



July 30, 2024

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Angels, California (the City) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City adopted Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the basic financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historic revenues and analysis of collectability. We evaluated the methods, assumptions, and data used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferrals is based on actuarial valuations. We evaluated the methods, assumptions, and data used to develop the liability and related deferrals in determining that it is reasonable in relation to the financial statements taken as a whole.

Other postemployment benefit obligations are determined using terms of various healthcare plans offered, together with relevant actuarial assumptions and healthcare cost trend rates, projected annual rates and discount rates. We evaluated the key factors and assumptions used develop the other postretirement benefit obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of depreciation is based on historic costs. We evaluated the methods, assumptions, and data used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Deficit Fund Balance in Note 13 to the financial statements provides information regarding the City's funds which have liabilities that exceed their assets resulting in a deficit fund balance.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule, "Uncorrected Audit Differences", summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. In addition, the adjustments noted in the "Corrected Material Audit Adjustments" attachment represent the material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In our audit engagement letter previously provided to you, we communicated the following significant risks of material misstatement (significant risks) as part of our audit planning:

- Management override of controls
- Improper revenue recognition due to fraud

During the course of the audit, we identified additional significant risks:

- City fiduciary funds and activities are not recorded in accordance with GASB84
- Incomplete, inaccurate, or otherwise improper implementation of GASB96

These risks were addressed within our audit procedures and any findings related to these risks have been noted in our report dated July 30, 2024.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, schedule of the proportionate share of net pension liability, schedule of contributions and schedule of changes in net OPEB liability which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of City of Angles, California and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Price Pange & Company

Client: CITY OF ANGELS
Engagement: 6-30-23 Audit
Current Period: 06/30/2023
Workpaper: Attachment: Uncorrected Audit Differences

Account	Description	Misstatement	Workpaper Reference	Debit	Credit	Net Income Effect
		Known Misstatement	RE150			
PJE01	To correct uderstatement of revenues recorded related to HUTA (Gas taxes)					
205-7010-40901-0000	Gas Tax 2105			8,036.00	0.00	
205-0000-30000-0000	Fund Balance - Unrestricted			0.00	8,036.00	
Total				<u>8,036.00</u>	<u>8,036.00</u>	<u>(8,036.00)</u>
		Known Misstatement	C100			
PJE02	To correct understatement of cash at pooled cash worksheet compared to TB.					
010-0000-10070-0000	Cash in Bank Balance			15,196.00	0.00	
010-0000-3000-0000	Fund Balance			0.00	15,196.00	
Total				<u>15,196.00</u>	<u>15,196.00</u>	<u>0.00</u>
		Known Misstatement	RE150			
PJE03	To correct overstatement of revenues recorded related to SB1 allocations					
206-7010-40906-0000	RMRA Tax (SB1)			0.00	6,969.00	
206-0000-10070-0000	Cash in Bank Balance			6,969.00	0.00	
Total				<u>6,969.00</u>	<u>6,969.00</u>	<u>6,969.00</u>
GRAND TOTAL				<u>30,201.00</u>	<u>30,201.00</u>	<u>(1,067.00)</u>

