



CITY OF NEEDLES, CALIFORNIA

**Annual Financial Report and
Required Supplemental Information
*Fiscal Year Ended June 30, 2023
with Independent Auditor's Report***

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FINANCIAL SECTION



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Independent Auditor's Report

**The Honorable Mayor and the Members of the City Council
City of Needles, California**

Report on the Audit of the Financial Statements

Opinions

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 Needles, California (the City), as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 fund information of the City of Needles, California, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Emphasis of Matters

Implementation of a New Accounting Standard

As discussed in Note 1, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, during the fiscal year ended June 30, 2023. Our opinion is not modified with respect to this matter.



Prior Year Adjustments

As discussed in Note 13 to the financial statements, the 2022 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the City as of and for the year ended June 30, 2022, were audited by other auditors, whose report, dated November 30, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the required supplementary information on pages 61 through 65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements as listed in the table of contents 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
July 28, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Within this section of the annual financial report, the City of Needles, California's management presents this discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2023. The financial statements and footnotes follow this section and should be read in conjunction with this discussion and analysis.

The discussion below includes the City's governmental funds (the general fund, the state recreation grants special revenue fund, and other nonmajor governmental funds), as well as the City's proprietary funds (the Public Utility, Sanitation, other enterprise funds, and internal service funds).

Financial Highlights

- The City's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) increased from \$50.7 million, as restated, to \$58.6 million for the fiscal year ended June 30, 2023. Governmental activities experienced an increase of \$4.2 million, including transfers to business-type activities of \$142 thousand. The change in net position resulting from business-type activities for the fiscal year was an increase of \$3.6 million.
- Total net position comprises the following:
 1. Capital assets, net of related debt of \$37.9 million include capital assets, net of accumulated depreciation and amortization, reduced by outstanding debt related to the acquisition or construction of such capital assets.
 2. Net position of \$5.4 million that is restricted as to its use by outside factors such as debt covenants, grantors, laws, or regulations.
 3. Net position of \$15.3 million is not restricted as to its use and is available to fund the City's operations.
- The City's governmental funds reflect total fund balances of \$17.5 million at June 30, 2023. This represents a decrease of \$557 thousand from the prior fiscal year.
- The City's total liabilities increased from \$19.5 million, as restated, to \$24.5 million. This increase is due primarily to increases of \$3.3 million in net pension liability and \$1.2 million in accounts payable.

Overview of the Financial Statements

Management's Discussion and Analysis serves as an introduction to the City's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to financial statements. In addition, there is certain supplemental information included with the financial statements and notes thereto.

Government-wide Financial Statements

The City's government-wide financial statements include: (1) a *Statement of Net Position*, and (2) a *Statement of Activities*.

These financial statements present the City's current and long-term financial information. At the government-wide level, the financial statements are similar to normal operating financial statements, using the full accrual basis of accounting and eliminating or reclassifying internal activities.

The *Statement of Net Position* presents all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference presented as *net position*. The evaluation of whether the City's financial status is improving or not can be measured by changes in net position over time. Increases in net position generally represent an improvement in financial position.

The *Statement of Activities* reflects the change in the City's net position during the current fiscal year. This statement includes all revenues and expenses for the year, regardless of when the cash is received or paid. The statement shows the costs of the City's functions and activities, then shows how much of those costs are funded by program revenues or grants, with the remaining amount dependent on the City's general revenues.

Both of the above statements report on governmental activities of the City that are funded by taxes and intergovernmental grants, and business-type activities that are funded primarily by charges to users. Governmental activities include general government, public safety, public works, parks and recreation, and community development. Business-type activities include power and water, wastewater, refuse collection, public transportation, and a municipal golf course. Financial statements for fiduciary activities (such as a pension plan) are not included in the government-wide financial statements, as the assets of those activities are not available to fund the City's programs and activities.

The financial reporting entity includes the City's funds and organizations for which the City is accountable. The City itself is considered the primary government, and the organizations for which the City is accountable are considered component units. The component units are legally separate from the City but are governed by the same individuals who govern the City. There are three such component units: (1) the Needles Public Utility Authority, and (2) the Needles Public Financing Authority. Both of these component units are blended into the City's financial statements. More comprehensive information about the City's component units can be found in the notes to the financial statements following this discussion and analysis.

Fund Financial Statements

Fund-level financial statements are intended to present the financial position and activities of individual funds within the City. A fund is a self-balancing set of accounts used to ensure that resources intended to fund specific activities or objectives are, in fact, properly utilized. Fund-level financial statements focus on significant funds, with major funds reported separately, and non-major funds aggregated into a single presentation.

There are three primary types of funds, as follows:

Governmental funds are reported in fund-level financial statements and include the governmental types of activities previously mentioned.

The City's major governmental funds are the General Fund and the State Recreation Grants Special Revenue Fund.

The fund level statements differ significantly from the government-wide financial statements, as the fund level statements focus on current resources, uses of those resources, and resources remaining at the end of the fiscal year.

The government-wide financial statements include the current resources and use of those resources, as well as the long-term financial information for the City. A reconciliation of the fund level balance sheet and statement of revenues, expenditures, and changes in fund balance to the government-wide statements follows the fund level financial statements.

Proprietary funds are also reported in fund-level financial statements and include those activities for which the costs incurred are intended to be recovered through charges to the users of the services provided. Proprietary funds include *enterprise* funds and *internal service* funds. The functions of enterprise funds are the same as the business-type activities reported in the government-wide financial statements. Enterprise funds recover costs primarily through charges to external customers. The City's enterprise funds include the electric, water and wastewater utility, sanitation, public transportation, and the golf course.

Internal service funds provide services to other departments within the City and charge these departments for such services. Internal service funds include water, wastewater, electricity, utility office, admin facility, fleet maintenance, information systems and vehicle replacement. Because the public utility dominates the City's financial position, the internal service funds are included within the business-type activities in the government-wide financial statements.

Proprietary funds present their financial position and their activities similar to private companies. Accordingly, the fund-level financial statements utilize the same focus as that used for the government-wide financial statements. The major difference is that individual proprietary funds are only presented at the fund level. The City's major proprietary funds include the Public Utility Fund and the Sanitation Fund. The remaining non-major proprietary funds are aggregated into a single presentation at the fund level.

Fund Financial Statements, continued

Fiduciary funds, such as custodial funds, are reported in fiduciary fund financial statements. Such statements are excluded from the government-wide financial statements. Fiduciary fund financial statements report on resources that are unavailable to finance City programs. The focus of fiduciary fund financial statements is similar to that for proprietary funds. As of June 30, 2023, the City did not have any fiduciary funds.

Notes to the Financial Statements

Following the government-wide and fund-level financial statements are various notes to such statements. These notes are critical to a reader's understanding of the City and its financial position and performance.

Financial Analysis for the City as a Whole

The accumulation of consistently presented financial information allows a reader to understand the City's financial position and determine whether there is improvement or deterioration.

