

**CITY OF ANGELS**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

# CITY OF ANGELS

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# LARRY BAIN, CPA

An Accounting Corporation

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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, 2018, and the notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2018, and the changes in financial position, of those activities and funds and the results of its cash flows 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.

## **Other Matters (Continued)**

The required supplementary information (RSI) other than MD&A, as listed in the table of contents on page 37 as the budgetary comparison schedule-General Fund, page 38 as Schedule of the Plan's Proportionate Share of the Net Pension Liability, page 39 as Schedule of City Contributions and page 40 as the City's Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the City's Net OPEB Liability and Related Ratios, is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

As disclosed in Note 1 of the financial statements, The District implemented GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2019 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Larry Bain, CPA,**  
**An Accounting Corporation**  
February 18, 2019

**CITY OF ANGELS**

**STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
Assets			
Cash and investments	\$ 1,149,292	\$ 9,311,201	\$ 10,460,493
Accounts receivables	276,674	358,805	635,479
Due from other governments	318,922		318,922
Due from others	132,553		132,553
Taxes receivable	155,780		155,780
Interest receivable	235,789		235,789
Prepaid expenses	17,134	7,454	24,588
Total Current Assets	<u>2,286,144</u>	<u>9,677,460</u>	<u>11,963,604</u>
Non Current Assets			
Internal balances	(83,526)	83,526	-
Restricted cash and investments	1,083,906		1,083,906
Loans receivable	976,127		976,127
Capital assets:			
Land	804,747	116,515	921,262
Construction in Progress	485,253	56,632	541,885
Buildings and improvements	752,890	22,675,045	23,427,935
Site improvements		4,304,236	4,304,236
Equipment and vehicles	2,182,307	1,374,195	3,556,502
Infrastructure	3,932,472		3,932,472
Less: accumulated depreciation	<u>(3,539,030)</u>	<u>(11,777,661)</u>	<u>(15,316,691)</u>
Total Capital Assets	<u>4,618,639</u>	<u>16,748,962</u>	<u>21,367,601</u>
Total Non Current Assets	<u>6,595,146</u>	<u>16,832,488</u>	<u>23,427,634</u>
Total Assets	<u>8,881,290</u>	<u>26,509,948</u>	<u>35,391,238</u>
Deferred Outflows of Resources			
Deferred outflows-pensions	<u>1,106,421</u>	<u>638,362</u>	<u>1,744,782</u>
Liabilities			
Current liabilities:			
Accounts payable	356,705	293,230	649,935
Accrued wages	59,065	27,640	86,706
Accrued interest payable	1,082	35,537	36,619
Unearned revenue	198,619		198,619
Due within one year	89,861	353,702	443,562
Total Current Liabilities	<u>705,332</u>	<u>710,109</u>	<u>1,415,441</u>
Noncurrent liabilities			
Due in more than one year	30,373	4,101,240	4,131,613
OPEB liability	1,850,685	1,562,711	3,413,396
Net pension liability	3,415,727	2,038,941	5,454,668
Total Liabilities Due In More Than One Year	<u>5,296,785</u>	<u>7,702,892</u>	<u>12,999,677</u>
Total Liabilities	<u>6,002,117</u>	<u>8,413,001</u>	<u>14,415,118</u>
Deferred Inflows of Resources			
Deferred inflows-pensions	<u>90,088</u>	<u>51,321</u>	<u>141,409</u>
Total Deferred Inflows	<u>90,088</u>	<u>51,321</u>	<u>141,409</u>
Net Position			
Net investment in capital assets	4,581,151	12,378,639	16,959,790
Unrestricted	<u>(685,646)</u>	<u>6,305,349</u>	<u>5,619,703</u>
Total Net Position	<u>\$ 3,895,505</u>	<u>\$ 18,683,988</u>	<u>\$ 22,579,493</u>

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

**CITY OF ANGELS**

**STATEMENT OF ACTIVITIES  
JUNE 30, 2018**

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
<b>Governmental Activities:</b>							
General government	\$ 504,290	\$ 61,228	\$ -	\$ 55,644	\$ (387,418)	\$ -	\$ (387,418)
Public safety	2,375,653	15,147	610,796	449,562	(1,300,148)		(1,300,148)
Public works	726,001	60,562	440,755	464,255	239,571		239,571
Community services/recreation	631,335	52,489	29,782	191,330	(357,734)		(357,734)
Interest on long-term debt	2,668				(2,668)		(2,668)
<b>Total Governmental Activities</b>	<b>4,239,947</b>	<b>189,426</b>	<b>1,081,333</b>	<b>1,160,791</b>	<b>(1,808,397)</b>		<b>(1,808,397)</b>
<b>Business-type Activities:</b>							
Water	1,489,050	1,740,833				251,783	251,783
Sewer	2,390,286	2,142,827	327,746			80,287	80,287
Interest on long-term debt	121,614					(121,614)	(121,614)
<b>Total Business-type Activities</b>	<b>4,000,950</b>	<b>3,883,660</b>	<b>327,746</b>			<b>210,456</b>	<b>210,456</b>
<b>Total Government</b>	<b>\$ 8,240,897</b>	<b>\$ 4,073,086</b>	<b>\$ 1,409,079</b>	<b>\$ 1,160,791</b>	<b>(1,808,397)</b>	<b>210,456</b>	<b>(1,597,941)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					565,580		565,580
Sales and use tax					819,639		819,639
Transient occupancy tax					1,020,757		1,020,757
Franchise tax					107,389		107,389
Motor vehicle in lieu tax					267,221		267,221
Other taxes					24,568		24,568
Business license and permits					191,336		191,336
Rents					31,965		31,965
Other income					25,250		25,250
Investment income					7,721	123,008	130,729
Transfers					64,200	(64,200)	-
<b>Total general revenues</b>					<b>3,125,626</b>	<b>58,808</b>	<b>3,184,434</b>
<b>Change in net position</b>					<b>1,317,229</b>	<b>269,264</b>	<b>1,586,493</b>
<b>Net position - beginning restated</b>					<b>2,578,276</b>	<b>18,414,724</b>	<b>20,993,000</b>
<b>Net position - ending</b>					<b>\$ 3,895,505</b>	<b>\$ 18,683,988</b>	<b>\$ 22,579,493</b>

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

**CITY OF ANGELS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General	CDBG Grant- Fire Truck	Other Nonmajor Funds	Total Governmental Funds
<u>Assets</u>				
Cash and investments	\$ 1,149,292	\$ -	\$ -	\$ 1,149,292
Restricted cash and investments			1,083,906	1,083,906
Receivables				
Accounts	96,175	-	180,499	276,674
Due from other governments	192,917	6,066	119,939	318,922
Due from others	132,553	-		132,553
Taxes	155,780	-		155,780
Interest	43,172	-	192,617	235,789
Due from other funds			99,324	99,324
Prepaid expense	17,065	-	69	17,134
Loans/notes receivable	55,644	-	920,483	976,127
Total Assets	<u>\$ 1,842,598</u>	<u>\$ 6,066</u>	<u>\$ 2,596,837</u>	<u>\$ 4,445,501</u>
<u>Liabilities</u>				
Accounts payable	\$ 149,405	\$ 4,044	\$ 193,347	\$ 346,796
Due to other funds		2,022	97,302	99,324
Accrued expenses	9,911	-		9,911
Accrued wages	57,239	-	1,826	59,065
Advance from other funds			83,526	83,526
Total Liabilities	<u>216,555</u>	<u>6,066</u>	<u>376,001</u>	<u>598,622</u>
<u>Deferred Inflows of Resources</u>				
Deferred Revenue-unavailable	58,356	6,066	219,188	283,610
Unearned advance-capital grants			198,619	198,619
Total Deferred Inflows of Resources	<u>58,356</u>	<u>6,066</u>	<u>417,807</u>	<u>482,229</u>
<u>Fund Balances</u>				
Restricted	925		171,824	172,749
Nonspendable	17,065		910,483	927,548
Assigned for special revenue funds			119,281	119,281
Assigned for capital projects funds			744,562	744,562
Assigned for general fund	449,304			449,304
Unassigned	1,100,392	(6,066)	(143,121)	951,205
Total Fund Balances	<u>1,567,686</u>	<u>(6,066)</u>	<u>1,803,029</u>	<u>3,364,649</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,842,598</u>	<u>\$ 6,066</u>	<u>\$ 2,596,837</u>	<u>\$ 4,445,501</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, 2018**