Client: CITY OF ANGELS
Engagement: 6-30-23 Audit
Current Period: 06/30/2023
Workpaper: Attachment: Material Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE01		H250			
To correct Business-Type Capital Assets beginning balance to actual.					
300-0000-17000-0000	Construction in Progress		193,256.00	0.00	
300-0000-15050-0000	Improvements		0.00	269,074.00	
300-0000-15075-0000	Equipment		9,664.00	0.00	
300-0000-30009-000	Prior period adjustment - PPC created.		66,154.00	0.00	
Total			269,074.00	269,074.00	0.00
AJE06		N151			
To post correction for adjustments posted to fund balance for custodial fund activity (Greenhorn Creek)					
400-0000-10069-0000	All Other Cash Offset		0.00	13,348.24	
400-0000-26020-0000	Due Bondholders		0.00	682,718.50	
400-0000-30000-0000	Fund Balance - Unrestricted		90,652.40	0.00	
400-9004-50081-0000	Outside Consultant		14,368.50	0.00	
400-9004-55555-0000	Refunds to Property Owners		591,045.84	0.00	
Total			696,066.74	696,066.74	(605,414.34)
AJE07		O207			
Client provided JE to move funds out of GF into custodial accounts.					
416-0000-10070-0000	Cash in Bank Balance		264,208.03	0.00	
241-0000-10070-0000	Cash in Bank Balance		0.00	264,208.03	
416-0000-11045-0000	Utility Receivable		45,861.72	0.00	
241-0000-11045-0000	Utility Receivable		0.00	45,861.72	
240-0000-30005-0000	Fund Balance - Restricted		21,670.29	0.00	
240-0000-30000-0000	Fund Balance - Unrestricted		0.00	21,670.29	
241-0000-30000-0000	Fund Balance - Unrestricted		343,117.95	0.00	
416-0000-30005-0000	Fund Balance - Restricted		0.00	343,117.95	
241-3004-40700-0000	Interest Earned		5,671.08	0.00	
416-3004-40700-0000	Interest earned		0.00	5,671.08	
241-3004-41000-0000	UWPA Meter Fee		451,280.72	0.00	
416-3004-41000-0000	UWPA Meter Fee		0.00	451,280.72	
416-3004-50104-0000	UWPA Contribution		490,000.00	0.00	
241-3004-50104-0000	UWPA Contribution		0.00	490,000.00	
414-0000-10070-0000	Cash in Bank Balance		34,329.24	0.00	
010-0000-10070-0000	Cash in Bank Balance		0.00	34,329.24	
010-0000-22010-0000	Bret Harte School Fees		34,329.24	0.00	

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Current Period: 06/30/2023
Workpaper: Attachment: Material Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
414-0000-30001-0000	Prior period adjustment (PPC Created)		0.00	13,699.84	
414-4000-40305-0000	School Fees Received		0.00	20,629.40	
415-0000-10070-0000	Cash in Bank Balance		52,186.44	0.00	
010-0000-10070-0000	Cash in Bank Balance		0.00	52,186.44	
010-0000-22005-0000	Mark Twain School Fees		52,186.44	0.00	
415-0000-30001-0000	Prior period adjustment (PPC Created)		0.00	20,599.04	
415-4000-40305-0000	School Fees Received		0.00	31,587.40	
Total			1,794,841.15	1,794,841.15	52,216.80
AJE09		C100			
To adjust cash and LTD balances.					
310-2022-59997-0000	Long Term Debt Contra		431,960.00	0.00	
310-0000-10070-0000	Cash in Bank Balance		0.00	431,960.00	
Total			431,960.00	431,960.00	(431,960.00)
AJE10		L300			
To post prior year balances for GASB87 related leases not recorded by the City.					
010-0000-11090-0000	Leases Receivable		335,023.36	0.00	
010-0000-26037-0000	Deferred Inflows - Leases		0.00	335,023.36	
Total			335,023.36	335,023.36	0.00
AJE14		L700			
To remove fiduciary net assets related to OPEB.					
410-0000-10066-0000	PARS OPEB Trust		0.00	275,769.00	
410-0000-30001-0000	Prior period adjustment (PPC Created)		275,769.00	0.00	
Total			275,769.00	275,769.00	0.00
AJE15					
To post current year adjustment for OPEB liability.					
350-0000-24090-0000	OPEB Liability		0.00	55,771.00	
350-0000-19005-0000	Deferred Outflows - OPEB		60,859.00	0.00	
350-0000-26036-0000	Deferred Inflows - OPEB		0.00	427,129.00	
350-3000-50031-0000	Retiree Benefit		422,041.00	0.00	
300-0000-24090-0000	OPEB Liability		0.00	63,661.00	
300-0000-19005-0000	Deferred Outflows-OPEB		105,418.00	0.00	
300-0000-26036-0000	Deferred Inflows - OPEB		0.00	734,896.00	
300-3000-50031-0000	Retiree Benefit		693,139.00	0.00	

Client: CITY OF ANGELS
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Current Period: 06/30/2023
Workpaper: Attachment: Material Audit Adjustments

<u>Account</u>	<u>Description</u>	<u>Workpaper Reference</u>	<u>Debit</u>	<u>Credit</u>	<u>Net Income Effect</u>
Total			<u>1,281,457.00</u>	<u>1,281,457.00</u>	<u>(1,115,180.00)</u>