One measure of continued improvement is the change in net position. The City's net position increased by about \$7.9 million, primarily because of continued positive results from utility revenues and cannabis tax revenues.

The following table shows summarized information regarding the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and the changes therein for the fiscal year ended June 30, 2023:

	Governmental Activities		Business-Type Activities		Totals		Amount Change	Percent Change
	2023	2022 (As restated)	2023	2022 (As restated)	2023	2022 (As restated)		
Assets								
Current and other assets	\$ 20,605,937	\$ 19,922,171	\$ 12,288,393	\$ 11,578,669	\$ 32,894,330	\$ 31,500,840	\$ 1,393,490	4.4%
Capital assets, net	20,332,899	16,842,911	27,815,475	23,325,280	48,148,374	40,168,191	7,980,183	19.9%
Total assets	40,938,836	36,765,082	40,103,868	34,903,949	81,042,704	71,669,031	9,373,673	13.1%
Deferred outflows of resources	1,763,784	678,185	1,118,561	549,743	2,882,345	1,227,928	1,654,417	134.7%
Liabilities								
Current and other liabilities	1,571,410	1,541,593	5,073,152	3,689,727	6,644,562	5,231,320	1,413,242	27.0%
Long-term liabilities	4,528,439	2,566,802	13,384,118	11,702,595	17,912,557	14,269,397	3,643,160	25.5%
Total liabilities	6,099,849	4,108,395	18,457,270	15,392,322	24,557,119	19,500,717	5,056,402	25.9%
Deferred inflows of resources	657,748	1,611,436	117,264	1,036,638	775,012	2,648,074	(1,873,062)	-70.7%
Net Position								
Net investment in capital assets	20,277,271	16,770,481	17,608,751	12,106,236	37,886,022	28,876,717	9,009,305	31.2%
Restricted	5,396,163	1,882,248	-	-	5,396,163	1,882,248	3,513,915	186.7%
Unrestricted	10,271,589	13,070,707	5,039,144	6,918,496	15,310,733	19,989,203	(4,678,470)	-23.4%
Total net position	\$ 35,945,023	\$ 31,723,436	\$ 22,647,895	\$ 19,024,732	\$ 58,592,918	\$ 50,748,168	\$ 7,844,750	15.5%

City of Needles, California
Management's Discussion & Analysis (Unaudited)
June 30, 2023

Financial Analysis for the City as a Whole, continued

Net position was positive for both governmental activities and business-type activities in 2023 and 2022. Overall, the net position increased by about \$7.9 million due to the current year change in operations. The increase in net position from business-type activity operations was about \$3.6 million, primarily due to increases in grants and contributions received to support the City's capital improvement plans.

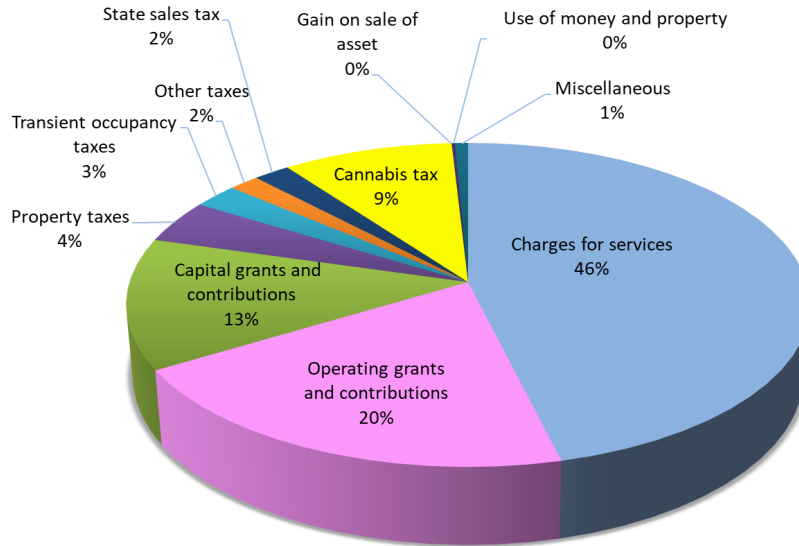
Governmental activities' revenues increased by about \$3.1 million. Property taxes and transient occupancy taxes continued to play a significant role in the City's results, totaling about \$3.0 million in revenues for fiscal year 2023. This represents an increase of \$358 thousand from the previous fiscal year. However, the most significant governmental activity revenue was cannabis taxes, which reported a total of \$4.1 million in 2023. Governmental activities' expenses increased by about \$1.8 million due to an increase in pension and OPEB expenses allocated to general government and public safety functions.

To assist in analyzing the City's operating results, comparative data is accumulated and presented. The following table summarizes the City's changes in net position for the year ended June 30, 2023:

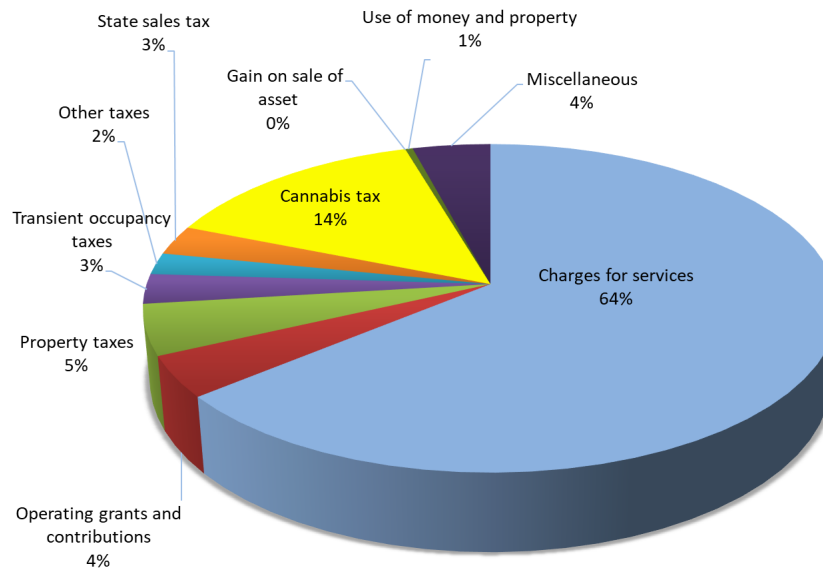
	Governmental Activities		Business-Type Activities		Totals			
	2023	2022 (As restated)	2023	2022 (As restated)	2023	2022 (As restated)	Amount Change	Percent Change
Revenues								
Program revenues								
Charges for services	\$ 1,175,821	\$ 2,064,820	\$ 19,349,552	\$ 19,492,224	\$ 20,525,373	\$ 21,557,044	\$ (1,031,671)	-4.8%
Operating grants and contribution	5,050,834	869,064	3,926,969	496,274	8,977,803	1,365,338	7,612,465	557.6%
Capital grants and contributions	-	-	5,811,156	1,368,659	5,811,156	1,368,659	4,442,497	324.6%
General revenues								
Property taxes	1,921,322	1,668,459	-	-	1,921,322	1,668,459	252,863	15.2%
Transient occupancy taxes	1,088,807	983,675	-	-	1,088,807	983,675	105,132	10.7%
Fuel taxes	238,700	237,833	-	-	238,700	237,833	867	0.4%
State sales tax	881,494	975,304	-	-	881,494	975,304	(93,810)	-9.6%
Franchise taxes	157,148	157,725	-	-	157,148	157,725	(577)	-0.4%
Cannabis tax	4,115,018	4,821,894	-	-	4,115,018	4,821,894	(706,876)	-14.7%
Utility users tax	343,007	319,322	-	-	343,007	319,322	23,685	7.4%
Gain (loss) on sale of asset	-	(3,000)	-	3,950	-	950	(950)	-100.0%
Use of money and property	10,790	100,574	68,123	31,519	78,913	132,093	(53,180)	-40.3%
Miscellaneous	314,419	29,968	-	-	314,419	29,968	284,451	949.2%
Total revenues	15,297,360	12,225,638	29,155,800	21,392,626	44,453,160	33,618,264	10,834,896	1695.3%
Expenses								
General government	1,756,949	853,946	-	-	1,756,949	853,946	903,003	105.7%
Public safety	5,003,930	4,475,791	-	-	5,003,930	4,475,791	528,139	11.8%
Public works	2,093,518	2,093,095	-	-	2,093,518	2,093,095	423	0.0%
Parks and recreation	1,600,328	1,361,679	-	-	1,600,328	1,361,679	238,649	17.5%
Community development	755,023	624,417	-	-	755,023	624,417	130,606	20.9%
Interest on long-term debt	8,360	16,500	-	-	8,360	16,500	(8,140)	-49.3%
Public Utility Authority	-	-	22,527,383	15,881,492	22,527,383	15,881,492	6,645,891	41.8%
Sanitation	-	-	1,366,404	1,272,614	1,366,404	1,272,614	93,790	7.4%
Golf Course	-	-	883,792	853,683	883,792	853,683	30,109	3.5%
Transit	-	-	612,723	574,443	612,723	574,443	38,280	6.7%
Total expenses	11,218,108	9,425,428	25,390,302	18,582,232	36,608,410	28,007,660	8,600,750	166.1%
Increase in net position before transfers	4,079,252	2,800,210	3,765,498	2,810,394	7,844,750	5,610,604	2,234,146	39.8%
Transfers	142,335	(2,117,206)	(142,335)	2,117,206	-	-	-	100.0%
Change in net position	4,221,587	683,004	3,623,163	4,927,600	7,844,750	5,610,604	2,234,146	39.8%
Net position - beginning	31,723,436	31,040,432	19,024,732	14,097,132	50,748,168	45,137,564	5,610,604	12.4%
Ending net position	\$ 35,945,023	\$ 31,723,436	\$ 22,647,895	\$ 19,024,732	\$ 58,592,918	\$ 50,748,168	\$ 7,844,750	15.5%

The following charts show graphic representations of the City's revenues for the fiscal years ended June 30, 2023 and 2022:

2023 Revenues

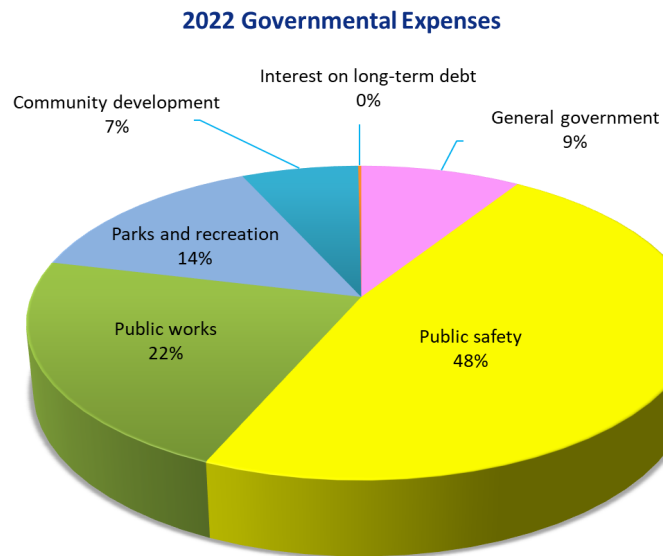
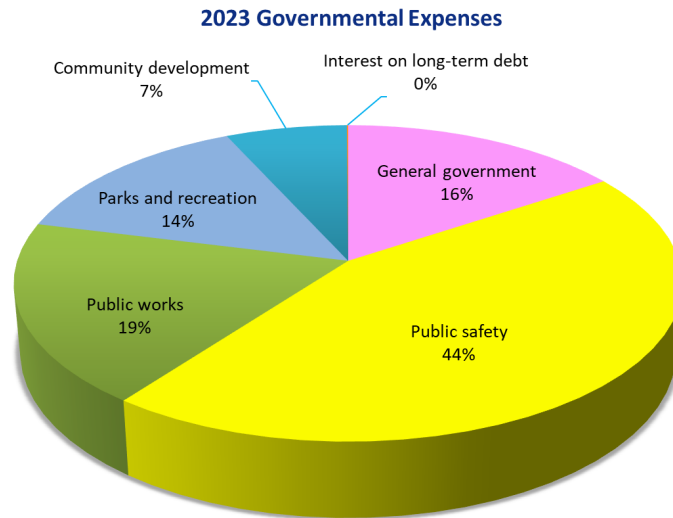