Fund Balances of Governmental Funds	\$ 3,364,648
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.	4,618,639
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.	283,610
Certain amounts have been recorded as OPEB and pension liability, deferred outflows and deferred inflows of resources that are not due and payable and not reported in the funds.	(4,250,079)
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>(121,314)</u>
Net position of governmental activities	\$ <u><u>3,895,505</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, 2018**

	General	CDBG Fire Truck	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,022,642	\$ -	\$ 589,233	\$ 2,611,875
Licenses and permits	298,725			298,725
Intergovernmental	864,689	588,153	479,540	1,932,382
Fines, forfeitures and penalties	15,147			15,147
Charges for current services	153,130		21,149	174,279
Use of money and property	39,665		28,242	67,907
Other	25,250		329,988	355,238
Total Revenues	<u>3,419,248</u>	<u>588,153</u>	<u>1,448,152</u>	<u>5,455,553</u>
Expenditures				
Current:				
General government	389,703			389,703
Public ways and facilities/ transportation	227,171		317,207	544,378
Public safety	2,325,736			2,325,736
Community development	355,545		265,122	620,667
Capital Outlay	13,230	584,109	446,243	1,043,582
Debt service				
Principal	43,352			43,352
Interest	2,668			2,668
Total Expenditures	<u>3,357,405</u>	<u>584,109</u>	<u>1,028,572</u>	<u>4,970,086</u>
Excess (Deficit) of Revenues over Expenditures	<u>61,843</u>	<u>4,044</u>	<u>419,580</u>	<u>485,467</u>
Other Financing Sources (Uses)				
Operating transfers in	324,242		260,618	584,860
Operating transfers out	(30,684)		(489,976)	(520,660)
Total Other Financing Sources (Uses)	<u>293,558</u>	<u>-</u>	<u>(229,358)</u>	<u>64,200</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	355,401	4,044	190,222	549,667
Fund Balances, July 1, 2017	<u>1,212,285</u>	<u>(10,110)</u>	<u>1,612,806</u>	<u>2,814,981</u>
Fund Balances, June 30, 2018	<u>\$ 1,567,686</u>	<u>\$ (6,066)</u>	<u>\$ 1,803,028</u>	<u>\$ 3,364,648</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, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 549,667
 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	1,043,582
Depreciation expense	(257,173)
 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.	 43,352
 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.	 37,422
 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.	 (168,423)
 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>68,801</u>
 Change in net position of governmental activities	 <u>\$ 1,317,229</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, 2018**

	Water	Sewer	Totals
Current assets:			
Cash and investments	\$ 6,745,916	\$ 2,565,285	\$ 9,311,201
Receivables			
Accounts (net of \$90,167 allowance)		187,877	187,877
Accounts (net of \$47,140 allowance)	170,928		170,928
Prepaid expense	2,723	4,731	7,454
Total current assets	<u>6,919,567</u>	<u>2,757,893</u>	<u>9,677,460</u>
Noncurrent assets:			
Advances to other funds	688,526		688,526
Capital assets:			
Nondepreciable capital assets:			
Land	68,965	47,550	116,515
Construction in progress	48,994	7,638	56,632
Depreciable capital assets			
Building	2,220,336	20,454,709	22,675,045
Site improvements	1,330,644	2,973,592	4,304,236
Equipment	735,070	639,125	1,374,195
Less accumulated depreciation	<u>(2,910,051)</u>	<u>(8,867,610)</u>	<u>(11,777,661)</u>
Total capital assets (net of accumulated depreciation)	<u>1,493,958</u>	<u>15,255,004</u>	<u>16,748,962</u>
Total noncurrent assets	<u>2,182,484</u>	<u>15,255,004</u>	<u>17,437,488</u>
Total Assets	<u>9,102,051</u>	<u>18,012,897</u>	<u>27,114,948</u>
Deferred Outflows of Resources			
Deferred Outflows-Pensions	322,718	315,644	638,362
Total Deferred Outflows of Resources	<u>\$ 322,718</u>	<u>\$ 315,644</u>	<u>\$ 638,362</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 139,796	\$ 153,434	\$ 293,230
Accrued payroll	12,011	15,629	27,640
Current portion - notes payable	74,468	241,533	316,001
Current portion compensated absence	16,970	20,731	37,701
Interest payable		35,537	35,537
Total current liabilities	<u>243,245</u>	<u>466,864</u>	<u>710,109</u>
Noncurrent liabilities:			
Advances from other funds		605,000	605,000
Compensated absences	26,346	20,572	46,919
Net pension liability	1,030,780	1,008,161	2,038,941
Net OPEB liability	778,775	783,936	1,562,711
Long-term debt	297,872	3,756,450	4,054,322
Total noncurrent liabilities	<u>2,133,773</u>	<u>6,174,119</u>	<u>8,307,892</u>
Total Liabilities	<u>2,377,018</u>	<u>6,640,983</u>	<u>9,018,001</u>
Deferred Inflows of Resources			
Deferred Inflows-Pensions	25,945	25,376	51,321
Total Deferred Inflows of Resources	<u>25,945</u>	<u>25,376</u>	<u>51,321</u>
Net position:			
Net investment in capital assets	1,121,618	11,257,021	12,378,639
Unreserved	5,900,188	405,161	6,305,349
Total Net Position	<u>\$ 7,021,806</u>	<u>\$ 11,662,182</u>	<u>\$ 18,683,988</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, 2018**

	Water	Sewer	Totals
Operating Revenues			
Charges for services	\$ 1,540,537	\$ 1,937,862	\$ 3,478,399
Connection fees	200,296	204,578	404,874
Other income		387	387
Total Operating Revenues	1,740,833	2,142,827	3,883,660
Operating Expenses			
Salaries and benefits	1,002,664	1,073,454	2,076,118
Services and supplies	355,208	727,551	1,082,759
Depreciation expense	131,178	589,281	720,459
Total Operating Expenses	1,489,050	2,390,286	3,879,336
Operating Income (Loss)	251,783	(247,459)	4,324
Non-Operating Revenues (Expenses)			
Interest income	79,974	43,034	123,008
Debt service fee		327,746	327,746
Interest expense	-	(121,614)	(121,614)
Total Non-Operating Revenues (Expenses)	79,974	249,166	329,140
Net Income (Loss) Before Transfers	331,757	1,707	333,464
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(64,200)	-	(64,200)
Total Other Financing Sources (Uses)	(64,200)	-	(64,200)
Net Income (Loss)	267,557	1,707	269,264
Net Position, July 1, 2017-Restated	6,754,249	11,660,475	18,414,724
Net Position, June 30, 2018	\$ 7,021,806	\$ 11,662,182	\$ 18,683,988

