

CITY OF ANGELS
FINANCIAL STATEMENTS
JUNE 30, 2017

CITY OF ANGELS

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Angels, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Angels, California, as of and for the year ended June 30, 2017, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City of Angels as of June 30, 2017, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

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

Other Information

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2018 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and other matters and the results of that testing and not to provide an opinion of the internal control over financial reporting, compliance or on other matters.

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

Larry Bain, CPA,
An Accounting Corporation
February 8, 2018

CITY OF ANGELS

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 1,030,906	\$ 8,401,616	\$ 9,432,522
Accounts receivables	103,170	336,173	439,343
Due from other governments	397,255		397,255
Payroll advance receivable	608		608
Taxes receivable	147,199		147,199
Interest receivable	213,692		213,692
Prepaid expenses	42,151	32,652	74,803
Total Current Assets	<u>1,934,982</u>	<u>8,770,441</u>	<u>10,705,423</u>
Non Current Assets			
Internal balances	(99,262)	99,262	-
Restricted cash and investments	793,955		793,955
Loans receivable	1,035,540		1,035,540
Capital assets:			
Land	804,747	116,515	921,262
Construction in Progress	201,958	511	202,469
Buildings and improvements	765,090	22,675,045	23,440,135
Site improvements		4,267,738	4,267,738
Equipment and vehicles	1,574,858	1,366,695	2,941,553
Infrastructure	3,779,634		3,779,634
Less: accumulated depreciation	<u>(3,294,057)</u>	<u>(11,057,202)</u>	<u>(14,351,259)</u>
Total Capital Assets	<u>3,832,230</u>	<u>17,369,302</u>	<u>21,201,532</u>
Total Non Current Assets	<u>5,562,463</u>	<u>17,468,564</u>	<u>23,031,027</u>
Total Assets	<u>7,497,445</u>	<u>26,239,005</u>	<u>33,736,450</u>
Deferred Outflows of Resources			
Deferred outflows-pensions	<u>955,953</u>	<u>563,441</u>	<u>1,519,394</u>
Liabilities			
Current liabilities:			
Accounts payable	347,818	199,612	547,430
Accrued wages	85,884	802	86,686
Accrued interest payable	1,082	18,538	19,620
Due within one year	81,487	363,773	445,259
Total Current Liabilities	<u>516,271</u>	<u>582,724</u>	<u>1,098,995</u>
Noncurrent liabilities			
Due in more than one year	150,900	4,429,652	4,580,552
OPEB liability	834,368	626,824	1,461,192
Net pension liability	3,000,452	1,760,059	4,760,511
Total Liabilities Due In More Than One Year	<u>3,985,720</u>	<u>6,816,535</u>	<u>10,802,255</u>
Total Liabilities	<u>4,501,991</u>	<u>7,399,259</u>	<u>11,901,250</u>
Deferred Inflows of Resources			
Deferred inflows-pensions	186,472	67,232	253,704
Deferred inflows-advances	170,342		170,342
Total Deferred Inflows	<u>356,814</u>	<u>67,232</u>	<u>424,046</u>
Net Position			
Net investment in capital assets	3,751,390	12,667,545	16,418,935
Restricted			-
Unrestricted	<u>(156,797)</u>	<u>6,668,410</u>	<u>6,511,613</u>
Total Net Position	<u>\$ 3,594,593</u>	<u>\$ 19,335,955</u>	<u>\$ 22,930,548</u>

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

CITY OF ANGELS

**STATEMENT OF ACTIVITIES
JUNE 30, 2017**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 446,772	\$ 57,218	\$ -	\$ 2,712	\$ (386,842)	\$ -	\$ (386,842)
Public safety	2,446,928	14,814	29,087	598,118	(1,804,909)		(1,804,909)
Public works	896,001	25,921	222,972	114,074	(533,034)		(533,034)
Community services/recreation	804,750	55,199	31,775	134,817	(582,959)		(582,959)
Interest on long-term debt	4,711				(4,711)		(4,711)
Total Governmental Activities	4,599,162	153,152	283,834	849,721	(3,312,455)		(3,312,455)
Business-type Activities:							
Water	1,601,335	1,655,097				53,763	53,763
Sewer	2,324,522	2,128,774	327,500			131,752	131,752
Interest on long-term debt	291,783					(291,783)	(291,783)
Total Business-type Activities	4,217,640	3,783,871	327,500			(106,268)	(106,269)
Total Government	\$ 8,816,802	\$ 3,937,023	\$ 611,334	\$ 849,721	(3,312,455)	(106,268)	(3,418,723)
General Revenues:							
Taxes:							
Property taxes					524,032		524,032
Sales and use tax					819,168		819,168
Transient occupancy tax					1,083,185		1,083,185
Franchise tax					102,289		102,289
Motor vehicle in lieu tax					246,956		246,956
Other taxes					11,818		11,818
Business license and permits					138,041		138,041
Gain on sale of assets					53,134		53,134
Rents					20,443		20,443
Other income					39,037		39,037
Investment income					16,540	67,436	83,976
Transfers					209,198	(209,200)	(2)
Total general revenues					3,263,841	(141,764)	3,122,077
Change in net position					(48,614)	(248,032)	(296,647)
Net position - beginning					3,643,207	19,583,987	23,227,194
Net position - ending					\$ 3,594,593	\$ 19,335,955	\$ 22,930,547

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

CITY OF ANGELS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	<u>General</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ 1,030,906	\$ -	\$ 1,030,906
Restricted cash and investments		793,955	793,955
Receivables			
Accounts	2,956	100,214	103,170
Due from other governments	341,499	55,756	397,255
Taxes	147,199		147,199
Payroll advance	608		608
Interest	19,131	194,561	213,692
Prepaid expense	42,075	76	42,151
Loans/notes receivable		1,035,540	1,035,540
Total Assets	<u>\$ 1,584,374</u>	<u>\$ 2,180,102</u>	<u>\$ 3,764,476</u>
<u>Liabilities</u>			
Liabilities			
Accounts payable	\$ 205,096	\$ 81,259	\$ 286,355
Accrued expenses	61,463		61,463
Accrued wages	85,880	4	85,884
Advance from other funds		99,262	99,262
Total Liabilities	<u>352,439</u>	<u>180,525</u>	<u>532,964</u>
<u>Deferred Inflows of Resources</u>			
Deferred Revenue-unavailable	19,650	226,538	246,188
Unearned advance-capital grants		170,342	170,342
Total Deferred Inflows of Resources	<u>19,650</u>	<u>396,880</u>	<u>416,530</u>
<u>Fund Balances</u>			
Restricted for petty cash	925		925
Nonspendable	42,075		42,075
Assigned for special revenue funds		1,178,627	1,178,627
Assigned for capital projects funds		424,070	424,070
Assigned for general fund	196,528		196,528
Unassigned	972,757		972,757
Total Fund Balances	<u>1,212,285</u>	<u>1,602,697</u>	<u>2,814,982</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,584,374</u>	<u>\$ 2,180,102</u>	<u>\$ 3,764,476</u>

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

CITY OF ANGELS

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Fund Balances of Governmental Funds	\$ 2,814,982
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	3,832,230
Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	246,188
Certain amounts have been recorded as pension liability, deferred outflows and deferred inflows of resources that are not due and payable and not reported in the funds.	(2,230,971)
Some liabilities, including long-term debt, compensated absences and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,067,836)</u>
Net position of governmental activities	\$ <u><u>3,594,593</u></u>