2022 Revenues



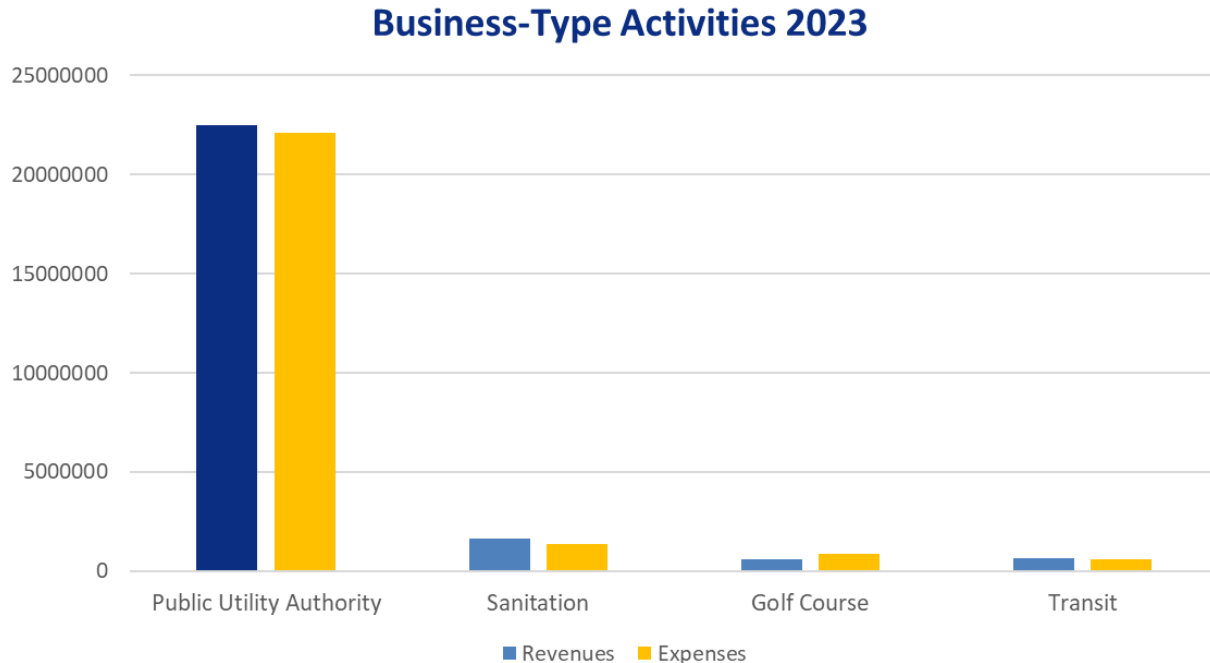
As displayed in the charts above, the revenues from charges for services comprise 46% and 64% of the City's revenues for 2023 and 2022, respectively. Most of the charges for services are attributed to the Public Utility Fund, which makes up approximately 35% of all revenues in 2023 and 49% of all revenues in 2022.

The following charts show graphic representations of the City's governmental functional expenses for the fiscal years ended June 30, 2023 and 2022:



The City contracts with the County of San Bernardino for public safety services. These expenses are funded primarily through general revenues. Parks and recreation expenses are significant for the City, as it is the City's responsibility to maintain the marinas, public swimming pool, skate park, and cemetery.

The following chart depicts the revenues and expenses of the City's business-type activities for the year ended June 30, 2023:



The Public Utility Fund contributed most of the City's revenues and produced an operating loss of about \$5.4 million. Interest expense of \$400 thousand on the revenue refinancing bonds, operating grants of \$3.4 million, and net capital contributions and transfers of about \$5.9 million contributed to the Public Utility Fund's increase in net position of about \$3.5 million for the fiscal year.

The City's business-type activities also include refuse collection, a golf course, and public transportation. All business-type activities are designed to be self-supporting, and costs are expected to be fully recovered by user fees and other revenues. Refuse collection activities are contracted out to a private company. The sanitation fund increased its net position by \$141 thousand. The golf course fund, which normally reflects an operating deficit, also reflected an increase in total net position of \$44 thousand. The transit fund reflected a decrease in net position of \$9 thousand for the fiscal year ended June 30, 2023.

Financial Analysis of the City's Funds

Governmental funds

Governmental funds focus on the availability of resources on a short-term basis, showing inflows and outflows and resulting in an ending balance of spendable resources.

City officials compare these available resources to the upcoming financial obligations. The ending fund balance for governmental funds at June 30, 2023, was \$17.5 million. Of this total, \$4.6 million was unassigned and is available to fund any City requirements. Nonspendable fund balances of \$8.1 million represents assets that cannot be converted to cash, such as inventory, prepaid items, advances to other funds, and land held for resale.

There are restricted fund balances totaling \$4.2 million, committed fund balances of \$350 thousand, and assigned fund balances of \$221 thousand.

Governmental fund balances decreased by \$557 thousand from the previous year. Expenditures exceeded revenues by about \$699 thousand, but there was a net transfer in of approximately \$142 thousand.

Major Governmental Funds

The City's General Fund is the primary governmental fund in use, and accounts for about 77% of governmental revenues and about 72% of governmental expenditures. The General Fund's fund balance increased by \$307 thousand from the previous year. General Fund revenues increased by \$722 thousand and expenditures increased by about \$1.7 million.

The State Recreation Grants Special Revenue Fund is used to manage grant funds received for park and recreation improvements. Its fund balance decreased by \$973 thousand during the fiscal year, ending at \$1.04 million, due to an increase in capitalizable expenditures incurred to improve facilities.

Other Governmental Funds

All other governmental funds are considered non-major. Such funds include special revenue funds, debt service fund, and capital projects funds. Together, these funds experienced an increase in fund balances of about \$109 thousand. The total ending fund balance for these funds was \$3.3 million.

Proprietary funds

Proprietary fund financial statements are similar to those prepared for private companies, with both short-term and long-term information included in the statements. Also, proprietary funds have the same focus as the government-wide financial statements.

Major Proprietary Funds

The Public Utility Fund is by far the most significant fund for the City, comprising 53% of total assets and about 58% of total revenues. Public Utility Fund provides power, water, and wastewater to the City's businesses and residents. All fixed assets of the utility are carried on the Public Utility Fund's books, as well as the revenue bonds issued to finance the acquisition of the utility.

The Sanitation Fund supports the City's solid waste and sanitation services. It comprises 3% of the City's assets and 4% of the City's revenues.

General Fund Budgetary Highlights

The original budget adopted for the General Fund totaled \$11,613,002 in revenues and \$12,640,438 in expenditures. The budget was amended once during the fiscal year, primarily to reflect increases in revenues of \$2,224,152 and increases in expenditures as follows: general government expenditures of \$172,946, public safety expenditures of \$184,024, public works of \$117,410, and parks and recreation expenditures of \$2,548,497. The General Fund ended the fiscal year 2023 with \$2,137,430 budget surplus.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the City had approximately \$48.1 million invested in capital assets, \$20.3 million of which was in governmental activities and \$27.8 million of which was in business-type activities.

The notes to the financial statements include more details about changes in capital assets, accumulated depreciation, ongoing construction, and commitments outstanding at the end of the fiscal year.