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

**CITY OF ANGELS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
JUNE 30, 2018**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,732,519	\$ 2,143,165	\$ 3,875,684
Cash payments to suppliers	(249,612)	(714,330)	(963,942)
Cash payments to employees	(900,794)	(967,484)	(1,868,278)
Net Cash Provided By (Used For) Operating Activities	<u>582,113</u>	<u>461,351</u>	<u>1,043,464</u>
Cash Flows from Non-Capital Financing Activities			
Payments (to)/from other funds	65,736	(50,000)	15,736
Transfers (to)/from other funds	(64,200)	-	(64,200)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,536</u>	<u>(50,000)</u>	<u>(48,464)</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of fixed assets	(48,482)	(51,636)	(100,118)
Debt service fee		327,746	327,746
Reductions of debt	(76,512)	(254,923)	(331,435)
Interest expense	-	(104,615)	(104,615)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(124,994)</u>	<u>(83,428)</u>	<u>(208,422)</u>
Cash Flows from Investing Activities:			
Interest income	79,974	43,034	123,007
Net Cash Provided By Investing Activities	<u>79,974</u>	<u>43,034</u>	<u>123,007</u>
Net Increase (Decrease) in Cash and Cash Equivalents	538,628	370,957	909,585
Cash and Cash Equivalents, July 1, 2017	6,207,288	2,194,328	8,401,616
Cash and Cash Equivalents, June 30, 2018	<u>\$ 6,745,916</u>	<u>\$ 2,565,285</u>	<u>\$ 9,311,201</u>
Reconciliation of Cash and Cash Equivalents:			
Cash and investments	\$ 6,745,916	\$ 2,565,285	\$ 9,311,201
Total Cash and Cash Equivalents	<u>\$ 6,745,916</u>	<u>\$ 2,565,285</u>	<u>\$ 9,311,201</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 251,783	\$ (247,459)	\$ 4,324
Adjustments to operating income:			
Depreciation	131,178	589,281	720,459
(Increase) decrease in accounts receivable	(8,314)	338	(7,976)
(Increase) decrease in prepaid expense	9,954	15,244	25,198
Increase (decrease) in accounts payable	95,643	(2,023)	93,620
Increase (decrease) in accrued payroll	11,556	15,282	26,838
Increase (decrease) from GASB 68	95,068	92,982	188,050
Increase (decrease) from OPEB activity	-	-	-
Increase (decrease) in customer deposits	-	-	-
Increase (decrease) in compensated absences	(4,755)	(2,294)	(7,049)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 582,113</u>	<u>\$ 461,351</u>	<u>\$ 1,043,464</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, 2018**

	<b>Agency Funds</b>		<b>Totals</b>
	Greenhorn Creek Assessment District	LAFCO Trust Fund	
<u>Assets</u>			
Cash and investments	\$ 1,346,896	\$ 159,567	\$ 1,506,463
Due from other governments	38,961	-	38,961
Total Assets	\$ 1,385,857	\$ 159,567	\$ 1,545,424
<u>Liabilities</u>			
Due to others	1,385,857	\$ 4,055	\$ 1,389,912
Total Liabilities	1,385,857	4,055	1,389,912
<u>Net Position</u>			
Held in trust for LAFCO	-	155,512	155,512
Total Net Position	-	\$ 155,512	\$ 155,512

**Changes in Fiduciary Net Position-LAFCO Trust Fund**

Additions:

Contributions	\$ 80,022
Total contributions	80,022

Deductions

Administrative costs	(69,552)
Total Deductions	(69,552)

Change in net position	10,470
------------------------	--------

Net Position:

Held in trust for LAFCO:	
Beginning of year	145,042
End of year	\$ 155,512

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

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

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, 2018**

Note 1: Summary of Significant Accounting Policies

C. Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

CDBG Fire Truck Fund - This fund accounts for the accumulation of CDBG grant funds used to purchase the new ladder truck for the City Fire Department.

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, 2018**

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, 2018**

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, 2018, 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, 2018**

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, 2018, 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, 2018**

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, 2018, consisted of the following:

Cash and investments	\$ 10,460,493
Restricted cash and investments	1,083,906
Cash and investments, statement of net position	<u>11,544,400</u>
Cash and investments, agency funds	<u>1,506,463</u>
Total cash and investments	<u><u>\$ 13,050,863</u></u>
Deposits with financial institutions	\$ 2,553,072
Imprest cash	925
Investments with fiscal agent	1,398,509
Local agency investment fund	<u>9,098,356</u>
Total cash and investments	<u><u>\$ 13,050,862</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, 2018**

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>Cost</u>	<u>Fair Value</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity</u>
Held By Trustee:					
Money Market/Mutual Funds*	\$ 1,448,089	\$ 1,448,089	.05% to .20%	On Demand	On Demand
State Investment Pool*	9,098,356	9,098,356	1.75%	On Demand	On Demand
Totals	<u>\$ 10,546,445</u>	<u>\$ 10,546,445</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, 2018**

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, 2018, the City's deposits balance was \$1,966,607 and the carrying amount was \$2,503,485. The difference between the bank balance and the carrying amount was due to outstanding checks and deposits in transit. Of the bank balance \$292,492 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 amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$88.94 billion. Of the \$88.94 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.67% 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 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, 2018**

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 804,747	\$ -	\$ -	\$ 804,747
Construction in progress	201,958	298,160	(14,865)	485,253
Capital assets, being depreciated:				
Buildings and improvements	765,090		(12,200)	752,890
Equipment and vehicles	1,574,858	607,449		2,182,307
Infrastructure	3,779,634	152,838		3,932,472
Total capital assets, being depreciated	6,103,386	760,287	(12,200)	6,867,669
Less accumulated depreciation for:				
Buildings and improvements	(454,950)	(19,459)	12,200	(462,209)
Equipment and vehicles	(1,345,561)	(68,230)		(1,413,791)
Infrastructure	(1,493,546)	(169,484)		(1,663,030)
Total accumulated depreciation	(3,294,057)	(257,173)	12,200	(3,539,030)
Total capital assets, being depreciated, net	2,809,329	503,114		3,328,639
Governmental activities capital assets, net	<u>\$ 3,816,034</u>	<u>\$ 801,274</u>	<u>\$ (14,865)</u>	<u>\$ 4,618,639</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 116,515	\$ -	\$ -	\$ 116,515
Construction in progress	511	56,121		56,632
Capital assets, being depreciated:				
Buildings and improvements	22,675,045			22,675,045
Equipment	1,366,695	7,500		1,374,195
Site improvements	4,267,738	36,498		4,304,236
Total capital assets, being depreciated	28,309,478	43,998	-	28,353,476
Less accumulated depreciation	(11,057,202)	(720,459)		(11,777,661)
Total capital assets, being depreciated, net	17,252,276	(676,461)	-	16,575,815
Business-type activities capital assets, net	<u>\$ 17,369,302</u>	<u>\$ (620,340)</u>	<u>\$ -</u>	<u>\$ 16,748,962</u>

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

<b>Governmental Activities</b>	
General government	\$ 4,617
Public safety	60,265
Streets and roads	181,622
Community Development/Parks	10,669
Total Governmental Type Activities	<u>\$ 257,173</u>
<b>Business-Type Functions</b>	
Water	\$ 131,178
Sewer	589,281
Total Business Type Activities	<u>\$ 720,459</u>

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

Note 4: Note/Loans Receivable

Loans receivable in the amount of \$920,483 consisted of mortgage loans for housing and property rehabilitation and construction.

The promissory note receivable in the amount of \$59,644 is effective September 1, 2017 payable in 36 monthly installments of \$500. After the initial 36 months interest of 3.25% will start accruing on the remaining balance of \$41,644 which will be payable in 60 payments of \$752.92 due on the first of each month. The following is the schedule of payments due for the period of the promissory note:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 6,000	\$ -	\$ 6,000
2020	6,000	-	6,000
2021	7,170	853	8,023
2022	7,968	1,067	9,035
2023	8,230	805	9,035
2024-2026	20,276	806	21,082
Total	<u>\$ 55,644</u>	<u>\$ 3,533</u>	<u>\$ 59,177</u>

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, 2018:

Governmental Activities:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 151,547	\$ 84,851	\$ (153,652)	\$ 82,746	\$ 76,826
CalPERS pension liability	3,000,452	415,275		3,415,727	-
OPEB liability	834,368	1,016,317		1,850,685	-
Angels Camp Veterans Memorial	10,000		(10,000)	-	-
Vehicle capital leases	70,840		(33,352)	37,488	13,035
Total	<u>\$ 4,067,207</u>	<u>\$ 1,516,443</u>	<u>\$ (197,004)</u>	<u>\$ 5,386,646</u>	<u>\$ 89,861</u>

Long-term debt payable at June 30, 2018 was comprised of the following individual issues:

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

Note 5: Long-term Liabilities (Continued)

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,		
2019	\$	14,629
2020		14,629
2021		10,972
Total minimum lease payments		40,230
Less: Amount representing interest		(2,742)
Present value of minimum lease payments	\$	37,488

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. This loan was paid off in the 2017/18 fiscal year.