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

CITY OF ANGELS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,004,350	\$ 609,910	\$ 2,614,260
Licenses and permits	240,330		240,330
Intergovernmental	576,521	405,387	981,908
Fines, forfeitures and penalties	14,814		14,814
Charges for current services	117,532	20,806	138,338
Use of money and property	31,750	5,232	36,982
Other	39,037	238,077	277,114
Total Revenues	<u>3,024,334</u>	<u>1,279,412</u>	<u>4,303,746</u>
Expenditures			
Current:			
General government	429,132		429,132
Public ways and facilities/ transportation	244,322	467,853	712,175
Public safety	2,245,717		2,245,717
Community development	346,342	447,630	793,972
Capital Outlay	93,242	51,167	144,409
Debt service			
Principal	48,876		48,876
Interest	4,710		4,710
Total Expenditures	<u>3,412,341</u>	<u>966,650</u>	<u>4,378,991</u>
Excess (Deficit) of Revenues over Expenditures	<u>(388,007)</u>	<u>312,762</u>	<u>(75,245)</u>
Other Financing Sources (Uses)			
Gain on sale of assets	53,134		53,134
Operating transfers in	315,227	396,990	712,217
Operating transfers out	-	(503,019)	(503,019)
Total Other Financing Sources (Uses)	<u>368,361</u>	<u>(106,029)</u>	<u>262,332</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(19,646)	206,733	187,087
Fund Balances, July 1, 2016	<u>1,231,931</u>	<u>1,395,964</u>	<u>2,627,895</u>
Fund Balances, June 30, 2017	<u>\$ 1,212,285</u>	<u>\$ 1,602,697</u>	<u>\$ 2,814,982</u>

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

CITY OF ANGELS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES-GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 187,087
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized	144,409
Depreciation expense	(246,995)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	48,876
Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	(15,532)
Changes in pension expense and OPEB benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	(152,788)
Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>(13,671)</u>
Change in net position of governmental activities	\$ <u><u>(48,614)</u></u>

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

CITY OF ANGELS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Current assets:			
Cash and investments	\$ 6,207,288	\$ 2,194,328	\$ 8,401,616
Receivables			
Accounts (net of \$71,154 allowance)		188,215	188,215
Accounts (net of \$34,511 allowance)	147,958		147,958
Prepaid expense	12,677	19,975	32,652
Total current assets	<u>6,367,923</u>	<u>2,402,518</u>	<u>8,770,441</u>
Noncurrent assets:			
Advances to other funds	754,262		754,262
Capital assets:			
Nondepreciable capital assets:			
Land	68,965	47,550	116,515
Construction in progress	511		511
Depreciable capital assets			
Building	2,220,336	20,454,709	22,675,045
Site improvements	1,330,644	2,937,094	4,267,738
Equipment	735,070	631,625	1,366,695
Less accumulated depreciation	<u>(2,778,873)</u>	<u>(8,278,329)</u>	<u>(11,057,202)</u>
Total capital assets (net of accumulated depreciation)	<u>1,576,653</u>	<u>15,792,650</u>	<u>17,369,303</u>
Total noncurrent assets	<u>2,330,915</u>	<u>15,792,649</u>	<u>18,123,564</u>
Total Assets	<u>8,698,838</u>	<u>18,195,167</u>	<u>26,894,005</u>
Deferred Outflows of Resources			
Deferred Outflows-Pensions	284,842	278,599	563,441
Total Deferred Outflows of Resources	<u>\$ 284,842</u>	<u>\$ 278,599</u>	<u>\$ 563,441</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 44,153	\$ 155,459	\$ 199,612
Accrued payroll	455	347	802
Current portion - notes payable	74,468	252,879	327,347
Current portion - capital lease	2,044	2,044	4,088
Current portion compensated absence	16,970	15,368	32,338
Interest payable		18,538	18,538
Total current liabilities	<u>138,090</u>	<u>444,634</u>	<u>582,724</u>
Noncurrent liabilities:			
Advances from other funds		655,000	655,000
Compensated absences	31,101	28,228	59,330
Net pension liability	889,792	870,267	1,760,059
OPEB liability	321,959	304,865	626,824
Long-term debt	372,340	3,997,983	4,370,323
Total noncurrent liabilities	<u>1,615,192</u>	<u>5,856,343</u>	<u>7,471,535</u>
Total Liabilities	<u>1,753,282</u>	<u>6,300,977</u>	<u>8,054,259</u>
Deferred Inflows of Resources			
Deferred Inflows-Pensions	33,989	33,243	67,232
Total Deferred Inflows of Resources	<u>33,989</u>	<u>33,243</u>	<u>67,232</u>
Net position:			
Net investment in capital assets	1,127,801	11,539,744	12,667,545
Unreserved	6,068,608	599,802	6,668,410
Total Net Position	<u>\$ 7,196,409</u>	<u>\$ 12,139,546</u>	<u>\$ 19,335,955</u>

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

CITY OF ANGELS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 1,450,235	\$ 1,915,000	\$ 3,365,235
Connection fees	204,862	213,371	418,233
Other income		403	403
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	1,655,097	2,128,774	3,783,871
Operating Expenses			
Salaries and benefits	1,092,348	1,003,037	2,095,385
Services and supplies	374,970	708,590	1,083,560
Depreciation expense	134,017	612,895	746,912
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,601,335	2,324,522	3,925,857
Operating Income (Loss)	<hr/>	<hr/>	<hr/>
	53,762	(195,748)	(141,986)
Non-Operating Revenues (Expenses)			
Interest income	54,568	12,868	67,436
Debt service fee		327,500	327,500
Interest expense	-	(291,783)	(291,783)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	54,568	48,585	103,153
Net Income (Loss) Before Transfers	<hr/>	<hr/>	<hr/>
	108,330	(147,163)	(38,833)
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(209,200)	-	(209,200)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(209,200)	-	(209,200)
Net Income (Loss)	<hr/>	<hr/>	<hr/>
	(100,870)	(147,163)	(248,033)
Net Position, July 1, 2016	<hr/>	<hr/>	<hr/>
	7,297,279	12,286,709	19,583,988
Net Position, June 30, 2017	<hr/>	<hr/>	<hr/>
	\$ 7,196,409	\$ 12,139,546	\$ 19,335,955

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

CITY OF ANGELS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,653,381	\$ 2,127,506	\$ 3,780,887
Cash payments to suppliers	(355,217)	(734,400)	(1,089,617)
Cash payments to employees	(1,053,015)	(956,289)	(2,009,304)
Net Cash Provided By (Used For) Operating Activities	<u>245,149</u>	<u>436,817</u>	<u>681,966</u>
Cash Flows from Non-Capital Financing Activities			
Payments (to)/from other funds	(49,262)	(50,000)	(99,262)
Transfers (to)/from other funds	(209,200)	-	(209,200)
Net Cash Provided by Non-Capital Financing Activities	<u>(258,462)</u>	<u>(50,000)</u>	<u>(308,462)</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of fixed assets	(47,896)	(213,406)	(261,302)
Debt service fee		327,500	327,500
Reductions of debt	(77,109)	(217,638)	(294,747)
Interest expense	-	(334,423)	(334,423)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(125,005)</u>	<u>(437,967)</u>	<u>(562,972)</u>
Cash Flows from Investing Activities:			
Interest income	54,568	12,871	67,439
Net Cash Provided By Investing Activities	<u>54,568</u>	<u>12,871</u>	<u>67,439</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(83,750)	(38,279)	(122,029)
Cash and Cash Equivalents, July 1, 2016	6,291,038	2,232,607	8,523,645
Cash and Cash Equivalents, June 30, 2017	<u>\$ 6,207,288</u>	<u>\$ 2,194,328</u>	<u>\$ 8,401,616</u>
Reconciliation of Cash and Cash Equivalents:			
Cash and investments	\$ 6,207,288	\$ 2,194,328	\$ 8,401,616
Total Cash and Cash Equivalents	<u>\$ 6,207,288</u>	<u>\$ 2,194,328</u>	<u>\$ 8,401,616</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities			
Adjustments to operating income:			
Depreciation	134,017	612,895	746,912
(Increase) decrease in accounts receivable	(1,716)	(1,268)	(2,984)
(Increase) decrease in prepaid expense	(3,335)	2,040	(1,295)
Increase (decrease) in accounts payable	23,088	(27,850)	(4,762)
Increase (decrease) in accrued payroll	(40,749)	(45,211)	(85,960)
Increase (decrease) from GASB 68	3,898	20,109	24,007
Increase (decrease) from OPEB activity	74,049	66,666	140,715
Increase (decrease) in customer deposits			-
Increase (decrease) in compensated absences	2,135	5,184	7,319
Net Cash Provided By (Used For) Operating Activities	<u>\$ 245,149</u>	<u>\$ 436,817</u>	<u>\$ 681,966</u>