Capital Assets, net of accumulated depreciation and amortization, are as follows:

	Governmental Activities		Business-Type Activities		Totals		Amount Change	Percent Change
	2023	2022	2023	2022	2023	2022		
Non-Depreciable Assets								
Land	\$ 340,403	\$ 346,403	\$ 3,209,553	\$ 3,209,553	\$ 3,549,956	\$ 3,555,956	\$ (6,000)	-0.2%
Construction in progress	1,896,821	212,317	5,442,013	755,887	7,338,834	968,204	6,370,630	658.0%
Total non-depreciable assets	2,237,224	558,720	8,651,566	3,965,440	10,888,790	4,524,160	6,364,630	657.8%
Depreciable and Amortizable Assets								
Structures and improvements	17,477,423	15,884,390	15,279,144	15,181,319	32,756,567	31,065,709	1,690,858	5.4%
Equipment and vehicles	564,195	327,371	1,111,228	1,372,956	1,675,423	1,700,327	(24,904)	-1.5%
Right-of-use lease asset	54,057	72,430	352,556	366,375	406,613	438,805	(32,192)	-7.3%
Intangible asset	-	-	2,420,981	2,439,190	2,420,981	2,439,190	(18,209)	-0.7%
Total depreciable and amortizable asse	18,095,675	16,284,191	19,163,909	19,359,840	37,259,584	35,644,031	1,615,553	(0)
Total	\$ 20,332,899	\$ 16,842,911	\$ 27,815,475	\$ 23,325,280	\$ 48,148,374	\$ 40,168,191	\$ 7,980,183	653.7%

City of Needles, California
Management's Discussion & Analysis (Unaudited)
June 30, 2023

Long-term debt

At the end of the fiscal year, the City's total long-term debt obligations were \$17.9 million. Of this total, \$4.5 million is in governmental activities, and the remaining balance is in business-type activities.

The business-type activities debt consists of revenue bonds issued by the Needles Public Utility Authority. These bonds are being repaid from the utility's operating revenues. There is also a note payable in the sanitation fund resulting from an agreement with San Bernardino County related to a municipal landfill.

The following table depicts the City's outstanding long-term debt obligations at June 30, 2023 and 2022:

	Governmental Activities		Business-Type Activities		Totals			
	2023	2022	2023	2022 (As restated)	2023	2022 (As restated)	Amount Change	Percent Change
Compensated absences	\$ 236,068	\$ 184,177	\$ 250,153	\$ 274,039	\$ 486,221	\$ 458,216	28,005	6.1%
Estimated claims liability	100,000	100,000	-	-	100,000	100,000	-	0.0%
Lease liability	55,628	73,044	360,064	368,843	415,692	441,887	(26,195)	-5.9%
Net pension liability	3,418,332	1,288,346	2,196,678	1,044,347	5,615,010	2,332,693	3,282,317	140.7%
NPUA 2016 bonds	-	-	9,846,660	10,878,983	9,846,660	10,878,983	(1,032,323)	-9.5%
Notes payable	-	-	227,787	249,571	227,787	249,571	(21,784)	-8.7%
Other postemployment benefits liability	736,504	771,235	502,776	625,171	1,239,280	1,396,406	(157,126)	-11.3%
Tax allocation bonds	-	150,000	-	-	-	150,000	(150,000)	-100.0%
Total	\$ 4,546,532	\$ 2,566,802	\$ 13,384,118	\$ 13,440,954	\$ 17,930,650	\$ 16,007,756	\$ 1,922,894	12.0%

Economic Activity Update – Fiscal Year 2023

City of Needles, California

The City of Needles experienced continued economic momentum in FY 2023, marked by business growth, infrastructure investment, public service expansions, and strategic planning initiatives aimed at sustainable development.

Business & Industry Growth

Cannabis-related industrial development remains a primary economic driver. Since 2021, approximately **224,204 square feet of industrial space** has been constructed, supporting cultivation, processing, and lab extraction operations. As of FY 2023, this sector **supports over 523 direct jobs**, contributing significantly to job creation and local revenue generation.

The City also attracted retail and service-based businesses with the assistance of **GO-Biz**, the Governor's Office of Business and Economic Development, which actively promoted Needles to prospective grocery and retail operators.

Property Valuation

The City's assessed property valuation continued its upward trajectory. From FY 2022 to FY 2023, the assessed roll grew from **\$511 million to \$536 million**, representing a **\$25 million increase** and reinforcing the city's rising property values and market confidence.

Tourism & Hospitality

In FY 2023, the **Hampton Inn & Suites** officially opened at the former El Rancho Motel site, offering **80 rooms** across a 46,000 sq. ft., 3-story structure. The project introduced **35–50 new hospitality jobs** and expanded the city's lodging capacity to serve both tourists and business travelers.

Infrastructure & Planning

The City completed **Phase IV-A** of its multiyear street improvement project in FY 2023, which included paving, utility upgrades, and safety improvements near North K Street and Front Street. To date, **three phases have been completed** under the city's **15-year Street Pavement Management Plan**, significantly improving infrastructure quality and safety.

Additionally, **San Bernardino County completed improvements along Needles Highway** within city limits, enhancing regional connectivity.

Public Services & Facilities

In January 2023, the **Needles Courthouse reopened five days a week**, a major win for local access to justice after more than a decade of limited service.

The **City formally took over the Needles Housing Authority**, integrating it into local operations. Through this transition, the City ensured better responsiveness to public housing needs and collaborated with regional agencies on housing, social services, and emergency assistance.

Programs & Grants

In FY 2023, the City launched the **Trap-Neuter-Release/Rehome Program** with a \$112,000 grant from the California for All Animals initiative. The program enhances animal control services and reduces euthanasia rates by funding equipment, staffing, and public education.

Community Planning

In March 2023, the City adopted an updated **Land Use and Transportation Element**, ensuring compliance with State housing mandates and establishing a long-range vision for growth, connectivity, and sustainable development. This adoption aligns with the Prohousing Designation the City earned in 2022, which has positioned Needles to access funding incentives and expand housing opportunities.

Closing Statement for the Audit Report

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, to comply with finance-related laws and regulations, and to demonstrate the City's commitment to public accountability.

For questions or additional information, please contact the City of Needles Finance Department at 817 Third Street, Needles, California 92363. You may also request the separately issued financial statements of the Needles Public Utility Authority, the Needles Public Financing Authority, and the Needles Transit System.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Needles, California
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 5,462,157	\$ 13,719,608	\$ 19,181,765
Restricted cash	1,739,448	-	1,739,448
Accounts receivable, net	474,112	2,491,866	2,965,978
Due from other governments	1,572,830	1,984,063	3,556,893
Internal balances	10,578,928	(10,578,928)	-
Inventory	-	839,077	839,077
Prepaid items	187,675	3,324,091	3,511,766
Land held for resale	182,153	-	182,153
Notes receivable	-	508,616	508,616
Operating lease receivables	408,634	-	408,634
Capital assets, net	20,332,899	27,815,475	48,148,374
TOTAL ASSETS	40,938,836	40,103,868	81,042,704
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	1,717,896	1,087,236	2,805,132
Deferred outflows of resources related to OPEB	45,888	31,325	77,213
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,763,784	1,118,561	2,882,345
LIABILITIES			
Accounts payable	628,502	2,011,109	2,639,611
Accrued payroll	297,020	40,070	337,090
Deposits payable	589,495	2,747,858	3,337,353
Accrued interest	-	158,367	158,367
Unearned revenues	38,300	-	38,300
Other liabilities	-	115,748	115,748
Long-term liabilities			
Due within one year	18,093	1,206,928	1,225,021
Due in more than one year	37,535	9,227,583	9,265,118
Compensated absences	236,068	250,153	486,221
Estimated claims liability	100,000	-	100,000
Net pension liability	3,418,332	2,196,678	5,615,010
Other postemployment benefits liability	736,504	502,776	1,239,280
TOTAL LIABILITIES	6,099,849	18,457,270	24,557,119
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	258,952	117,264	376,216
Deferred inflows of resources related to leases	398,796	-	398,796
TOTAL DEFERRED INFLOWS OF RESOURCES	657,748	117,264	775,012
NET POSITION			
Net investment in capital assets	20,277,271	17,608,751	37,886,022
Restricted for			
Community development projects	5,396,163	-	5,396,163
Unrestricted	10,271,589	5,039,144	15,310,733
TOTAL NET POSITION	\$ 35,945,023	\$ 22,647,895	\$ 58,592,918

See accompanying Notes to Basic Financial Statements.

