

City of Angels | Angels Camp, CA

Single Audit Report

For the Year Ended June 30, 2023



PRICE PAIGE & COMPANY
Certified Public Accountants

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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 Honorable Mayor and City Council
City of Angels, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Angels, California (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Price Pange & Company

Clovis, California
July 30, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Angels, California's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 30, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 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.

Price Pange & Company

Clovis, California
July 30, 2024

CITY OF ANGELS | FOR THE YEAR ENDED JUNE 30, 2023

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-through Calaveras County:			
Community Development Block Grant - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	20-CDBG-CV2/3-00247, 00262	\$ 13,571
Community Development Block Grants/Entitlement Grants	14.218	20-CDBG-12021	31,387
Community Development Block Grants/Entitlement Grants	14.218	20-CDBG-CV1-00116	<u>63,248</u>
Total Community Development Block Grant - Entitlement Grants Cluster			<u>108,206</u>
Total U.S. Department of Housing and Urban Development			<u>108,206</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-through California Department of Transportation:			
Highway Planning and Construction:			
Congestion Mitigation and Air Quality Program - Murphys Grade Road	20.205	CML-5206(013)	192,093
Congestion Mitigation and Air Quality Program - Angles Trail	20.205	CML-5206(016)	120,585
Highway Safety Improvement Program - RoadWay Safety Sign	20.205	HSIPL-5206(018)	<u>4,461</u>
Total U.S. Department of Transportation			<u>317,139</u>
<u>U.S. DEPARTMENT OF TREASURY</u>			
Pass-through California Department of Finance:			
Volunteer Income Tax Assistance (VITA) Matching Grant Program:			
Coronavirus Relief Fund (CARES Act)	21.009	N/A	<u>62,480</u>
Pass-through California Department of Finance:			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds:			
American Rescue Plan Act	21.027	N/A	<u>842,477</u>
Total U.S. Department of the Treasury			<u>904,957</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,330,302</u>

The accompanying notes are an integral part of this statement.

CITY OF ANGELS | FOR THE YEAR ENDED JUNE 30, 2023

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Angels (the City). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA 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).

NOTE 2 - BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting, except for the programs recorded in the City’s enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 of the City’s basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the City’s basic financial statements.

NOTE 4 – LOANS OUTSTANDING

The City has issued various homebuyer and home improvement loans through the Community Development Block Grant (CDBG) Loan Program and the HOME Investment Partnership Program. The table below presents the cumulative federally funded loans outstanding as of June 30, 2023. Repayments received on these loans are accounted for as program income. These loans are not subject to a continuing compliance requirement.

Federally funded loans outstanding as of June 30, 2023:

Assistance Listing Number	Program Title	Outstanding Balance
14.239	Home Investment Partnerships Program	\$ 245,503
14.239	Home Investment Partnerships Program	<u>408,313</u>
	Total	<u>\$ 653,816</u>

NOTE 5 – INDIRECT COST RATE

The City has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE 6 – PASS THROUGH ENTITY IDENTIFYING NUMBERS

The City has included in the SEFA the identifying numbers for pass-through grants when such information has been provided by the pass-through entities. For grants that the City was not provided with such information by the pass-through entities, the City has indicated the pass-through identifying number “N/A” to disclose the information was not applicable or not available.

CITY OF ANGELS | FOR THE YEAR ENDED JUNE 30, 2023

Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified - not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

FEDERAL AWARDS

Internal control over major programs:		
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified - not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

CITY OF ANGELS | FOR THE YEAR ENDED JUNE 30, 2023

Schedule of Findings and Questioned Costs (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2023-001 – Financial Close and Reporting (Material Weakness)

Condition:

The City's financial balances and activity required various adjustments during the audit to reflect complete and accurate financial statements presented in accordance with generally accepted accounting standards in the United States of America (GAAP).

Criteria:

As described in the California State Controller's "2015 Internal Control Guidelines" an effective internal control system and timely financial reporting of all financial activity provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations. This includes the design and implementation of control systems that ensure accurate financial reporting in accordance with applicable standards and regulations.

Cause:

The City's year-end closing process is incomplete, or otherwise improperly designed, which did not identify omissions and errors in the City's financial data in accordance with GAAP. In addition, key staff within the finance and administration department of the City experienced turnover in recent years, attributing to new staff in these positions during the year.

Effect:

Various adjustments were required to correct the City's general ledger during our audit, including the following:

- 1) Fund balance - opening fund balance/net position did not reconcile to the prior year ending balance for seven (7) City financial statement funds.
- 2) Cash balances - cash balances were initially misstated by approximately \$431,000 as a result of journal entries improperly posted relating to debt service payments made during the year.
- 3) Omitted lease receivables identified in the prior year of approximately \$335,000 were not included in the City's trial balance for the current year.
- 4) Cash balances recorded as City assets identified as fiduciary net assets related to the City's post-employment benefit liabilities (approximately \$288,000).
- 5) Various prior period adjustments identified during the audit, including those related to capital assets, expenses recorded to the wrong period, liabilities recorded that no longer exist, and improper reporting of fiduciary (custodial) activities.

Recommendation:

We recommend that the City reevaluate the current design of the City's year-end close and incorporate a more rigorous review by those with appropriate skills, knowledge, and experience to identify errors and omissions of financial information in accordance with GAAP.

Management's Response:

See Corrective Action Plan.

SECTION III – FEDERAL AWARD FINDINGS

None reported.

CITY OF ANGELS | FOR THE YEAR ENDED JUNE 30, 2023

Summary Schedule of Prior Audit Findings

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF ANGELS | FOR THE YEAR ENDED JUNE 30, 2023

Corrective Action Plan

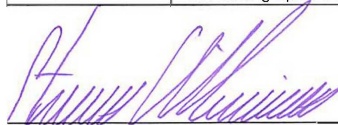


CITY HALL

CITY OF ANGELS PO Box 667, 200 Monte Verda St. Suite B, Angels Camp, CA 95222 P: (209) 736-2181

**CITY OF ANGELS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	1) Fund balance - Upon identifying the discrepancies, we have made the necessary adjustments to ensure that the opening fund balances accurately reflect the ending balances of the previous year. These adjustments have been documented and reviewed to prevent any recurrence of such discrepancies. 2) Cash balances - All journal entries related to debt service payments were reviewed and corrected where necessary to ensure proper posting. Enhanced cash management procedures to prevent future misstatements. 3) Omitted lease receivables - We are in the process of updated our accounting system to accurately track and report all lease receivables. This includes entering all prior and current year lease receivables into the system to ensure completeness and accuracy. 4) Cash balances recorded as city assets - We have implemented corrective actions. Going forward, when new accounts are set up for post-employment benefits, they will be earmarked for an update to the valuation and ensured they are included as fiduciary net assets. 5) Various prior period adjustments - Established a regular review process to ensure that all recorded liabilities are current and valid. This process includes periodic reconciliation and verification of liabilities. Implemented enhanced procedures to ensure that expenses are recorded in the correct period. Corrected proper classification of fiduciary activities. Train staff on new reconciliation procedures and on setting up new funds within the chart of accounts.	06/30/2024	Michelle Gonzalez


 Steve Williams
 Interim City Administrator, City of Angels


 Michelle Gonzalez
 Finance Director, City of Angels



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