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, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 91,667	\$ 68,354	\$ (75,401)	\$ 84,620	\$ 37,701
CalPERS pension liability	1,760,059	278,880		2,038,939	-
OPEB liability	626,824	935,887		1,562,711	-
Dept. of Water Resources note payable	446,809		(74,468)	372,341	74,468
Dept. of Water Resources revolving loan	207,137		(13,858)	193,279	13,996
Loan payable	4,043,725		(239,021)	3,804,704	227,537
Vehicle capital lease	4,087		(4,087)	-	-
Total	\$ 7,180,308	\$ 1,283,121	\$ (406,835)	\$ 8,056,594	\$ 353,702

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

Note 5: Long-term Liabilities (Continued)

State of California Department of Water Resources

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

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2019	\$ 74,468		\$ 74,468
2020	74,468		74,468
2021	74,468		74,468
2022	74,468		74,468
2023	74,469		74,469
Totals	<u>\$ 372,341</u>	<u>\$ -</u>	<u>\$ 372,341</u>

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
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	252,427	76,487	328,914
2024-2028	1,374,162	274,223	1,648,385
2029-2032	1,238,255	77,278	1,315,533
Totals	<u>\$3,804,704</u>	<u>\$ 799,377</u>	<u>\$ 4,604,081</u>

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

Note 5: Long-term Liabilities (Continued)

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:

Fiscal Year Ended	Principal	Interest	Total
June 30,			
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	14,565	1,364	15,929
2024-2028	75,037	4,609	79,646
2029-2031	46,847	939	47,786
Totals	\$ 193,279	\$ 13,798	\$ 207,077

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, 2018 was \$2,640,000.

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan

**A. General Information about the Pension Plans**

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

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

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

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

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<b>Miscellaneous Plan Tier 1</b>	<b>Safety Police Plan Tier 1</b>	<b>Safety Fire Plan Tier 1</b>
	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	11.675%	18.62%	12.24%
	<b>PEPRA Miscellaneous Plan</b>	<b>PEPRA Safety Police Plan</b>	<b>PEPRA Safety Fire Plan</b>
	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	6.53%	11.99%	9.51%

**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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	620,116
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***B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate share of</b>
	<b>Net pension liability</b>
Miscellaneous Plan	\$ 3,231,285
Safety Police Plan	\$ 2,223,383

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	<u>Miscellaneous Plans</u>	<u>Safety Plans</u>
Proportion - June 30, 2016	0.08029%	0.03806%
Proportion - June 30, 2017	0.08197%	0.03721%
Change - Increase (Decrease)	0.00168%	-0.00085%

For the year ended June 30, 2018, the City recognized pension expense of \$976,588. At June 30, 2018, 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	\$ (41,855)	\$ -
Changes of assumptions	813,728	
Net difference between projected and actual earnings on pension plan investments	196,555	
Changes in proportion		(82,567)
Changes in proportionate share of contributions	97,390	
City contributions subsequent to the measurement date	620,116	-
Total	<u>\$ 1,685,934</u>	<u>\$ (82,567)</u>

\$620,116 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, 2019.

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

<b>Measurement Period</b>	
<u>Ended June 30:</u>	
2019	\$ (245,255)
2020	(518,347)
2021	(335,724)
2022	116,075

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

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

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

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 a 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>Current Allocation Target</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	0.0227
Inflation Sensitive	6%	0.60%	0.0139
Private Equity	12%	6.60%	0.0663
Real Estate	11%	2.80%	0.0521
Infrastructure and Forestland	3%	3.90%	0.0536
Liquidity	2%	-0.40%	(0.90)

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

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

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

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

*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:

	<b>Discount Rate -1%</b> <b>(6.15%)</b>	<b>Current Discount Rate</b> <b>Rate (7.15%)</b>	<b>Discount Rate +1%</b> <b>(8.15%)</b>
Miscellaneous Plans	\$ 5,037,099	\$ 3,231,285	\$ 1,735,677
Safety Plans	\$ 3,324,256	\$ 2,223,383	\$ 1,323,479

Note 8: Post-Retirement Health Care 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, 2018, 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, 2018 the City Council did not establish a funding policy. The 2017-18 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, 2018 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, 2018. The City made the net contribution for fiscal year end June 30, 2018 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, 2018**

Note 8: Post-Retirement Health Care Benefits (Continued)

**Employees Covered By Benefit Terms**

At the OPEB liability measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	15
Active employees	49
Total	64

**Contributions**

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC 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. The City chose a 30 year period to amortize the unfunded actuarial liability.

The contribution requirement of plan members is established by the City Council. The 2017-18 fiscal year contribution was based on the actuarially determined contribution using entry age actuarial cost with normal costs calculated as a level percentage of payroll, as required by GASB 75. For the fiscal year ending June 30, 2018 valuation, the City contributed \$0 towards the unfunded actuarial liability (UAL). The City paid the retiree premiums for fiscal year end June 30, 2018 valuation directly to health insurance providers totaling \$63,938 (including implicit subsidy associated with benefits paid). Plan members receiving benefits contributed 50% or more of the total premiums.

*Net OPEB Liability:* At June 30, 2018 the City reported a net OPEB liability of \$3,413,396. The net OPEB liability was measured from July 1, 2017 to June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2018.

**Actuarial Assumptions**

The net OPEB liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2017 to June 30, 2018
Actuarial Assumptions:	
Discount Rate	3.68%
Healthcare trend rates	5.00% to 6.00%
Salary increase	3.00%
Age adjustment factor	3.00%
Percent of retirees with spouses	
Investment Rate of Return	3.68%

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

Note 8: Post-Retirement Health Care Benefits (Continued)

**OPEB Assets**

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>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	100.00%	4.00%
Total	<u>100.00%</u>	

(1): The city has established an irrevocable trust for paying benefits with MidAmerica. It is a fixed income account with guaranteed interest credited when contributions are made.

The discount rate used to measure the total OPEB liability was 3.68 percent. The projection of cash flows used to determine the discount rate assumed the City's contributions will continue based upon the current OPEB funding policy. Based on those assumptions, the OPEB plans fiduciary net position was projected to be available to make future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2018.

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary</u>	<u>Net OPEB Liability</u>
		<u>Net Position</u>	
	(a)	(b)	(c)
Balances at 6/30/2017	\$ 3,119,794	\$ 40,309	\$ 3,079,485
Changes for the year:			
Service cost	289,525		289,525
Interest	113,643		113,643
Contribution-employer		68,694	(68,694)
Net investment income		563	(563)
Benefit payments	(63,938)	(63,938)	-
Administrative expense			-
Net changes	<u>339,230</u>	<u>5,319</u>	<u>333,911</u>
Balances at 6/30/18	<u>\$ 3,459,024</u>	<u>\$ 45,628</u>	<u>\$ 3,413,396</u>

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

Note 8: Post-Retirement Health Care Benefits (Continued)

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the City’s share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 2.68%	Discount Rate 3.68%	1% Increase 4.68%
Net OPEB liability (asset)	\$ 4,013,565	\$ 3,413,396	\$ 2,931,157

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$0. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or methods. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	910	-
District contributions subsequent to measurement date	-	-
Totals	\$ 910	\$ -

\$0 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year Ended June 30,				
2019	\$		228	
2020			228	
2021			228	
2022			226	
Total	\$		910	

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).

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

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, 2018 are summarized as follows:

<u>Fund Type</u>	Advances To Other Funds	Advances From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ -	\$ -	\$ 324,242	\$ 30,684
Special Revenue			67,815	463,936
Capital Project		83,526	192,803	26,040
Water	688,526			64,200
Sewer		605,000		
Total	<u>\$ 688,526</u>	<u>\$ 688,526</u>	<u>\$ 584,860</u>	<u>\$ 584,860</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.