City of Needles, California
Statement of Activities
Year ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities							
General government	\$ 1,756,949	\$ 1,043,311	\$ 424,727	\$ -	\$ (288,911)	\$ -	\$ (288,911)
Public safety	5,003,930	-	269,223	-	(4,734,707)	-	(4,734,707)
Public works	2,093,518	2,640	3,029,479	-	938,601	-	938,601
Parks and recreation	1,600,328	40,587	-	-	(1,559,741)	-	(1,559,741)
Community development	755,023	89,283	1,327,405	-	661,665	-	661,665
Interest on long-term debt	8,360	-	-	-	(8,360)	-	(8,360)
Total governmental activities	11,218,108	1,175,821	5,050,834	-	(4,991,453)	-	(4,991,453)
Business-type activities							
Public utility authority	22,527,383	17,087,933	3,358,172	5,787,061	-	3,705,783	3,705,783
Sanitation	1,366,404	1,627,012	-	-	-	260,608	260,608
Golf course	883,792	601,429	-	-	-	(282,363)	(282,363)
Transit	612,723	33,178	568,797	24,095	-	13,347	13,347
Total business-type activities	25,390,302	19,349,552	3,926,969	5,811,156	-	3,697,375	3,697,375
Total primary government	\$ 36,608,410	\$ 20,525,373	\$ 8,977,803	\$ 5,811,156	(4,991,453)	3,697,375	(1,294,078)
General revenues:							
Taxes:							
Property taxes					1,921,322	-	1,921,322
Transient occupancy taxes					1,088,807	-	1,088,807
Fuel taxes					238,700	-	238,700
State sales tax					881,494	-	881,494
Franchise taxes					157,148	-	157,148
Cannabis tax					4,115,018	-	4,115,018
Utility users tax					343,007	-	343,007
Use of money and property					10,790	68,123	78,913
Miscellaneous					314,419	-	314,419
Transfers					142,335	(142,335)	-
Total general revenues					9,213,040	(74,212)	9,138,828
Change in net position					4,221,587	3,623,163	7,844,750
Net position - beginning, as previously reported					33,133,819	18,157,483	51,291,302
Restatements					(1,410,383)	867,249	(543,134)
Net position - beginning, as restated					31,723,436	19,024,732	50,748,168
Net position - ending					\$ 35,945,023	\$ 22,647,895	\$ 58,592,918

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

City of Needles, California
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	State Recreation Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,459,994	\$ -	\$ 3,002,163	\$ 5,462,157
Restricted cash	1,420,839	-	318,609	1,739,448
Accounts receivable, net	474,112	-	-	474,112
Due from other funds	4,286,781	-	725	4,287,506
Due from other governments	248,744	1,038,231	285,855	1,572,830
Prepaid items	33,913	-	153,762	187,675
Lease receivables	408,634	-	-	408,634
Land held for resale	-	-	182,153	182,153
Advances to other funds	7,724,761	-	-	7,724,761
TOTAL ASSETS	\$ 17,057,778	\$ 1,038,231	\$ 3,943,267	\$ 22,039,276
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 481,339	\$ 76,472	\$ 70,691	\$ 628,502
Accrued liabilities	236,126	-	60,894	297,020
Deposits	589,495	-	-	589,495
Due to other funds	-	962,391	470,948	1,433,339
Unearned revenues	-	-	38,300	38,300
Total liabilities	1,306,960	1,038,863	640,833	2,986,656
Deferred inflows of resources				
Unavailable revenues	95,249	1,038,231	28,925	1,162,405
Leases	398,796	-	-	398,796
Total deferred inflows of resources	494,045	1,038,231	28,925	1,561,201
Fund balances				
Nonspendable	7,758,674	-	335,915	8,094,589
Restricted	1,420,839	-	2,812,919	4,233,758
Committed	350,000	-	-	350,000
Assigned	-	-	220,911	220,911
Unassigned	5,727,260	(1,038,863)	(96,236)	4,592,161
Total fund balances	15,256,773	(1,038,863)	3,273,509	17,491,419
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,057,778	\$ 1,038,231	\$ 3,943,267	\$ 22,039,276

See accompanying Notes to Basic Financial Statements.

City of Needles, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Fund balances - total governmental funds \$ 17,491,419

Amounts reported for governmental activities in the Statement
of Net Position are different because:

Revenues reported as unavailable revenue in the governmental funds
and recognized in the Statement of Activities. These are included in
the intergovernmental revenues in the governmental fund activity. 1,162,405

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds Balance Sheet.

Governmental capital assets	\$ 35,572,818	
Less: Accumulated depreciation	(15,293,976)	
Governmental right-of-use lease assets	84,754	
Less: Accumulated amortization	<u>(30,697)</u>	20,332,899

Long-term liabilities applicable to the City governmental activities are not
due and payable in the current period and accordingly are not reported as
fund liabilities. All liabilities, both current and long-term, are reported in the
Statement of Net Position. Balances as of June 30, 2023 are:

Compensated absences	(236,068)	
Estimated claims liability	(100,000)	
Lease liability	<u>(55,628)</u>	(391,696)

Pension and OPEB related debt applicable to the City governmental
activities are not due and payable in the current period and accordingly are
not reported as fund liabilities. Deferred outflows of resources and
deferred inflows of resources related to pensions and OPEB are only
reported in the Statement of Net Position as the changes in these amounts
effects only the government-wide statements for governmental activities:

Deferred outflows of resources related to OPEB	45,888	
Net OPEB Liability	(736,504)	
Deferred outflows of resources related to pension	1,717,896	
Deferred inflows of resources related to pension	(258,952)	
Net pension liability	<u>(3,418,332)</u>	(2,650,004)

Net position of governmental activities \$ 35,945,023

See accompanying Notes to Basic Financial Statements.

