivable	-	-	1,062,540	-	-	-	-	-
Total assets	$ 34,164	$ -	$ 1,313,245	$ 227,453	$ 319,765	$ 55,980	$ 33,551	$ 200,065
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable and accrued expense	$ 148	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred revenue	-	-	-	-	-	22,286	-	-
Due to other funds	-	-	-	-	-	11,427	36,800	-
Total liabilities	148	-	-	-	-	33,713	36,800	-
Fund Balance								
Nonspendable								
Notes receivable	-	-	1,062,540	-	-	-	-	-
Restricted								
Capital improvement projects	-	-	-	227,453	-	-	-	-
Circulation improvements	34,016	-	-	-	-	-	-	200,065
Lighting, landscape & park maintenance	-	-	-	-	319,765	-	-	-
Low-income housing activities	-	-	250,705	-	-	-	-	-
Public safety	-	-	-	-	-	22,267	-	-
Unassigned	-	-	-	-	-	-	(3,249)	-
Total fund balance	34,016	-	1,313,245	227,453	319,765	22,267	(3,249)	200,065
Total liabilities and fund balance	$ 34,164	$ -	$ 1,313,245	$ 227,453	$ 319,765	$ 55,980	$ 33,551	$ 200,065

CITY OF ANGELS

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2013

	Special Revenue Fund	Capital Projects Funds					Total Non-major Governmental Funds
	TOT Tourism	Capital Projects Fund	Park Impact Fees	Police Impact Fees	Transportation Impact Fees	Fire Impact Fees	
ASSETS							
Cash and investments	$ -	$ 201,712	$ 2,909	$ 1,168	$ 191,293	$ -	$ 1,381,554
Due from other governments	-	34,962	-	-	-	-	105,071
Taxes receivable	33,551	-	-	-	-	-	100,653
Notes receivable	-	-	-	-	-	-	1,062,540
Total assets	$ 33,551	$ 236,674	$ 2,909	$ 1,168	$ 191,293	$ -	$ 2,649,818
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable and accrued expense	$ 29,318	$ -	$ -	$ -	$ -	$ -	29,466
Deferred revenue	-	236,375	-	-	-	-	258,661
Due to other funds	1,413	-	-	-	-	912	50,552
Total liabilities	30,731	236,375	-	-	-	912	338,679
Fund Balance							
Nonspendable							
Notes receivable	-	-	-	-	-	-	1,062,540
Restricted							
Capital improvement projects	2,820	299	2,909	-	-	-	233,481
Circulation improvements	-	-	-	-	191,293	-	425,374
Lighting, landscape & park maintenance	-	-	-	-	-	-	319,765
Low-income housing activities	-	-	-	-	-	-	250,705
Public safety	-	-	-	1,168	-	-	23,435
Unassigned	-	-	-	-	-	(912)	(4,161)
Total fund balance	2,820	299	2,909	1,168	191,293	(912)	2,311,139
Total liabilities and fund balance	$ 33,551	$ 236,674	$ 2,909	$ 1,168	$ 191,293	$ -	$ 2,649,818

CITY OF ANGELS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds							
	Gas Tax	Local Transportation	CDBG Housing	Utica Power Authority	Light and Landscape District	Public Safety	TOT Emergency Service	TOT Roads
Revenue								
Taxes	$ -	$ -	$ -	$ -	$ 55,642	$ -	$ 115,658	$ 115,658
Developer impact fees	-	-	-	-	-	-	-	-
Intergovernmental	102,570	-	-	-	-	109,700	-	-
Charges for services	-	-	-	22,190	-	-	-	-
Interest	273	-	2,335	783	1,064	344	-	878
Total revenue	102,843	-	2,335	22,973	56,706	110,044	115,658	116,536
Expenditures								
Public works	120,175	-	-	-	142,099	-	-	26,542
Community development	-	15,941	1,568	-	-	-	-	-
Public safety	-	-	-	-	-	30,000	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	120,175	15,941	1,568	-	142,099	30,000	-	26,542
Revenue over (under) expenditures	(17,332)	(15,941)	767	22,973	(85,393)	80,044	115,658	89,994
Other financing sources/(uses)								
Operating transfers in/(out) - net	(15,500)	-	(12,937)	-	-	(107,500)	(108,000)	(4,485)
	(15,500)	-	(12,937)	-	-	(107,500)	(108,000)	(4,485)
Change in Fund Balance	(32,832)	(15,941)	(12,170)	22,973	(85,393)	(27,456)	7,658	85,509
Fund Balance								
Beginning of year	66,848	15,941	1,325,415	204,480	405,158	49,723	(10,907)	114,556
End of year	$ 34,016	$ -	$ 1,313,245	$ 227,453	$ 319,765	$ 22,267	$ (3,249)	$ 200,065

CITY OF ANGELS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2013

	Special Revenue Fund	Capital Projects Fund					
	TOT Tourism	Capital Projects Fund	Park Impact Fees	Police Impact Fees	Transportation Impact Fees	Fire Impact Fees	Total Non-major Governmental Funds
Revenue							
Taxes	$ 115,571	$ -	$ -	$ -	$ -	$ -	$ 402,529
Developer impact fees	-	-	2,906	1,166	8,488	411	12,971
Intergovernmental	-	233,234	-	-	-	-	445,504
Charges for services	-	-	-	-	-	-	22,190
Interest	-	299	3	2	1,045	-	7,026
Total revenue	115,571	233,533	2,909	1,168	9,533	411	890,220
Expenditures							
Public works	-	-	-	-	-	-	288,816
Community development	111,713	254,742	-	-	-	-	383,964
Public safety	-	-	-	-	-	-	30,000
Capital outlay	-	-	-	-	-	-	-
Total expenditures	111,713	254,742	-	-	-	-	702,780
Revenue over (under) expenditures	3,858	(21,209)	2,909	1,168	9,533	411	187,440
Other financing sources/(uses)							
Operating transfers in/(out) - net	-	1,761	-	-	-	-	(246,661)
	-	1,761	-	-	-	-	(246,661)
Change in Fund Balance	3,858	(19,448)	2,909	1,168	9,533	411	(59,221)
Fund Balance							
Beginning of year	(1,038)	19,747	-	-	181,760	(1,323)	2,370,360
End of year	$ 2,820	$ 299	$ 2,909	$ 1,168	$ 191,293	$ (912)	$ 2,311,139

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Travis B. 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 *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 10, 2014.

Internal Control Over Financial Reporting

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

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

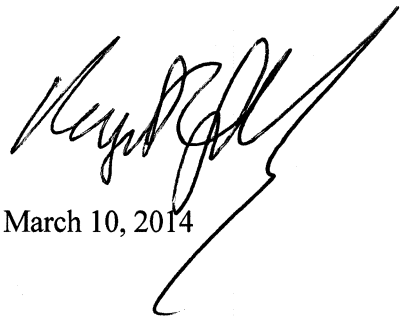
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



March 10, 2014

CITY OF ANGELS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Findings – Financial Statements Audit

2012-1 – Bank Reconciliations – Implemented.

2012-2 – Journal Entry Support and Review - Implemented.

2012-3 – Wire Transfers - Implemented.