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

CITY OF ANGEL

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017**

	Agency Funds		Totals
	Greenhorn Creek Assessment District	LAFCO Trust Fund	
<u>Assets</u>			
Cash and investments	\$ 1,296,329	\$ 148,222	\$ 1,444,552
Due from other governments	41,064	-	41,064
Total Assets	\$ 1,337,393	\$ 148,222	\$ 1,485,616
<u>Liabilities</u>			
Due to others	1,337,393	\$ 3,181	\$ 1,340,574
Total Liabilities	1,337,393	3,181	1,340,574
<u>Net Position</u>			
Held in trust for LAFCO	-	145,042	145,042
Total Net Position	-	\$ 145,042	\$ 145,042

Changes in Fiduciary Net Position-LAFCO Trust Fund

Additions:	
Contributions	\$ 78,713
Total contributions	78,713
Deductions	
Administrative costs	(64,384)
Total Deductions	(64,384)
Change in net position	14,330
Net Position:	
Held in trust for LAFCO:	
Beginning of year	130,712
End of year	\$ 145,042

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

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

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

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies

C. Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds.

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

The City reports the following additional fund types:

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies

D. Use of Estimates

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

E. Cash Equivalents

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

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

F. Accounts Receivable

Accounts receivable are recorded for services, provided to individuals or non-governmental entities that are billed but unpaid. Proprietary Fund receivables are shown net of allowance for uncollectible accounts.

G. Fixed Assets

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

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

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

H. Property Tax

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

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

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

I. Balance Sheet Classifications

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

J. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Compensated Absences

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

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2017, because the City does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability.

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

L. Intergovernmental Revenues

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

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

M. Net Position

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

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

N. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2017, fund balances for governmental funds are made up of the following:

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

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

Note 2: Cash and Investments

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

The City maintains “restricted cash and investments”.

Cash and investments at June 30, 2017, consisted of the following:

Cash and investments	\$ 9,432,522
Restricted cash and investments	793,955
Cash and investments, statement of net position	<u>10,226,477</u>
Cash and investments, agency funds	<u>1,444,552</u>
Total cash and investments	<u><u>\$ 11,671,029</u></u>
Deposits with financial institutions	\$ 1,621,204
Imprest cash	925
Investments with fiscal agent	1,741,605
Local agency investment fund	<u>8,307,295</u>
Total cash and investments	<u><u>\$ 11,671,029</u></u>

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

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 2: Cash and Investments (Continued)

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

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

B. Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Held By Trustee:			
Money Market/Mutual Funds*	\$ 1,893,702	\$ 1,893,702	\$ -
State Investment Pool*	8,307,295	8,307,295	-
Totals	<u>\$ 10,200,997</u>	<u>\$ 10,200,997</u>	<u>\$ -</u>

*Not subject to categorization

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 2: Cash and Investments (Continued)

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

At June 30, 2017, the City's deposits balance was \$1,635,234 and the carrying amount was \$1,621,204. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance \$250,000 was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the City's name and \$489,762 was collateralized with pledged securities.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$77.56 billion. Of the \$77.56 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.89% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Retirements/ Adjustments	Balance June 30, 2017
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 804,747	\$ -	\$ -	\$ 804,747
Construction in progress	166,986	44,568	(9,596)	201,958
Capital assets, being depreciated:				
Buildings and improvements	748,894	16,196		765,090
Equipment and vehicles	1,513,802	93,242	(32,186)	1,574,858
Infrastructure	3,779,634			3,779,634
Total capital assets, being depreciated	6,042,330	109,438	(32,186)	6,119,582
Less accumulated depreciation for:				
Buildings and improvements	(434,268)	(20,682)		(454,950)
Equipment and vehicles	(1,317,954)	(59,793)	32,186	(1,345,561)
Infrastructure	(1,327,026)	(166,520)		(1,493,546)
Total accumulated depreciation	(3,079,248)	(246,995)	32,186	(3,294,057)
Total capital assets, being depreciated, net	2,963,082	(137,557)		2,825,525
Governmental activities capital assets, net	<u>\$ 3,934,815</u>	<u>\$ (92,989)</u>	<u>\$ (9,596)</u>	<u>\$ 3,832,230</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 116,515	\$ -	\$ -	\$ 116,515
Construction in progress	175,208		(174,697)	511
Capital assets, being depreciated:				
Buildings and improvements	22,667,901	7,144		22,675,045
Equipment	1,233,775	132,920		1,366,695
Site improvements	3,971,801	295,937		4,267,738
Total capital assets, being depreciated	27,873,477	436,001	-	28,309,478
Less accumulated depreciation	(10,310,290)	(746,912)		(11,057,202)
Total capital assets, being depreciated, net	17,563,187	(310,911)	-	17,252,276
Business- type activities capital assets, net	<u>\$ 17,854,910</u>	<u>\$ (310,911)</u>	<u>\$ (174,697)</u>	<u>\$ 17,369,302</u>

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

Governmental Activities

General government	\$ 6,778
Public safety	50,041
Streets and roads	179,398
Community Development/Parks	10,778
Total Governmental Type Activities	<u>\$ 246,995</u>

Business-Type Functions

Water	\$ 134,017
Sewer	612,895
Total Business Type Activities	<u>\$ 746,912</u>

City of Angels
Notes to Financial Statements
June 30, 2017

Note 4: Note Receivable

Note receivable in the amount of \$1,035,540 consisted of mortgage loans for housing and property rehabilitation and construction.

Note 5: Long-term Liabilities

A summary of the changes in the City's long-term liabilities reported in the governmental activities column of the government-wide financial statements for the year ended June 30, 2017:

Governmental Activities:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Compensated absences	\$ 137,876	\$ 89,940	\$ (76,269)	\$ 151,547	\$ 38,135
CalPERS pension liability	2,482,394	518,058	-	3,000,452	-
OPEB liability	656,333	178,035	-	834,368	-
Angels Camp Veterans Memorial	20,000	-	(10,000)	10,000	10,000
Vehicle capital leases	109,716	-	(38,876)	70,840	33,352
Total	<u>\$ 3,406,319</u>	<u>\$ 786,033</u>	<u>\$ (125,145)</u>	<u>\$ 4,067,207</u>	<u>\$ 81,487</u>

Capital Leases Payable

A. Lease with John Deere Credit

Long-term debt payable at June 30, 2017 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% In March 2016, the City entered into an agreement with Municipal Asset Management, Inc. to finance to purchase of a Fire Truck in the amount of \$64,522. The City will make 60 monthly payments of \$1,219.10 each with interest at 5.059%. The following table represents all vehicle leases:

Fiscal Year Ended June 30,	
2018	\$ 35,898
2019	14,629
2020	14,629
2021	10,972
Total minimum lease payments	<u>76,129</u>
Less: Amount representing interest	<u>(5,289)</u>
Present value of minimum lease payments	<u>\$ 70,840</u>

City of Angels
Notes to Financial Statements
June 30, 2017

Note 5: Long-term Liabilities (Continued)

Loan Payable

Angels Camp Veterans Memorial District- In December 2013, the City purchased land for \$53,805 from the Angels Camp Veterans Memorial District. As part of the sale the City entered into a promissory note for \$40,000. The City will make 4 annual payments of \$10,678 each with accrued interest at 3.25% per annum with the remaining debt service payments at June 30, 2017 as follows:

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2018	\$ 10,000	\$ 163	\$ 10,163
Totals	\$ 10,000	\$ 163	\$ 10,163

Business-Type Activities:

A summary of the changes in the City's long-term business-type liabilities reported in the proprietary funds statement of net position and the business-type activities column of the government-wide financial statements for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Compensated absences	\$ 84,347	\$ 71,995	\$ (64,675)	\$ 91,667	\$ 32,338
CalPERS pension liability	1,463,362	296,697		1,760,059	-
OPEB liability	486,109	140,715		626,824	-
Dept. of Water Resources note payable	521,277		(74,468)	446,809	74,468
Dept. of Water Resources revolving loan	220,857		(13,720)	207,137	13,858
USDA Sewer bond	4,245,000		(4,245,000)	-	-
Loan payable		4,043,725		4,043,725	239,021
Vehicle capital lease	9,370		(5,283)	4,087	4,087
Total	\$ 7,030,322	\$ 4,553,132	\$ (4,403,146)	\$ 7,180,308	\$ 363,772

State of California Department of Water Resources

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

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2018	\$ 74,468		\$ 74,468
2019	74,468		74,468
2020	74,468		74,468
2021	74,468		74,468
2022	74,468		74,468
2023-2024	74,469		74,469
Totals	\$ 446,809	\$ -	\$ 446,809

City of Angels
Notes to Financial Statements
June 30, 2017

Note 5: Long-term Liabilities (Continued)

Current Refunding

The City of Angels Camp issued \$4,043,725 general obligation bonds for a current refunding of \$4,165,000 United States Department of Agriculture Rural Development Sewer Bonds. The refunding was undertaken to provide an economic gain because of a lower interest rate associated with the new debt issue. The reacquisition price equaled the net carrying amount of the old debt, net of the cost of issuance of \$125,000 and after applying the old debt reserve amount of \$262,180 to the principal balance of the old debt. The transaction resulted in an economic gain of \$760,557 and a savings of \$1,815,015 in future debt service payments.

2017 Refinancing Loan Agreement

On May 4, 2017 the City borrowed \$4,043,725 to refund the United States Department of Agriculture Rural Development Loan. The semi-annual payments are due on September 1 and March 1 each year and the loan matures on March 1, 2032. The loan calls for annual payments between \$326,027 and \$331,102 and carries a 2.73% interest rate as follows:

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2018	\$ 239,021	\$ 89,444	\$ 328,465
2019	227,537	102,315	329,852
2020	229,940	96,088	326,028
2021	237,444	89,759	327,203
2022	244,939	83,226	328,165
2023-2027	1,336,849	165,750	1,502,599
2028-2032	1,527,995	779,874	2,307,869
Totals	<u>\$4,043,725</u>	<u>\$ 1,406,456</u>	<u>\$ 5,450,181</u>

State of California Department of Water Resources Revolving Loan

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

June 30,	Principal	Interest	Total
2018	\$ 13,858	\$ 2,071	\$ 15,929
2019	13,996	1,933	15,929
2020	14,136	1,793	15,929
2021	14,278	1,651	15,929
2022	14,420	1,509	15,929
2023-2027	74,294	5,351	79,645
2028-2031	62,155	1,561	63,716
Totals	<u>\$ 207,137</u>	<u>\$ 15,869</u>	<u>\$ 223,006</u>

City of Angels
Notes to Financial Statements
June 30, 2017

Note 6: Special Assessment Districts (AD) Bonds

The City acts as an agent on behalf of the Greenhorn Creek Assessment District. The City is not liable for the debt repayment but is merely acting as the property owner’s agent in handling the debt service transactions by collecting assessments and forwarding them to the bondholders. The debt was refinanced in 2006 through the issuance of \$9,200,000 in new debt. Interest is payable semi-annually at rates ranging from 4.19% to 5% with principal payments through 2021. The bond transactions are accounted for in an Agency Fund. The outstanding principal at June 30, 2017 was \$3,240,000.

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

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

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

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan Tier 1	Safety Police Plan Tier 1	Safety Fire Plan Tier 1
	Prior to	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2.7% @ 55	3% @ 50	2% @ 55
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	45-50	50-55
Monthly benefits , as a % of eligible compensation	2.2% to 2.7%	2.5% to 3%	1.5% to 2%
Required employee contribution rates	8%	9.00%	8.00%
Required employer contribution rates	11.634%	18.43%	12.06%
	PEPRA Miscellaneous Plan	PEPRA Safety Police Plan	PEPRA Safety Fire Plan
	On or after	On or after	On or after
Hire date	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2% @ 62	2.7% @ 57	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	57-62	52-57	52-57
Monthly benefits , as a % of eligible compensation	1% to 2%	2.2% to 2.7%	2.2% to 2.7%
Required employee contribution rates	6.25%	11.52%	9.50%
Required employer contribution rates	6.56%	12.08%	9.42%

City of Angels
Notes to Financial Statements
June 30, 2017

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

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	609,893
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B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

		Proportionate share of Net pension liability
Miscellaneous Plan	\$	2,789,317
Safety Police Plan	\$	1,971,194

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the net pension liability as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous Plans</u>	<u>Safety Plans</u>
Proportion - June 30, 2015	0.08448%	0.03951%
Proportion - June 30, 2016	0.08029%	0.03806%
Change - Increase (Decrease)	-0.00418%	-0.00145%

For the year ended June 30, 2017, the City recognized pension expense of (\$361,883). At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,502	\$ (13,495)
Changes of assumptions		(150,906)
Net difference between projected and actual earnings on pension plan investments	768,250	
Changes in proportion and differences between City contributions and proportionate share of contributions	133,742	(89,303)
City contributions subsequent to the measurement date	609,893	-
Total	<u>\$ 1,519,387</u>	<u>\$ (253,704)</u>

City of Angels
Notes to Financial Statements
June 30, 2017

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

\$609,893 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Measurement Period	
Ended June 30:	
2018	\$ 91,287
219	46,500
2020	318,636
2021	199,367
2022	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.50%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2010 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

City of Angels
Notes to Financial Statements
June 30, 2017

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

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

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

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

<u>Asset Class</u>	<u>Allocation</u>	<u>Years 1-10 (1)</u>	<u>Years 11+ (2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43
Inflation Sensitive	6%	0.45%	3.36
Private Equity	10%	6.83%	6.95
Real Estate	10%	4.50%	5.13
Infrastructure and Forestland	2%	4.50%	5.09
Liquidity	2%	-0.55%	(1.05)

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate -1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate +1%</u>
	<u>PERS 6.65%</u>	<u>PERS 7.65%</u>	<u>PERS 8.65%</u>
Miscellaneous Plans	\$ 4,345,685	\$ 2,789,317	\$ 1,503,059
Safety Plans	\$ 2,950,803	\$ 1,971,194	\$ 1,167,037

City of Angels
Notes to Financial Statements
June 30, 2017

Note 8: Post-Retirement Health Benefits

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

The City Council passed a resolution to establish health benefit vesting requirements for future retirees under public employees' medical and hospital care act. For full time employees, if additional conditions are satisfied, the City contributes greater amounts, instead of the minimum employer contributions (MEC) whereas a) if an employee retired prior to July 1, 2009 and met eligibility requirements in effect at that time, the City contributes 50% of PERS select premium for the retiree and spouse for their lifetime, or b) an employee who is hired full time by the City of Angels Camp for 5 years or longer prior to July 1, 2009 or 10 years or longer after July 1, 2009 and who has met other vesting requirements, shall receive up to a maximum 50% of the health benefit for the retiree lifetime only. The total City expense on the pay as you go basis for postretirement health benefits in the 2016-17 fiscal year was \$54,655. As of June 30, 2017, the most recent actuarial, 13 retired employees were receiving postretirement health benefits.