City of Needles, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2023

	General Fund	State Recreation Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,349,648	\$ -	\$ 221,959	\$ 8,571,607
Licenses, permits, and fees	582,718	-	-	582,718
Intergovernmental	477,712	-	1,942,966	2,420,678
Charges for services	944,916	-	1,072,702	2,017,618
Fines and forfeitures	217,125	-	-	217,125
Use of money and property	156,389	-	647	157,036
Other revenues	90,302	77,121	750	168,173
Total revenues	10,818,810	77,121	3,239,024	14,134,955
EXPENDITURES				
Current				
General government	1,709,792	-	-	1,709,792
Public safety	4,786,280	-	202,479	4,988,759
Public works	584,376	-	1,054,976	1,639,352
Parks and recreation	1,159,418	-	163,815	1,323,233
Community development	90,180	-	296,022	386,202
Capital outlay	2,269,981	1,050,135	1,290,620	4,610,736
Debt service				
Principal retirement	17,416	-	150,000	167,416
Interest and fiscal charges	2,735	-	5,625	8,360
Total expenditures	10,620,178	1,050,135	3,163,537	14,833,850
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	198,632	(973,014)	75,487	(698,895)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,092,498	-	212,911	1,305,409
Transfers out	(983,861)	-	(179,213)	(1,163,074)
Total other financing sources	108,637	-	33,698	142,335
CHANGES IN FUND BALANCES	307,269	(973,014)	109,185	(556,560)
FUND BALANCES				
Fund balances - beginning, as previously reported	16,687,863	(65,849)	2,836,348	19,458,362
Restatements	(1,738,359)	-	327,976	(1,410,383)
Fund balances - beginning, as restated	14,949,504	(65,849)	3,164,324	18,047,979
Fund balances - ending	\$ 15,256,773	\$ (1,038,863)	\$ 3,273,509	\$ 17,491,419

See accompanying Notes to Basic Financial Statements.

City of Needles, California
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities
Year ended June 30, 2023

Net change in fund balances - total governmental funds		\$ (556,560)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues reported as unavailable revenues in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activities.		1,162,405
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense.		
Capital outlay	\$ 4,595,902	
Depreciation and amortization expenses	<u>(1,105,914)</u>	3,489,988
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal bond repayments		150,000
Lease liability repayments		17,416
Net change in compensated absences		(51,891)
OPEB expense reported in the governmental funds includes the insurance premiums paid. In the Statement of Activities, OPEB expense includes the changes in the net OPEB liability, and related changes in OPEB amounts for deferred outflows of resources and deferred inflows of resources.		30,002
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the changes in the net pension liability, and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources.		(19,773)
Change in net position of governmental activities		<u><u>\$ 4,221,587</u></u>

See accompanying Notes to Basic Financial Statements.

City of Needles, California
Statement of Net Position
Proprietary Funds
June 30, 2023

	Public Utility Fund	Sanitation	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets					
Cash and investments	\$ 6,955,046	\$ 2,178,577	\$ 436,731	\$ 9,570,354	\$ 4,149,254
Accounts receivable, net	2,270,237	221,629	-	2,491,866	-
Notes receivable	340,175	-	-	340,175	-
Due from other funds	4,116,757	-	-	4,116,757	19,457
Due from other governments	1,899,381	-	84,682	1,984,063	-
Inventory	829,550	-	9,527	839,077	-
Prepaid items	-	7,550	923	8,473	3,315,618
Total current assets	16,411,146	2,407,756	531,863	19,350,765	7,484,329
Non-current assets					
Notes receivable	168,441	-	-	168,441	-
Capital assets, net	26,049,682	-	1,143,061	27,192,743	622,732
Total non-current assets	26,218,123	-	1,143,061	27,361,184	622,732
TOTAL ASSETS	42,629,269	2,407,756	1,674,924	46,711,949	8,107,061
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions	1,058,293	-	28,943	1,087,236	-
Deferred outflows of resources related to OPEB	30,491	-	834	31,325	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,088,784	-	29,777	1,118,561	-
LIABILITIES					
Current liabilities					
Accounts payable	1,431,855	204,373	85,407	1,721,635	289,474
Accrued payroll	-	-	-	-	40,070
Deposits	2,747,858	-	-	2,747,858	-
Due to other funds	19,457	3,093,930	-	3,113,387	3,876,995
Deferred revenue	-	-	106,028	106,028	-
Accrued interest	158,367	-	-	158,367	-
Advance payable, current position	147,796	-	-	147,796	-
Lease liability	48,925	-	44,946	93,871	7,983
Bonds/note payable, current position	1,072,556	32,518	-	1,105,074	-
Other liabilities	-	-	4,855	4,855	4,865
Total current liabilities	5,626,814	3,330,821	241,236	9,198,871	4,219,387
Non-current liabilities					
Net pension liability	2,138,201	-	58,477	2,196,678	-
Other postemployment benefits liability	489,392	-	13,384	502,776	-
Compensated absences	238,617	-	-	238,617	11,536
Advance payable, non-current position	7,576,964	-	-	7,576,964	-
Lease liability	120,067	-	126,072	246,139	12,071
Bonds/note payable, noncurrent portion	8,774,104	195,269	-	8,969,373	-
Total non-current liabilities	19,337,345	195,269	197,933	19,730,547	23,607
TOTAL LIABILITIES	24,964,159	3,526,090	439,169	28,929,418	4,242,994
DEFERRED INFLOW OF RESOURCES					
Deferred inflows of resources related to pensions	114,142	-	3,122	117,264	-
TOTAL DEFERRED INFLOW OF RESOURCES	114,142	-	3,122	117,264	-
NET POSITION					
Net investment in capital assets	16,034,030	-	972,043	17,006,073	602,678
Unrestricted (deficit)	2,605,722	(1,118,334)	290,367	1,777,755	3,261,389
TOTAL NET POSITION	\$ 18,639,752	\$ (1,118,334)	\$ 1,262,410	18,783,828	\$ 3,864,067
Internal service fund allocated to enterprise funds				3,864,067	
Net Position, Business-Type Activities				\$ 22,647,895	

See accompanying Notes to Basic Financial Statements.