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

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

Note 12: Risk Management (Continued)

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, 2018 is available at “csjvrma.org”.

Note 13: Stewardship, Compliance and Accountability

A. Deficit Fund Balances/Net Position

At June 30, 2018, the Capital Projects fund had a deficit fund balance of \$76,050, the Lighting and Landscape District in the Special Revenue Funds had a deficit fund balance of \$35,215, the TOT Roads capital projects fund had a deficit fund balance of \$31,857 and the CDBG Fire Truck special revenue fund had a deficit fund balance of \$6,066. These deficits are expected to be cured with future revenues over expenditures and/or by transfers from the general fund.

Unrestricted governmental activities net position in the government-wide financial statements had a negative balance of \$685,646 as of June 30, 2018. The negative net position was the result of implementing GASB 68 and GASB 75 for post-retirement pension benefits and other post-employment benefits.

B. Restatement of Beginning Fund Balance/Net Position

At June 30, 2018 beginning net position in the governmental funds statement of activities was reduced \$1,016,317 to implement Governmental Accounting Standards Board Statement No. 75 for Other Post-Employment Benefit liabilities and deferred outflows/inflows. Beginning net position in the water fund was increased \$14,656 to account for the accrued water usage receivable at the beginning of the fiscal year. Beginning net positions was reduced in the water fund \$456,816 and beginning sewer fund net position was reduced \$479,071 to implement Governmental Accounting Standards Board Statement No. 75 for Other Post-Employment Benefit liabilities and deferred outflows/inflows.

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 2017-18	\$	2,759,008
Amount of limit for 2017-18		3,259,981
Amount (under)/over limit (all sources)	\$	(500,973)

**City of Angels**  
**Notes to Financial Statements**  
**June 30, 2018**

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, 2018.

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, 2018.

Note 17: Subsequent Event

Subsequent events were evaluated through February 18, 2019, the date the financial statements were available for distribution.

**CITY OF ANGELS**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
June 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured/unsecured	\$ 569,576	\$ 569,576	\$ 565,580	\$ (3,996)
Sales	823,785	823,785	819,639	(4,146)
Transient occupancy	640,806	640,806	612,855	(27,951)
Real property transfer	12,000	12,000	24,568	12,568
Total Taxes	<u>2,046,167</u>	<u>2,046,167</u>	<u>2,022,642</u>	<u>(23,525)</u>
Licenses and Permits				
Business licenses	22,500	22,500	24,094	1,594
Building permits	108,000	108,000	167,242	59,242
Franchise fees	100,000	100,000	107,389	7,389
Total Licenses and Permits	<u>230,500</u>	<u>230,500</u>	<u>298,725</u>	<u>68,225</u>
Intergovernmental				
Motor vehicle in lieu	246,000	246,000	267,221	21,221
State-road relinquishment	291,000	291,000	291,000	
Reimbursement - highway sweeping	2,712	2,712		(2,712)
Reimbursement - public safety	312,666	312,666	305,973	(6,693)
Peace officers training			495	495
Total Intergovernmental	<u>852,378</u>	<u>852,378</u>	<u>864,689</u>	<u>12,311</u>
Fines, Forfeitures and Penalties				
Parking citations public safety reimbursements	20,800	20,800	15,147	(5,653)
Total Fines, Forfeitures and Penalties	<u>20,800</u>	<u>20,800</u>	<u>15,147</u>	<u>(5,653)</u>
Charges for Current Services				
Plan checking	35,600	35,600	60,562	24,962
Water sales				
Developer fees			13,895	13,895
Administrative fees	23,400	23,400	26,184	2,784
Museum	60,500	60,500	52,489	(8,011)
Total Charges for Current Services	<u>119,500</u>	<u>119,500</u>	<u>153,130</u>	<u>33,630</u>
Use of Money and Property				
Interest and investment income	5,000	5,000	7,700	2,700
Rent	31,883	31,883	31,965	82
Total Use of Money and Property	<u>36,883</u>	<u>36,883</u>	<u>39,665</u>	<u>2,781</u>
Other				
Insurance refund and legal recovery			22,645	22,645
Miscellaneous - all others	12,736	12,736	2,605	(10,131)
Total Other	<u>12,736</u>	<u>12,736</u>	<u>25,250</u>	<u>12,515</u>
Total Revenues	<u>\$ 3,318,964</u>	<u>\$ 3,318,964</u>	<u>\$ 3,419,248</u>	<u>\$ 100,284</u>

**CITY OF ANGELS**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)  
June 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 3,318,964	\$ 3,318,964	\$ 3,419,248	\$ 100,284
Expenditures				
General Government				
City council	14,886	14,886	15,334	(448)
City attorney	32,400	32,400	44,516	(12,116)
Finance and administration	454,777	454,777	329,852	124,925
Total General Government	502,063	502,063	389,703	112,361
Public Ways and Facilities/Transportation				
Engineering	18,080	18,080	11,161	6,919
Building and planning	181,499	181,499	160,553	20,946
Street sweeping/maintenance	5,586	5,586	4,379	1,207
Public works	56,766	56,766	51,078	5,688
Total Public Ways and Facilities/Transportation	261,931	261,931	227,171	34,760
Public Safety				
Fire	747,097	747,097	744,139	2,958
Police	1,610,382	1,610,382	1,581,597	28,785
Total Public Safety	2,357,479	2,357,479	2,325,736	31,743
Community Development				
Museum	242,111	242,111	224,160	17,951
Visitors bureau	20,963	20,963	17,484	3,479
Community support	70,150	70,150	47,169	22,981
Parks	52,264	52,264	66,732	(14,468)
Total Community Development	385,488	385,488	355,545	29,942
Debt Service				
Principal	43,612	43,612	43,352	260-
Interest	2,502	2,502	2,668	(166)
Total Debt Service	46,114	46,114	46,020	95
Capital Outlay				
Structures and improvements	8,285	8,285		8,285
Equipment	10,140	10,140	13,230	(3,090)
Total Capital Outlay	18,425	18,425	13,230	5,195
Total Expenditures	3,571,500	3,571,500	3,357,404	214,096
Excess (Deficit) of Revenues Over Expenditures				
Before Other Financing Sources (Uses)	(252,536)	(252,536)	61,844	314,380
Other Financing Sources (Uses)				
Proceeds of debt				
Gain from sale of assets				
Operating transfers in	330,753	330,753	324,242	(6,511)
Operating transfers out	(27,043)	(27,043)	(30,684)	(3,641)
Total Other Financing Sources (Uses)	303,710	303,710	293,558	(10,152)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ 51,174	\$ 51,174	355,402	\$ 304,228
Fund Balance, July 1, 2017			1,212,285	
Fund Balance, June 30, 2018			\$ 1,567,687	

**CITY OF ANGELS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY  
June 30, 2018**

<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%
6/30/2017	0.08197%	\$3,231,285	\$1,517,642	212.91%	72.11%
<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%
6/30/2017	0.03721%	\$2,223,383	\$873,005	254.68%	70.01%

\* 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, 2018**

<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%
6/30/2017	\$368,568	(\$368,568)	\$0	\$1,517,642	24.29%
<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%
6/30/2017	\$251,548	(\$251,548)	\$0	\$873,005	28.81%

\* 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  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN SCHEDULE OF  
CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS  
JUNE 30, 2018**

Last 10 Fiscal Years\*

**Total OPEB liability**

Service cost	\$ 289,525
Interest	113,643
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments**	(63,938)
Net change in total OPEB liability	<u>339,230</u>
Total OPEB liability-beginning (a).	<u>3,119,794</u>
Total OPEB liability-ending (b)	<u><u>\$ 3,459,024</u></u>

**Plan fiduciary net position**

Contributions-employer **	\$ 68,694
Net investment income	563
Benefit payments	(63,938)
Administrative expenses	<u>5,319</u>
Net change in plan fiduciary net position	<u>40,309</u>
Plan fiduciary net position-beginning (c)	<u>\$ 45,628</u>
Plan fiduciary net position-ending (d)	<u><u>\$ 45,628</u></u>

Net OPEB liability-beginning (a)-(c)	\$ 3,079,485
Net OPEB liability-ending (b)-(d)	\$ 3,413,396

Plan fiduciary net position as a percentage of the total OPEB liability 1%

Covered-employee payroll \$2,390,647

District's net OPEB liability as a percentage of covered-employee payroll 143%

Measurement date 6/30/2018

\* Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

\*\*Amount includes implicit subsidy associated with benefits paid.