Funding Policy. The contribution requirement of plan members is established by the City Council. As of June 30, 2017 the City Council did not establish a funding policy. The 2016-17 fiscal year actuarial determined contribution was calculated on amortized funding over a 30 year period using entry age normal cost. For the fiscal year ending June 30, 2017 the City contributed \$0 towards the unfunded actuarial accrued liability (UAAL). The City did not choose a trustee for the plan as of June 30, 2017. The City made the net contribution for fiscal year end June 30, 2017 directly to health insurance providers totalling \$55,450. All retiree plan members receiving this benefit contributed 50% of their total premiums.

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 8: Post-Retirement Health Benefits (Continued)

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

Annual Required Contribution (ARC).	\$ 455,697
Interest on OPEB obligation	45,685
Adjustment to the ARC	<u>(76,876)</u>
Annual OPEB expense	424,506
Unreimbursed retiree premiums paid to plan providers	(55,450)
Estimated current year implicit subsidy	<u>(51,306)</u>
Increase in the net OPEB obligation	317,750
Net OPEB obligation - beginning of year	<u>1,142,442</u>
Net OPEB obligation - end of year	<u><u>\$ 1,460,192</u></u>

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

Fiscal Year End	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
June 30, 2015	\$ 223,007	24.22%	\$ (840,231)
June 30, 2016	\$ 404,593	13.51%	\$ (1,142,442)
June 30, 2017	\$ 424,506	13.06%	\$ (1,460,192)

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$3,192,287. As of June 30, 2017, the City's annual required contribution was not funded and is shown as a liability in the City balance sheet. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2016, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of 4% based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The actuarial assumptions include an estimated inflation rate of 2.75%, estimated payroll growth of 3% and the annual healthcare premiums will increase between 4.5% and 5.5% per year between 2017 and 2020.

City of Angels
Notes to Financial Statements
June 30, 2017

Note 9: Deferred Inflows of Resources

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

Note 10: Interfund Transactions

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

Receivables and Payables

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

Interfund transactions for the fiscal year ended June 30, 2017 are summarized as follows:

<u>Fund Type</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General	\$ -	\$ -	\$ 315,227	\$ -
Special Revenue			379,742	477,792
Capital Project		99261.95	17,248	25,227
Water	754,262			209,200
Sewer		655,000		
Total	<u>\$ 754,262</u>	<u>\$ 754,262</u>	<u>\$ 712,217</u>	<u>\$ 712,217</u>

Note 11: Joint Venture-Utica Power Authority

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

City of Angels
Notes to Financial Statements
June 30, 2017

Note 12: Risk Management

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

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends and the obligation to pay assessments based on a formula which among other expenses, charges the City's account for liability losses under \$50,000 and workers' compensation losses under \$50,000. The CSJVRMA purchases excess reinsurance 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.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2017 is available at "csjvrma.org".

Note 13: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

At June 30, 2017, the Capital Projects fund had a deficit fund balance of \$11,085 and the Lighting and Landscape District in the Special Revenue Funds had a deficit fund balance of \$50,294. These deficits are expected to be cured with future revenues over expenditures and/or by transfers from the general fund.

Note 14: Revenue Limitations Imposed by California Proposition 218

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

Note 15: Gann Limit

Total Subject Revenue 2016-17	\$ 2,745,022
Amount of limit for 2016-17	<u>3,149,322</u>
Amount (under)/over limit (all sources)	<u><u>\$ (404,300)</u></u>

City of Angels
Notes to Financial Statements
June 30, 2017

Note 16: Commitments and Contingencies

Contingent Liabilities

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

On September 6, 2011 the City received a Notice of Violation (“NOV”) from the Central Regional Water Quality Control Board (the Board) regarding violations associated with spills of wastewater at the spray field. The NOV indicated that the violations were subject to a penalty of \$125,000, but the Board staff could recommend removing the penalty if the violations are cured and the City successfully contests the complaint. The City has implemented new procedures to avoid future similar violations. A liability has been recognized in the wastewater fund for \$125,000 at June 30, 2017.

In the normal course of business, the City is subject to various lawsuits. Defense of lawsuits is typically handled by the City’s insurance carrier and losses, if any, are expected to be covered by insurance.

Commitments

The City had professional service commitments as of June 30, 2017.

Note 17: Subsequent Event

On July 27, 2017 the city entered into a promissory note for the sale of City owned property. The note is for \$59,644 with 36 principal only payments of \$500 beginning July 27, 2017 followed by 60 monthly payments of \$752.92 carrying a 3.25% interest rate. The term of the loan is from July 27, 2017 to August 1, 2026.

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured/unsecured	\$ 504,319	\$ 504,319	\$ 524,032	\$ 19,713
Sales	790,000	790,000	819,168	29,168
Transient occupancy	655,572	655,572	649,332	(6,240)
Real property transfer	14,000	14,000	11,818	(2,182)
Total Taxes	<u>1,963,891</u>	<u>1,963,891</u>	<u>2,004,350</u>	<u>40,459</u>
Licenses and Permits				
Business licenses	22,000	22,000	22,879	879
Building permits	146,098	146,098	115,162	(30,936)
Franchise fees	95,000	95,000	102,289	7,289
Total Licenses and Permits	<u>263,098</u>	<u>263,098</u>	<u>240,330</u>	<u>(22,768)</u>
Intergovernmental				
Motor vehicle in lieu	242,800	242,800	246,956	4,156
Reimbursement - highway sweeping	2,712	2,712	2,712	
Reimbursement - public safety	176,301	176,301	325,574	149,273
Peace officers training	2,000	2,000	1,279	(721)
Total Intergovernmental	<u>423,813</u>	<u>423,813</u>	<u>576,521</u>	<u>152,708</u>
Fines, Forfeitures and Penalties				
Parking citations public safety reimbursements	17,300	17,300	14,814	(2,486)
Total Fines, Forfeitures and Penalties	<u>17,300</u>	<u>17,300</u>	<u>14,814</u>	<u>(2,486)</u>
Charges for Current Services				
Plan checking	17,600	17,600	25,921	8,321
Water sales	30,275	30,275		(30,275)
Developer fees			11,408	11,408
Administrative fees	22,850	22,850	25,004	2,154
Museum	57,000	57,000	55,199	(1,801)
Total Charges for Current Services	<u>127,725</u>	<u>127,725</u>	<u>117,532</u>	<u>(10,194)</u>
Use of Money and Property				
Interest and investment income	6,000	6,000	11,307	5,307
Rent	32,182	32,182	20,443	(11,739)
Total Use of Money and Property	<u>38,182</u>	<u>38,182</u>	<u>31,750</u>	<u>(6,432)</u>
Other				
Insurance refunds and dividends			11,209	11,209
Miscellaneous - all others	22,525	22,525	27,828	5,303
Total Other	<u>22,525</u>	<u>22,525</u>	<u>39,037</u>	<u>16,512</u>
Total Revenues	<u>\$ 2,856,534</u>	<u>\$ 2,856,534</u>	<u>\$ 3,024,334</u>	<u>\$ 167,800</u>

