



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Angels, California (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 25, 2025.

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 and therefore, 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 as item 2024-001 that we consider to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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. 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

April 25, 2025

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified:	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified-		
Not considered to be material weakness?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2024-001 – FUND BALANCE/NET POSITION RECONCILIATION (Material Weakness)

Condition:
During our audit, we identified multiple differences in the City’s beginning fund balance and net position across several funds when compared to the prior year audited financial statements. Collectively, these errors required audit adjustments exceeding \$600,000 to correct fund balance and net position at the start of the fiscal year.

Criteria:
Governmental entities are responsible for ensuring that fund balances and net position amounts roll forward accurately from year to year. This includes incorporating prior period audit adjustments, properly recording beginning balances, and ensuring consistency with prior year audited financial statements. Accurate roll forward is a fundamental aspect of reliable financial reporting and internal control over year-end close.

Cause:
The City lacks sufficient procedures to reconcile the beginning balances in the current year ledger to the audited ending balances from the prior year. Additionally, there appears to be limited review and oversight of prior year adjustments and recurring year-end entries related to grants and other accruals.

Effect:
The City’s general ledger at the beginning of the fiscal year contained material misstatements in fund balance and net position. Absent audit detection and correction, these errors would have resulted in materially misstated financial statements and understated prior year financial activity.

Recommendation:
We recommend that management implement procedures to reconcile all beginning balances to the prior year’s audited financial statements before closing the books. This includes ensuring all prior year adjustments are properly recorded in the current year ledger, verifying classification of prior year revenues, and conducting a review of fund balances for unexplained variances. In addition, documentation of year-end close activities should be enhanced to support completeness and accuracy of opening balances.

Management’s Response:
See Corrective Action Plan.

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.

Status:

Partially implemented in current year, see finding 2024-001.



CITY HALL

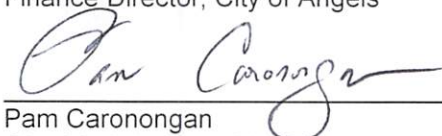
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**CITY OF ANGELS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2024-001	<p>The City acknowledges the importance of accurately rolling forward fund balance and net position from year to year. The discrepancies identified were the result of an unusual delay in closing the prior fiscal year in July 2024 and compounded by an unexpected leave of absence within the accounting team, which resulted in the year-end trial balance not being thoroughly reviewed prior to submission to the auditors.</p> <p>To address this issue, the City will implement a formal year-end close procedure that includes:</p> <ol style="list-style-type: none">1. A reconciliation of beginning balances to the prior year's audited financial statements, including review of any prior year audit adjustments and accruals.2. A standardized year-end trial balance review process using a checklist to ensure accuracy and completeness prior to submission to the auditors.3. Staff training on the new procedure to ensure consistent implementation going forward. <p>This written procedure will become part of the City's internal year-end close protocol to strengthen oversight and maintain the integrity of financial reporting.</p>	June 30, 2025	Finance Director



Michelle Gonzalez
Finance Director, City of Angels



Pam Caronongan
City Administrator, City of Angels



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