**CITY OF ANGELS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2018**

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, 2018**

<u>Assets</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Restricted cash and investments	\$ 270,075	\$ 813,831	\$ 1,083,906
Receivables	180,499		180,499
Interest receivable	192,617		192,617
Due from other funds	99,324		99,324
Prepaid expense	69		69
Due from other governments	17,235	102,704	119,939
Loans receivable	920,483		920,483
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,680,302</u>	<u>\$ 916,535</u>	<u>\$ 2,596,837</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 145,402	\$ 47,945	\$ 193,347
Accrued wages	1,826		1,826
Due to other funds	97,302		97,302
Advance from other funds	83,526		83,526
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>328,056</u>	<u>47,945</u>	<u>376,001</u>
Deferred Inflows of Resources			
Unavailable	217,729	1,459	219,188
Unearned advance-capital project fund		198,619	198,619
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	<u>217,729</u>	<u>200,078</u>	<u>417,807</u>
Fund Balances			
Restricted	171,824		171,824
Nonspendable	910,483		910,483
Assigned	119,281	744,562	863,843
Unassigned	(67,071)	(76,050)	(143,121)
	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>1,134,517</u>	<u>668,512</u>	<u>1,803,029</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,680,302</u>	<u>\$ 916,535</u>	<u>\$ 2,596,837</u>

**CITY OF ANGELS**

**Combining Statement of Revenues, Expenditure and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2018**

	Special Revenue Funds	Capital Project Funds	Total
<b>Revenues</b>			
Taxes and assessments	\$ 589,233	\$ -	\$ 589,233
Intergovernmental	316,349	163,191	479,540
Use of money and property	21,266	6,976	28,242
Developer contributions		329,988	329,988
Charges for services	21,149		21,149
	<u>947,997</u>	<u>500,155</u>	<u>1,448,152</u>
<b>Expenditures</b>			
Current:			
Public ways and facilities/ transportation	315,198	2,009	317,207
Public safety		-	-
Community development	264,671	451	265,122
Capital outlay	26,226	420,017	446,243
	<u>606,095</u>	<u>422,477</u>	<u>1,028,572</u>
Excess (Deficit) of Revenues Over Expenditures	<u>341,902</u>	<u>77,678</u>	<u>419,580</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	67,815	192,803	260,618
Operating transfers out	(463,936)	(26,040)	(489,976)
	<u>(396,121)</u>	<u>166,763</u>	<u>(229,358)</u>
Net Change in Fund Balances	<u>(54,219)</u>	<u>244,441</u>	<u>190,222</u>
Fund Balances, July 1, 2017	<u>1,188,736</u>	<u>424,070</u>	<u>1,612,806</u>
Fund Balances, June 30, 2018	<u>\$ 1,134,517</u>	<u>\$ 668,511</u>	<u>\$ 1,803,028</u>

**CITY OF ANGELS**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2018**

	Gas Tax	Local Transportation	Utica Power Authority	L&L District	Public Safety	TOT Emergency Service	TOT Roads	TOT Tourism	CDBG Housing	Homeland Security Grant	Totals
<u>Assets</u>											
Restricted cash and investments	\$ 62,629	\$ 3,754	\$ 40,649	\$ 47,176	\$ 22,687	\$ -	\$ -	\$ 20,680	\$ 72,500	\$ -	\$ 270,075
Receivables	10,241		66,365			34,631	34,631	34,631			180,499
Interest receivable									192,617		192,617
Due from other funds									99,324		99,324
Prepaid expense	69										69
Due from other governments				9,158	8,077						17,235
Loans receivable									920,483		920,483
<b>Total Assets</b>	<b>\$ 72,939</b>	<b>\$ 3,754</b>	<b>\$ 107,014</b>	<b>\$ 56,334</b>	<b>\$ 30,764</b>	<b>\$ 34,631</b>	<b>\$ 34,631</b>	<b>\$ 55,311</b>	<b>\$ 1,284,924</b>	<b>\$ -</b>	<b>\$ 1,680,302</b>
<u>Liabilities Deferred Inflows and Fund Balances</u>											
<u>Liabilities</u>											
Accounts payable	\$ 1,186	\$ -	\$ 85,000	\$ 7,792	\$ -	\$ -	\$ 2,469	\$ 48,955	\$ -	\$ -	\$ 145,402
Accrued wages	340			231			1,255				1,826
Due to other funds						34,538	62,764				97,302
Advance from other fund				83,526							83,526
<b>Total Liabilities</b>	<b>1,526</b>		<b>85,000</b>	<b>91,549</b>		<b>34,538</b>	<b>66,488</b>	<b>48,955</b>			<b>328,056</b>
<u>Deferred Inflows of Resources</u>											
Unavailable		3,666			11,446				202,617		217,729
<u>Fund Balances</u>											
Restricted									171,824		171,824
Nonspendable for loans									910,483		910,483
Assigned	71,413	88	22,014		19,318	93		6,356			119,281
Unassigned				(35,215)			(31,857)				(67,071)
<b>Total Fund Balance</b>	<b>71,413</b>	<b>88</b>	<b>22,014</b>	<b>(35,215)</b>	<b>19,318</b>	<b>93</b>	<b>(31,857)</b>	<b>6,356</b>	<b>1,082,307</b>		<b>1,134,517</b>
<b>Total Liabilities Deferred Inflows and Fund Balances</b>	<b>\$ 72,939</b>	<b>\$ 3,754</b>	<b>\$ 107,014</b>	<b>\$ 56,334</b>	<b>\$ 30,764</b>	<b>\$ 34,631</b>	<b>\$ 34,631</b>	<b>\$ 55,311</b>	<b>\$ 1,284,924</b>	<b>\$ -</b>	<b>\$ 1,680,302</b>

**CITY OF ANGELS**

**Combining Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
June 30, 2018**

	Gas Tax	Local Transportation	Utica Power Authority	L&L District	Public Safety	TOT Emergency Service	TOT Roads	TOT Tourism	CDBG Housing	Homeland Security Grant	Totals
<b>Revenues</b>											
Taxes and assessments	\$ -	\$ -	\$ -	\$ 181,330	\$ -	\$ 135,967	\$ 135,968	\$135,968	\$ -	\$ -	\$ 589,233
Intergovernmental	124,621	48,634			137,066					6,028	316,349
Use of money and property	809	58	145	474	289			19,491			21,266
Charges for services			21,149								21,149
<b>Total Revenues</b>	<b>125,430</b>	<b>48,692</b>	<b>21,294</b>	<b>181,804</b>	<b>137,355</b>	<b>135,967</b>	<b>135,968</b>	<b>135,968</b>	<b>19,491</b>	<b>6,028</b>	<b>947,997</b>
<b>Expenditures</b>											
Current:											
Public ways and facilities/ transportation	62,541		85,150				167,507				315,198
Public safety											
Community development				144,930				119,741			264,671
Capital outlay	4,431			21,795					-		26,226
<b>Total Expenditures</b>	<b>66,972</b>		<b>85,150</b>	<b>166,725</b>			<b>167,507</b>	<b>119,741</b>			<b>606,095</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>58,458</b>	<b>48,692</b>	<b>(63,856)</b>	<b>15,079</b>	<b>137,355</b>	<b>135,967</b>	<b>(31,539)</b>	<b>16,227</b>	<b>19,491</b>	<b>6,028</b>	<b>341,902</b>
<b>Other Financing Sources (Uses)</b>											
Operating transfers in			64,200					3,615			67,815
Operating transfers out	(92,100)	(48,634)			(137,474)	(135,911)	(25,000)	(18,789)	-	(6,028)	(463,936)
<b>Total Other Financing Sources (Uses)</b>	<b>(92,100)</b>	<b>(48,634)</b>	<b>64,200</b>		<b>(137,474)</b>	<b>(135,911)</b>	<b>(25,000)</b>	<b>(15,174)</b>		<b>(6,028)</b>	<b>(396,121)</b>
<b>Net Change in Fund Balances</b>	<b>(33,642)</b>	<b>58</b>	<b>344</b>	<b>15,079</b>	<b>(119)</b>	<b>56</b>	<b>(56,539)</b>	<b>1,053</b>	<b>19,491</b>	<b>-</b>	<b>(54,219)</b>
<b>Fund Balances, July 1, 2017</b>	<b>105,055</b>	<b>30</b>	<b>21,670</b>	<b>(50,294)</b>	<b>19,437</b>	<b>37</b>	<b>24,682</b>	<b>5,303</b>	<b>1,062,816</b>		<b>1,188,736</b>
<b>Fund Balances, June 30, 2018</b>	<b>\$ 71,413</b>	<b>\$ 88</b>	<b>\$ 22,014</b>	<b>\$ (35,215)</b>	<b>\$ 19,318</b>	<b>\$ 93</b>	<b>\$ (31,857)</b>	<b>\$ 6,356</b>	<b>\$ 1,082,307</b>	<b>\$ -</b>	<b>\$ 1,134,517</b>