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 2,856,534	\$ 2,856,534	\$ 3,024,334	\$ 167,800
Expenditures				
General Government				
City council	15,241	15,241	14,966	275
City attorney	20,000	37,000	38,404	(1,404)
Finance and administration	482,310	482,310	375,762	106,548
Total General Government	517,551	534,551	429,132	105,420
Public Ways and Facilities/Transportation				
Engineering	15,916	15,916	17,859	(1,943)
Building and planning	167,897	167,897	153,197	14,700
Street sweeping/maintenance	9,228	9,228	4,470	4,758
Public works	42,263	42,263	68,796	(26,533)
Total Public Ways and Facilities/Transportation	235,304	235,304	244,322	(9,018)
Public Safety				
Fire	659,013	659,013	735,775	(76,762)
Police	1,592,113	1,592,113	1,509,942	82,171
Total Public Safety	2,251,126	2,251,126	2,245,717	5,409
Community Development				
Museum	227,659	227,659	246,404	(18,745)
Visitors bureau	18,747	18,747	18,532	215
Community support	32,300	32,300	32,120	180
Parks	51,417	51,417	49,286	2,131
Total Community Development	330,123	330,123	346,342	(16,218)
Debt Service				
Principal	50,096	50,096	48,876	1,220
Interest	3,653	3,653	4,710	(1,057)
Total Debt Service	53,749	53,749	53,586	163
Capital Outlay				
Structures and improvements		29,995		29,995
Equipment	86,316	96,316	93,242	3,074
Total Capital Outlay	86,316	126,311	93,242	33,069
Total Expenditures	3,474,169	3,531,164	3,412,341	118,825
Excess (Deficit) of Revenues Over Expenditures				
Before Other Financing Sources (Uses)	(617,635)	(674,630)	(388,007)	286,623
Other Financing Sources (Uses)				
Proceeds of debt				
Gain from sale of assets	51,816	51,816	53,134	1,318
Operating transfers in	363,502	363,502	315,227	(48,275)
Operating transfers out				
Total Other Financing Sources (Uses)	415,318	415,318	368,361	(46,957)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (202,317)	\$ (259,312)	(19,646)	\$ 239,666
Fund Balance, July 1, 2016			1,231,931	
Fund Balance, June 30, 2017			\$ 1,212,285	

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
June 30, 2017**

<u>Actuarial Valuation Date</u>	<u>City's proportion of the net pension liability (asset)</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered employee payroll</u>	<u>City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>CalPERS-Miscellaneous Plans</u>					
6/30/2014	0.07682%	\$1,898,683	\$1,384,358	137.15%	79.41%
6/30/2015	0.08448%	\$2,317,646	\$1,706,505	135.81%	76.07%
6/30/2016	0.08029%	\$2,789,317	\$1,708,084	163.30%	75.94%
<u>CalPERS-Safety Plans</u>					
6/30/2014	0.04088%	\$1,533,540	\$654,449	234.33%	71.70%
6/30/2015	0.03951%	\$1,628,110	\$705,201	230.87%	75.06%
6/30/2016	0.03806%	\$1,971,194	\$804,721	244.95%	74.60%

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

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

CITY OF ANGELS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
June 30, 2017**

<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
<u>CalPERS-Miscellaneous Plans</u>					
6/30/2014	\$301,836	(\$301,836)	\$0	\$1,384,358	21.80%
6/30/2015	\$339,319	(\$339,319)	\$0	\$1,706,505	19.88%
6/30/2016	\$364,769	(\$364,769)	\$0	\$1,708,084	21.36%
<u>CalPERS-Safety Plans</u>					
6/30/2014	\$227,418	(\$227,418)	\$0	\$654,449	34.75%
6/30/2015	\$223,426	(\$223,426)	\$0	\$705,201	31.68%
6/30/2016	\$245,124	(\$245,124)	\$0	\$804,721	30.46%

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

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

CITY OF ANGELS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Budgets and Budgetary Accounting

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

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

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

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

CITY OF ANGELS

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>Assets</u>			
Restricted cash and investments	\$ 218,498	\$ 575,457	\$ 793,955
Receivables	100,214		100,214
Interest receivable	194,561		194,561
Prepaid expense	76		76
Due from other governments	23,532	32,223	55,755
Loans receivable	1,035,540		1,035,540
	<u>1,035,540</u>	<u>32,223</u>	<u>1,035,540</u>
Total Assets	<u>\$ 1,572,421</u>	<u>\$ 607,680</u>	<u>\$ 2,180,101</u>
 <u>Liabilities and Fund Balances</u>			
 Liabilities			
Accounts payable	\$ 70,511	\$ 10,747	\$ 81,258
Accrued wages	4		4
Advance from other funds	99,262		99,262
	<u>99,262</u>	<u>10,747</u>	<u>99,262</u>
Total Liabilities	<u>169,777</u>	<u>10,747</u>	<u>180,524</u>
 Deferred Inflows of Resources			
Unavailable	224,017	2,521	226,538
Unearned advance-capital project fund		170,342	170,342
	<u>224,017</u>	<u>170,342</u>	<u>170,342</u>
Total Deferred Inflows of Resources	<u>224,017</u>	<u>172,863</u>	<u>396,880</u>
 Fund Balances			
Assigned	<u>1,178,627</u>	<u>424,070</u>	<u>1,602,697</u>
Total Fund Balance	<u>1,178,627</u>	<u>424,070</u>	<u>1,602,697</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,572,421</u>	<u>\$ 607,680</u>	<u>\$ 2,180,101</u>

CITY OF ANGELS

**Combining Statement of Revenues, Expenditure and
Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Revenues			
Taxes and assessments	\$ 609,910	\$ -	\$ 609,910
Intergovernmental	361,183	44,204	405,387
Use of money and property	1,533	3,699	5,232
Developer contributions		238,077	238,077
Charges for services	20,806		20,806
	<u>993,432</u>	<u>285,980</u>	<u>1,279,412</u>
Expenditures			
Current:			
Public ways and facilities/ transportation	430,328	37,525	467,853
Public safety		-	-
Community development	447,630	-	447,630
Capital outlay	17,866	33,301	51,167
	<u>895,824</u>	<u>70,826</u>	<u>966,650</u>
Excess (Deficit) of Revenues Over Expenditures	<u>97,608</u>	<u>215,154</u>	<u>312,762</u>
Other Financing Sources (Uses)			
Operating transfers in	379,742	17,248	396,990
Operating transfers out	(477,792)	(25,227)	(503,019)
Total Other Financing Sources (Uses)	<u>(98,050)</u>	<u>(7,979)</u>	<u>(106,029)</u>
Net Change in Fund Balances	<u>(442)</u>	<u>207,175</u>	<u>206,733</u>
Fund Balances, July 1, 2016	<u>1,179,069</u>	<u>216,895</u>	<u>1,395,964</u>
Fund Balances, June 30, 2017	<u>\$ 1,178,627</u>	<u>\$ 424,070</u>	<u>\$ 1,602,697</u>

CITY OF ANGELS

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017**

	Gas Tax	Local Transportation	Utica Power Authority	L&L District	Public Safety	TOT Emergency Service	TOT Roads	TOT Tourism	CDBG Housing	Totals
<u>Assets</u>										
Restricted cash and investments	\$ 105,393	\$ 7,930	\$ 19,589	\$ 47,687	\$ 26,669	\$ (32,674)	\$ (6,448)	\$ 31,164	\$ 19,188	\$ 218,498
Receivables			2,081			32,711	32,711	32,711		100,214
Interest receivable									194,561	194,561
Prepaid expense	76									76
Due from other governments				9,208	4,214				10,110	23,532
Loans receivable									1,035,540	1,035,540
Total Assets	\$ 105,469	\$ 7,930	\$ 21,670	\$ 56,895	\$ 30,883	\$ 37	\$ 26,263	\$ 63,875	\$ 1,259,399	\$ 1,572,421
<u>Liabilities and Fund Balances</u>										
<u>Liabilities</u>										
Accounts payable	\$ 414	\$ -	\$ -	\$ 7,927	\$ -	\$ -	\$ 1,577	\$ 58,572	\$ 2,021	\$ 70,511
Accrued wages							4			4
Advance from other funds				99,262						99,262
Total Liabilities	414			107,189			1,581	58,572	2,021	169,777
<u>Deferred Inflows of Resources</u>										
Unavailable		7,900			11,446				204,671	224,017
<u>Fund Balances</u>										
Assigned	105,055	30	21,670	(50,294)	19,437	37	24,682	5,303	1,052,707	1,178,627
Total Fund Balance	105,055	30	21,670	(50,294)	19,437	37	24,682	5,303	1,052,707	1,178,627
Total Liabilities and Deferred Inflows and Fund Balances	\$ 105,469	\$ 7,930	\$ 21,670	\$ 56,895	\$ 30,883	\$ 37	\$ 26,263	\$ 63,875	\$ 1,259,399	\$ 1,572,421

CITY OF ANGELS

**Combining Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
June 30, 2017**

	Gas Tax	Local Transportation	Utica Power Authority	L&L District	Public Safety	TOT Emergency Service	TOT Roads	TOT Tourism	CDBG Housing	Totals
Revenues										
Taxes and assessments	\$ -	\$ -	\$ -	\$ 176,057	\$ -	\$ 144,618	\$ 144,617	\$ 144,617	\$ -	\$ 609,910
Intergovernmental	91,436	27,062			142,686				100,000	361,183
Use of money and property	720	30	178	321	107				177	1,533
Charges for services			20,806							20,806
Total Revenues	92,156	27,092	20,984	176,378	142,793	144,618	144,617	144,617	100,177	993,432
Expenditures										
Current:										
Public ways and facilities/ transportation	73,354		230,000				126,974			430,328
Public safety				282,981				139,957	24,692	447,630
Community development							1,156		16,710	17,866
Capital outlay										
Total Expenditures	73,354		230,000	282,981			128,130	139,957	41,402	895,824
Excess (Deficit) of Revenues Over Expenditures	18,802	27,092	(209,016)	(106,603)	142,793	144,618	16,487	4,660	58,775	97,608
Other Financing Sources (Uses)										
Proceeds from debt										
Operating transfers in			209,200	151,870					18,672	379,742
Operating transfers out		(12,240)		(151,870)	(143,022)	(145,223)	(6,765)		(18,672)	(477,792)
Total Other Financing Sources (Uses)		(12,240)	209,200	(143,022)	(143,022)	(145,223)	(6,765)			(98,050)
Net Change in Fund Balances	18,802	14,852	184	(106,603)	(229)	(605)	9,722	4,660	58,775	(442)
Fund Balances, July 1, 2016	86,253	(14,822)	21,486	56,309	19,666	642	14,960	643	993,932	1,179,069
Fund Balances, June 30, 2017	\$ 105,055	\$ 30	\$ 21,670	\$ (50,294)	\$ 19,437	\$ 37	\$ 24,682	\$ 5,303	\$ 1,052,707	\$ 1,178,627

CITY OF ANGELS

**Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2017**

	<u>Park Impact Fees</u>	<u>Police Impact Fees</u>	<u>Transportation Impact Fees</u>	<u>Fire Impact Fees</u>	<u>Capital Projects</u>	<u>Totals</u>
<u>Assets</u>						
Restricted cash and investments	\$ 21,242	\$ 19,499	\$ 382,055	\$ 12,359	\$ 140,302	\$ 575,457
Due from other governments					32,223	32,223
Total Assets	<u>\$ 21,242</u>	<u>\$ 19,499</u>	<u>\$ 382,055</u>	<u>\$ 12,359</u>	<u>\$ 172,525</u>	<u>\$ 607,680</u>
<u>Liabilities</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 10,747	\$ 10,747
Total Liabilities					10,747	10,747
<u>Deferred inflows of resources</u>						
Deferred inflows of resources						
Unavailable					2,521	2,521
Unearned revenue-advances					170,342	170,342
Total deferred inflows of resources					172,863	172,863
<u>Fund Balances</u>						
Assigned	21,242	19,499	382,055	12,359	(11,085)	424,070
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,242</u>	<u>\$ 19,499</u>	<u>\$ 382,055</u>	<u>\$ 12,359</u>	<u>\$ 172,525</u>	<u>\$ 607,680</u>

CITY OF ANGELS
Combining Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Project Funds
June 30, 2017

	<u>Park Impact Fees</u>	<u>Police Impact Fees</u>	<u>Transportation Impact Fees</u>	<u>Fire Impact Fees</u>	<u>Capital Projects</u>	<u>Totals</u>
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 44,204	\$ 44,204
Developer contributions	31,775	14,718	177,215	14,369	-	238,077
Use of money and property	65	74	2,190	76	1,294	3,699
Total Revenues	<u>31,840</u>	<u>14,792</u>	<u>179,405</u>	<u>14,445</u>	<u>45,498</u>	<u>285,980</u>
Expenditures						
Current:						
Public ways and facilities/ Transportation			-		37,525	37,525
Public safety						-
Community support						-
Capital outlay					33,301	33,301
Total Expenditures					<u>70,826</u>	<u>70,826</u>
Excess (Deficit) of Revenues Over Expenditures	<u>31,840</u>	<u>14,792</u>	<u>179,405</u>	<u>14,445</u>	<u>(25,328)</u>	<u>215,154</u>
Other Financing Sources (Uses)						
Operating transfers in					17,248	17,248
Operating transfers out	(10,598)			(14,629)		(25,227)
Total Other Financing Sources (Uses)	<u>(10,598)</u>			<u>(14,629)</u>	<u>17,248</u>	<u>(7,979)</u>
Net Change in Fund Balances	<u>21,242</u>	<u>14,792</u>	<u>179,405</u>	<u>(184)</u>	<u>(8,080)</u>	<u>207,175</u>
Fund Balances, July 1, 2016		<u>4,707</u>	<u>202,650</u>	<u>12,543</u>	<u>(3,005)</u>	<u>216,895</u>
Fund Balances, June 30, 2017	<u>\$ 21,242</u>	<u>\$ 19,499</u>	<u>\$ 382,055</u>	<u>\$ 12,359</u>	<u>(11,085)</u>	<u>424,070</u>

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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 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 City of Angels as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Angels basic financial statements and have issued our report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Angel’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 of Angels internal control. Accordingly, we do not express an opinion on the effectiveness of City of Angel’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

A significant deficiency is a deficiency, or 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. We consider findings 17-1 and 17-2 in the schedule of findings following this report to be significant deficiencies in the City’s internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Angels Camp 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.

The City of Angel's written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, City Council, the Calaveras County Auditor Controller's Office, the California State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Larry Bain, CPA,
An Accounting Corporation
February 8, 2018

CITY OF ANGELS
FINDINGS and RECOMMENDATIONS
JUNE 30, 2017

Finding 17-1 (Prior Year Finding 15-5): During our testing we noted a reimbursement from Caltrans for work performed during the 2013-14 fiscal year on the Stanislaus Ave project. This was recognized as revenue in the 2013/14 fiscal year, but should have been recorded to deferred revenue at June 30, 2014 because the funds were received more than 90 days past the year end.