**CITY OF ANGELS**

**Combining Balance Sheet  
Nonmajor Capital Project Funds  
June 30, 2018**

	<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	\$ 40,668	\$ 28,989	\$ 664,862	\$ 10,042	\$ 69,270	\$ 813,831
Due from other governments					102,704	102,704
<b>Total Assets</b>	<b><u>\$ 40,668</u></b>	<b><u>\$ 28,989</u></b>	<b><u>\$ 664,862</u></b>	<b><u>\$ 10,042</u></b>	<b><u>\$ 171,974</u></b>	<b><u>\$ 916,535</u></b>
<u>Liabilities</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 47,945	\$ 47,945
<b>Total Liabilities</b>					<b><u>47,945</u></b>	<b><u>47,945</u></b>
<u>Deferred inflows of resources</u>						
Deferred inflows of resources						
Unavailable					1,459	1,459
Unearned revenue-advances					198,619	198,619
<b>Total deferred inflows of resources</b>					<b><u>200,078</u></b>	<b><u>200,078</u></b>
<u>Fund Balances</u>						
Assigned	40,668	28,989	664,862	10,042		744,562
Unassigned					(76,050)	(76,050)
<b>Total Fund Balance</b>	<b><u>40,668</u></b>	<b><u>28,989</u></b>	<b><u>664,862</u></b>	<b><u>10,042</u></b>	<b><u>(76,050)</u></b>	<b><u>668,512</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 40,668</u></b>	<b><u>\$ 28,989</u></b>	<b><u>\$ 664,862</u></b>	<b><u>\$ 10,042</u></b>	<b><u>\$ 171,974</u></b>	<b><u>\$ 916,535</u></b>

**CITY OF ANGELS**  
**Combining Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Capital Project Funds**  
**June 30, 2018**

	<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>
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 163,191	\$ 163,191
Developer contributions	29,782	10,443	277,563	12,200	-	329,988
Use of money and property	310	243	5,244	112	1,067	6,976
<b>Total Revenues</b>	<u>30,092</u>	<u>10,686</u>	<u>282,807</u>	<u>12,312</u>	<u>164,258</u>	<u>500,155</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public ways and facilities/ Transportation					2,009	2,009
Public safety						-
Community support	451					451
Capital outlay					420,017	420,017
<b>Total Expenditures</b>	<u>451</u>				<u>422,026</u>	<u>422,477</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>29,641</u>	<u>10,686</u>	<u>282,807</u>	<u>12,312</u>	<u>(257,768)</u>	<u>77,678</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in					192,803	192,803
Operating transfers out	(10,215)	(1,196)		(14,629)		(26,040)
<b>Total Other Financing Sources (Uses)</b>	<u>(10,215)</u>	<u>(1,196)</u>		<u>(14,629)</u>	<u>192,803</u>	<u>166,763</u>
<b>Net Change in Fund Balances</b>	<u>19,426</u>	<u>9,490</u>	<u>282,807</u>	<u>(2,317)</u>	<u>(64,965)</u>	<u>244,441</u>
<b>Fund Balances, July 1, 2017</b>	<u>21,242</u>	<u>19,499</u>	<u>382,055</u>	<u>12,359</u>	<u>(11,085)</u>	<u>424,070</u>
<b>Fund Balances, June 30, 2018</b>	<u>\$ 40,668</u>	<u>\$ 28,989</u>	<u>\$ 664,862</u>	<u>\$ 10,042</u>	<u>(76,050)</u>	<u>668,511</u>

# LARRY BAIN, CPA

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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, 2018, 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 18, 2019.

### **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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items FS 18-1, FS 18-2 and FS 18-3 that we consider to be significant deficiencies.

## **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*

## **The City of Angel's Response to Findings**

The City of Angel's written response to the findings identified in our audit and any follow up for subsequent year corrections is described in the accompanying schedule of findings and questioned costs. The City's response was not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

## **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.

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 18, 2019

# LARRY BAIN, CPA

An Accounting Corporation

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2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council  
City of Angels Camp  
Angels Camp, California

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Angels Camp (the "City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items SA 18-1 and SA 18-2 that we consider to be significant deficiencies.

### **The City of Angel's Response to Findings**

The City of Angel's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose

Larry Bain, CPA,  
An Accounting Corporation  
February 18, 2019

**CITY OF ANGELS CAMP**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S Department of Transportation</u>			
Passed through California Department of Transportation			
Congestion Mitigation and Air Quality Program - Murphys Grade Road	20.205	CML-5206(013)	\$ 41,624
Congestion Mitigation and Air Quality Program - Angels Sidewalk	20.205	CML-5206(014)	139,222
Congestion Mitigation and Air Quality Program - Angels Trail	20.205	CML-5206(016)	2,806
Subtotal 20.205			<u>183,652</u>
Total U.S. Department of Transportation			\$ 183,652
<u>U.S. Department of Housing and Urban Development</u>			
Passed through California Department of Housing and Community Development			
Community Development Block Grant - Fire Truck	*14.228	16-CDBG-11131	\$ 584,109
Subtotal 14.228			<u>584,109</u>
Home Investment Partnership Loan Repayment - Program Income	14.239	07-HOME-3241	143,552
Subtotal 14.239			<u>143,552</u>
Total U.S. Department of Housing and Urban Development			\$ 727,661
Total Federal Awards			<u>\$ 911,312</u>

\*Major program

**CITY OF ANGELS CAMP**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**Note 1: Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by the City of Angels, California that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**Note 2: Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 3: Relationship to Financial Statements**

The amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, to amounts reported within the City’s financial statements. Federal award revenues are reported in the City’s financial statements as intergovernmental revenues in the General Fund or Special Revenue Funds.

**Note 4: Loans Outstanding**

In prior years, the City issued a variety of homebuyer and home improvement loans through the CDBG Loan Program and the Home Investment Partnership Program. The table below shows the cumulative loans outstanding for each program. When the City receives any repayments on the loans the returning revenue is accounted for as program income for each respective loan program. Each year the amount of program income is reflected in the Schedule of Federal Assistance.

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2018:

<u>Federal CFDA #</u>	<u>Program Title</u>	<u>June 30, 2018</u>
14.239	Home Investment Partnerships Program	\$ 245,503.00
14.239	Home Investment Partnerships Program	664,980.00
		<u>\$ 910,483.00</u>
14.228	Community Development Block Grant - Rehab Loan	10,000.00
		<u>\$ 10,000.00</u>

The participant loans presented above are not subject to a continuing compliance requirement.

**Note 5: Indirect Cost Rate**

The City elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**CITY OF ANGELS CAMP**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Non-compliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported under the Uniform Guidance	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant-Fire Truck

Dollar threshold used to distinguish Between Type A and Type B programs	\$750,000
Auditee qualifies as low-risk auditee under the Uniform Guidance	No

**SECTION 2 - FINANCIAL STATEMENT FINDINGS**

- FS 18-1: Strike Team Billing
- FS 18-2: Utility Receivables
- FS 18-3 Accrued Payroll

**SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- SA 18-1: CFDA 14.228 – Debarment
- SA 18-2: CFDA 14.228 – Procurement

**CITY OF ANGELS CAMP**  
**Schedule of Findings and Questioned**  
**June 30, 2018**

**FINANCIAL STATEMENT FINDINGS**

**FS 18-1 (Continuing Finding):** During our prior year audit we noted fire strike team billings was \$12,259 higher 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 invoice (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. This was noted in prior year finding FS 17-2.

**Current Year Follow Up:** During the current fiscal year audit we did not observe City action taken to reimburse CalFire-OES the \$12,259 that was overbilled in the prior fiscal year.

**Recommendation:** We recommend the City review the billing for the 2016/17 fiscal year Cedar Fire and contact CalFire-OES and make arrangements to reimburse the overbilled amount.

**City's Response:** We are actively working with CalFire-OES on this issue. Currently, we are waiting on CalFire-OES to respond with how they want us to repay. CalFire-OES is deciding whether they want to reduce a subsequent payment or generate an invoice. We will continue to follow up with CalFire-OES.

**FS 18-2:** During our testing of utility receivable accounts, we noted one customer account that had a past balance due at June 30, 2017 of approximately \$80,000 and at June 30, 2018 of \$99,911.32 which represents over 20% of the utility receivables balance for water and sewer funds. We did not observe action taken by the City to collect on the delinquent charges.

We also noted a second account that accrued charges, but had not made a payment for the full fiscal year under audit. The balance on that account was \$14,848.44 as of June 30, 2018.

**Recommendation:** We recommend the City consider all legally enforceable options to collect on the \$99,911.32 and \$14,848.44 delinquent utility accounts noted above.

**City's Response:** We will follow the Auditor's recommendations. These accounts have been delinquent for more than 5 years. We plan on addressing this issue in the next fiscal year.

**FS 18-3:** During our testing of accrued payroll we noted the original payroll posting misallocated accrued payroll between governmental funds and enterprise funds. The original accrued payroll posting allocated \$80,249 to governmental funds and \$847 to enterprise funds. The corrected balance allocated \$59,065 to governmental funds and \$27,640 to the enterprise funds.

**Recommendation:** We recommend correcting the payroll system so that accruals are properly allocated to each fund and, as part of year-end procedures, agree that year-end accrued payroll balances reconcile to the underlying support.

**City's Response:** We have determined that it would be more efficient to manually adjust year-end accrued payroll balances rather than correcting the payroll system at this time. We have updated our year-end procedures to include reconciliation and adjusting journal entry for accrued payroll.

**CITY OF ANGELS CAMP**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding No. SA 18-1**

<b>CFDA Number and Title:</b>	14.228 Community Development Block Grant – Fire Truck
<b>Federal Grantor Name:</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Entity Name:</b>	California Department of Housing and Community Development
<b>Pass-Through Award/Contract No.:</b>	16-CDBG-11131
<b>Award Year:</b>	Fiscal year 2016-2017
<b>Questioned Costs Amount:</b>	None
<b>Compliance Requirement:</b>	Debarment

**Criteria**

Generally, federal grant regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the District must ensure that vendor or subrecipient is not suspended or debarred. If a vendor certifies in writing that its organization has not been suspended or debarred, the grantee may rely on that certification. The grantee may, alternatively, check for suspended or debarred parties through the SAM.gov “System of Award Management” website. 2 CFR 180.220, 180.210 and 180.300.

**Description of Condition**

The City received the above grant for the purpose of acquiring a fire truck and purchased the fire truck from a vendor for \$ 559,845. Upon inquiry about checking debarment for this vendor, the auditor was informed that the City’s consultant did not believe that debarment must be checked for the vendor because of the type of transaction involved, stating that a debarment check was not required for “non-procurement” transactions. The consultant described that they do routinely perform debarment checks and pointed out the debarment check for their own services. We reviewed the contract with the fire truck vendor and did not locate a statement by the vendor which stated that it was not suspended or debarred. We also checked the vendor for the fire truck and determined it was not suspended or debarred.

**Cause of Condition**

The City’s consultant erroneously believes that the purchase of the City’s fire truck was not a covered transaction for purposes of the debarment requirements.

**Effect of Condition**

Covered transactions could be completed without a debarment check due to a misinterpretation of the standards. Any payments made to a firm or individual which is suspended or debarred would be subject to recovery by the federal agency.

**Questioned Costs**

We were able to verify that the vendor was not suspended or debarred. Therefore, we did not question costs.

**CITY OF ANGELS CAMP**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**Recommendation**

We recommend that the City provide training to staff responsible for federal grant management to ensure future compliance with the suspension and debarment requirements.

**City's Response:**

We have implemented new policies and procedures concerning debarments and federal grant management and more policies and procedures are in development. We will ensure all staff responsible for federal grant management are provided with the proper training.

**CITY OF ANGELS CAMP**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**Finding No. SA 18-2**

<b>CFDA Number and Title:</b>	14.228 Community Development Block Grant – Fire Truck
<b>Federal Grantor Name:</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Entity Name:</b>	California Department of Housing and Community Development
<b>Pass-Through Award/Contract No.:</b>	16-CDBG-11131
<b>Award Year:</b>	Fiscal year 2016-2017
<b>Questioned Costs Amount:</b>	None
<b>Compliance Requirement:</b>	Procurement

**Criteria**

Section 3.30.090 of the City's procurement policy states that “formal bidding procedures” must be undertaken for a procurement of \$125,000 or more. Section 3.30.120 of the City's procurement policy defines “formal bidding procedures.” Subsection C.2. of this section requires that notice of formal bids shall be published, specifically stating that the notice be: “Published at least once in a newspaper of general circulation within the city at least fourteen calendar days before the date of the bid opening.”

**Description of Condition**

The City received the above grant for the purpose of acquiring a fire truck and purchased the fire truck from a vendor for \$ 559,845. This purchase was over \$125,000 and therefore came within the provisions of Sections 3.30.090 and 3.30.120. The City made efforts to obtain a competitive bid including contacting several vendors who might sell them the fire truck needed, however, the City did not publish their notice of intent to accept bids.

**Cause of Condition**

The City did not review its procurement procedures sufficiently to ensure that their procurement requirements are met. The auditor was notified that the City is in the process of amending its policies and procedures.

**Effect of Condition**

The City might obtain a better price for federal purchases if the City did publish their notice of intent to accept bids. However, we note that in our current society, internet advertisement of intent to accept bids is probably more valuable than hard-copy newspaper ads.

**Questioned Costs**

We do not question costs. The City obtained three competitive proposals and was able to come under the budget fixed by the California Department of Housing and Community Development for the fire truck. We reviewed 2 CFR 200.320 and noted that there does not appear to be a publication of notice of intent to accept bids in the Uniform Guidance.

**Recommendation**

We recommend that the City complete the amendment of its policies and procedures and provide training to those in charge of procurement.

**City's Response:**

We will follow the Auditor's recommendation

**CITY OF ANGELS**  
**Summary Schedule of Prior Year**  
**Findings and Questioned Costs**  
**JUNE 30, 2018**

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

**Prior Year Finding 17-1:** We noted instances where governmental fund type receivables and revenue/deferred revenue were not recognized in the proper periods.

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

**Current Year Follow Up:** During the current fiscal year we noted receivables and revenue/deferred revenue were recorded in the proper periods.

**Recommendation:** None.

**Prior Year 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.

**Current Year Follow Up:** See current year continuing finding 18-1.

**PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None