2015/16 Fiscal Year Follow Up: The City Fire Department participated in 3 strike team fires in June 2016. The City should have recorded \$37,128 as deferred revenue because the reimbursements were not received after the 90 day measurement period for recognizing revenue. We proposed a journal entry to record as deferred revenue.

Current 2016/17 Fiscal Year Follow Up: The City's Fire Department received \$17,133 for 2016-17 fiscal year strike team activity after year end. This should have been recorded as an accounts receivable and deferred revenue, but was not.

Recommendation: We recommend recording receivables and revenue/deferred revenue to the proper period based on the measurable and available criteria required by governmental GAAP.

Management Response: We will follow the Auditor's recommendations.

Finding 17-2: During our testing of fire strike team activity we noted the City was reimbursed \$12,259 more in strike team reimbursements than the amount supported by the daily activity logs. We reviewed the Cedar Fire and noted a change-over in the strike team crew that occurred when a second crew replaced the first crew. The reimbursement (F-142) was submitted to OES for the first crew's full duration on the strike team rather than the hours the first crew actually worked on the fire.

Recommendation: We recommend having both the Fire Chief and the Finance Manager review the calculation of all strike team reimbursements prior to submission to prevent under or over billing. We also recommend the Finance Manager send the invoices for strike team reimbursements and record an accounts receivable when mailed.

Management Response: We will follow the Auditor's recommendations with fires starting in 2018.

FOLLOW UP ON PRIOR YEAR OTHER MATTERS

Prior Year Finding 15-7: During our preliminary analysis of audit areas that were at a high risk for fraud or abuse, and in accordance with AU-C Section 240, we noted that in prior years a management employee was overpaid for administrative leave that did not exist at the time of payment. As a result we expanded our testing in this area to ensure that this type of abuse had been corrected. As a result of this testing we noted during the current year under audit the management employee was paid out 55 hours of management leave in April 2015 that was not recorded to their balance in the pay records and at the time of the pay-out the employee had a balance of 1.40 hours available. After the pay-out the balance was negative 53.6 hours. The employee also used 9 hours of management leave in June 2015 resulting in a year-end deficit administrative leave balance of negative 62.6 hours.

We also noted the same management employee's contract allows for accruing 480 hours of management leave per year and requires the employee to take 30 days (240 hours) of admin leave each year leaving 240 hours available for pay out per fiscal year. The above mentioned employee applied 332.60 hours of the 2014/15 administrative leave allocation to the prior year over payments that were accrued in the City general ledger as a loan because the employee received 533 hours of administrative leave in the form of pay-outs over the amount available and the City internal controls did not detect these over payments. The remaining administrative leave balance for the 2014/15 fiscal year, after applying the 332.60 administrative leave hours to the 533 hours owed to the City, was 147.40 hours, which was out of compliance with the 240 hours of leave required to be taken annually. Additionally, during the 2014/15 fiscal year, the employee took 95 hours of management leave time off and was paid out 115 hours of management leave plus paid out an additional 80 hours management leave awarded by City Council, above the normal 480 hour annual allotment, during the 2014/15 fiscal year.

CITY OF ANGELS
FINDINGS and RECOMMENDATIONS
JUNE 30, 2017

FOLLOW UP ON PRIOR YEAR OTHER MATTERS (Continued)

Furthermore we noted several instances during the 2014/15 fiscal year where the management employee was requesting and receiving their pay check in advance of the pay date. This required additional staff time to process the individual pay runs.

Prior Year 2015/16 Fiscal Year Follow Up: During the 2015/16 fiscal year audit we noted there were several accounting irregularities involving the management employee as follows:

- A. The management employee received check 70060 dated September 10, 2015 for \$3,560.22 as a payroll advance for the pay period September 6 to September 19, 2015 with a normal pay date of September 25, 2015. This check was signed by the director of administration services and by a City Council member. On September 14, 2015 (four days later) the same management employee received another payroll advance for the next pay period September 20 to October 3, 2015 with a normal pay date of October 9 that was paid with check 70061 (the next sequential manual check) for \$3,560.22. That check was signed by the director of administration services and by the management employee receiving the check, who was paid both of these advance payments and signed their own check. The request for the second check indicated it was an advance for the October 5, 2015 pay date, even though the next pay date would have been October 9, 2015 and the request was dated on September 15, 2015, the day after the check was signed. Furthermore, the check detail indicated it was also for the September 25, 2015 payroll check date. The advances for these checks was detected by the finance director several weeks after the pay dates and the pay advances were not brought to the finance director's attention by the management employee or by the director of administration services. In November 2015, after the payments were discovered by the finance director, the second advance was reimbursed to the City in the form of the management employee skipping a payroll. We also noted other instances where the management employee, who is a signor on the bank account, signed their own payroll advance checks. Per additional review we also noted signor's on the City bank account who were no longer with the City.
- B. During our testing of the management employee credit card statements we noted 12 instances where the purchases were not supported by a detailed receipt.

We noted 5 instances where the management employee purchased personal items with the City Credit Card. In some of these instances the employee provided hand written detail about what was purchased that turned out to be false when the detail receipts were later obtained. In one of the purchases made on April 3, 2016 the employee hand written explanation indicated the \$148.91 charge was for deli trays and drinks purchased for a League of California Cities meeting. In reviewing the detail receipt that was obtained on July 8, 2016 from the store we noted what appeared to be many personal items including a bottle of J Walker Red 80 PRF for \$36.99, IRNSTN SYMP OBSSSN for \$8.99, ME LRGE Eggs 18 PK etc.

We noted a \$99.61 charge at a BBQ & Grill restaurant on April 20, 2016 where the credit card slip was presented but no detail receipt was submitted. The employee explanation was the meal was for a League of Cities meeting with legislative analyst. When the City obtained the detail receipt we noted 4-16 ounce beers purchased along with what appears to be 4 meals and 4 sides. We also noted the tip was \$20 on a \$75 food/beverage charge or 27% of the food/beverage amount.

We also noted the employee was not using a Credit Card Statement Authorization Detail form for credit card charges.

The City finance department delegated the review of credit card purchases to the Director of Administration Services and this employee appeared to be doing a good job in catching the irregularities described above with internal audit checks and obtained repayment of the personal charges when discovered.

- C. During the current year audit we noted the finance department reviewed the prior excess administrative leave paid out and calculated that over \$29,000 had been paid out in excess of the maximum 240 hour annual limit. We noted the City Council retained an outside accountant to review this potential over payments and the

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FOLLOW UP ON PRIOR YEAR OTHER MATTERS (Continued)

results were discussed at a December 2016 City Council meeting in closed session in conjunction with a performance evaluation. The work of the outside accountant was not reviewed by the finance department.

We also noted the City adopted an employee advance policy in December 2015, which includes authorization of advances for all employees under certain established criteria. All employees were notified of the new policy and it will be equally applied.

Current 2016/17 Fiscal Year Follow Up: During the current year the management employee mentioned in this finding received 188 hours of their administrative leave through requested pay-out. The same individual terminated during the year. This employee was then paid 152 hours of administrative leave as a termination benefit. The employee had a clause in their individual employee agreement which stated they could not receive more than 50% or 240 hours of administrative leave through the form of a pay-out and the remaining 240 hours was required to be used for time off. As a result, this employee was paid out 100 hours more of administrative leave than was allowed per the terms of the employee agreement, this was done per advice of outside counsel.

We also noted in the beginning of the fiscal year the City was not maintaining all supporting documentation for credit card purchases. After further testing we noted, later in the year, the City made adjustments to their controls over collecting and retaining proper support for credit card charges and assigned an individual to vouch credit card charges to the store receipt and analyse the business purpose of the transaction.

Recommendation: None.