City of Needles, California
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year ended June 30, 2023

	Public Utility Fund	Sanitation	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 15,697,153	\$ 1,627,012	\$ 592,765	\$ 17,916,930	\$ 13,709,203
Other fees and sales	-	-	41,842	41,842	-
Other revenues	1,031,416	-	-	1,031,416	-
Total operating revenues	16,728,569	1,627,012	634,607	18,990,188	13,709,203
OPERATING EXPENSES					
Personnel costs	-	-	(103,833)	(103,833)	2,857,170
Contractual services	-	1,194,670	479,029	1,673,699	539,574
Power and utilities	-	-	177,564	177,564	7,897,946
Maintenance and operations	20,706,803	120,000	677,936	21,504,739	1,299,609
Administrative and management	-	31,980	72,237	104,217	485,979
Insurance	-	12	9,932	9,944	129,820
Depreciation and amortization	1,372,183	-	177,909	1,550,092	136,518
Total operating expenses	22,078,986	1,346,662	1,490,774	24,916,422	13,346,616
Operating income (loss)	(5,350,417)	280,350	(856,167)	(5,926,234)	362,587
NON-OPERATING REVENUES (EXPENSES)					
Interest revenue	66,832	-	-	66,832	1,291
Government grants	3,358,172	-	568,797	3,926,969	-
Interest expense and fiscal charges	(448,397)	(19,742)	(5,741)	(473,880)	(3,223)
Total non-operating revenues (expenses)	2,976,607	(19,742)	563,056	3,519,921	(1,932)
Income (loss) before capital contributions and transfers	(2,373,810)	260,608	(293,111)	(2,406,313)	360,655
Capital contributions - AB 2766	-	-	15,000	15,000	-
Capital contributions - State of good repair	-	-	9,095	9,095	-
Capital contributions	5,781,366	-	-	5,781,366	5,695
Transfers in	75,000	-	326,792	401,792	394,543
Transfers out	-	(120,000)	(22,296)	(142,296)	(796,374)
Net capital contributions and transfers	5,856,366	(120,000)	328,591	6,064,957	(396,136)
Changes in net position	3,482,556	140,608	35,480	3,658,644	(35,481)
Net position - beginning, as previously reported	14,289,947	(1,258,942)	1,226,930	14,257,935	3,899,548
Restatements	867,249	-	-	867,249	-
Net position - beginning, as restated	15,157,196	(1,258,942)	1,226,930	15,125,184	3,899,548
Net position - ending	\$ 18,639,752	\$ (1,118,334)	\$ 1,262,410	18,783,828	\$ 3,864,067
Change in net position of internal service fund allocated to enterprise funds				\$ (35,481)	
Change in net position of enterprise funds				3,658,644	
Change in net position of business-type activities				\$ 3,623,163	

See accompanying Notes to Basic Financial Statements.

City of Needles, California
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2023

	Public Utility Fund	Sanitation	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities					
Cash collected from customers	\$ 17,494,451	\$ 1,652,910	\$ 661,953	\$ 19,809,314	\$ 13,757,723
Cash payments to suppliers for goods and services	(19,309,977)	(1,334,821)	(1,391,011)	(22,035,809)	(10,397,648)
Cash payments to employees for services	(379,426)	-	(5,093)	(384,519)	(2,857,170)
Net cash provided by (used in) operating activities	(2,194,952)	318,089	(734,151)	(2,611,014)	502,905
Cash Flows From Noncapital Financing Activities					
Operating grants received	3,358,172	-	568,797	3,926,969	-
Increase in due from other funds	(3,324,102)	-	-	(3,324,102)	(9,580)
Decrease in due to other funds/advances	(1,867,277)	240,000	-	(1,627,277)	3,234,416
Operating transfers in	75,000	-	326,792	401,792	1,287,264
Operating transfers out	-	(120,000)	(22,296)	(142,296)	(1,689,095)
Net cash provided by (used in) noncapital financing activities	(1,758,207)	120,000	873,293	(764,914)	2,823,005
Cash Flows from Capital and Financing Activities					
Acquisition and construction of capital assets	(5,816,631)	-	(153,091)	(5,969,722)	(207,082)
Principal paid on bonds/note payable	(1,032,323)	(21,784)	-	(1,054,107)	-
Capital grants received	5,781,366	-	24,095	5,805,461	5,695
Payments of leases	42,718	-	(43,729)	(1,011)	(7,768)
Interest paid	(448,397)	(19,742)	(5,741)	(473,880)	(3,223)
Net cash used in capital and related financing activities	(1,473,267)	(41,526)	(178,466)	(1,693,259)	(212,378)
Cash Flows from Investing Activities					
Issuance of notes receivable	(508,616)	-	-	(508,616)	-
Interest on investments	66,832	-	-	66,832	1,291
Net cash used in investing activities	(441,784)	-	-	(441,784)	1,291
Net increase (decrease) in cash and investments	(5,868,210)	396,563	(39,324)	(5,510,971)	3,114,823
Cash and investments, beginning of year	12,823,256	1,782,014	476,055	15,081,325	1,034,431
Cash and cash investments, end of year	\$ 6,955,046	\$ 2,178,577	\$ 436,731	\$ 9,570,354	\$ 4,149,254
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (5,350,417)	\$ 280,350	\$ (856,167)	\$ (5,926,234)	\$ 362,587
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,372,183	-	177,909	1,550,092	136,518
Adjustment of beginning balances	867,249	-	-	867,249	-
Changes in assets and liabilities					
Decrease (increase) in:					
Accounts receivable	945,061	33,448	-	978,509	2,102
Due from other governments	(1,851,711)	-	30,784	(1,820,927)	-
Inventory	(65,827)	-	(4,200)	(70,027)	-
Prepaid expenses	871,110	(7,550)	762	864,322	46,418
Deferred outflows	(578,335)	-	9,517	(568,818)	-
Increase (decrease) in:					
Accounts payable	1,112,999	12,341	(19,404)	1,105,936	(370)
Accrued liabilities	(16,603)	-	-	(16,603)	(50,560)
Deposits payable	300,430	(500)	-	299,930	-
Deferred revenue	-	-	45,091	45,091	-
Net pension liability	1,168,500	-	(16,169)	1,152,331	-
OPEB liability	(91,094)	-	(31,301)	(122,395)	-
Deferred inflows	(848,401)	-	(70,973)	(919,374)	-
Compensated absences payable	(30,096)	-	-	(30,096)	6,210
Net cash provided by (used in) operating activities	\$ (2,194,952)	\$ 318,089	\$ (734,151)	\$ (2,611,014)	\$ 502,905

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the City of Needles, California (City) are discussed in subsequent sections of this Note. The remaining Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2023.

B. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

Description of the Reporting Entity

The City was incorporated on October 30, 1913, as a General Law City. The City became a Charter City on January 28, 1959, and operates under a Council-Manager form of government. The City Council consists of seven members elected by the citizens of the City. The City provides the following services to its citizens: public safety (police and fire), highways and streets, electricity, water, wastewater, sanitation, public transportation, health and social services, cemetery, culture-recreation, public improvements, community development (planning, building, zoning), and general administrative services.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City, as distinct from legal relationships. Blended component units, although legally separate entities, are in substance part of the City's operations and so data from these units are combined with data of the primary government.

Each blended component unit has a June 30, 2023 fiscal year-end and issues separate audited financial statements. The City has no discretely presented component units.

Management has determined that the following component units should be blended: Needles Public Financing Authority and Needles Public Utility Authority. Additional detailed financial information for each of these entities can be obtained from the City of Needles Finance Department at 817 Third Street, Needles, California, 92363.

Needles Public Financing Authority

The Needles Public Financing Authority (NPFA) was formed on March 7, 1992, for the sole purpose of providing financing for various City capital projects. The Financing Authority is governed by a seven-member board, which consists of members of the City Council.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (CONTINUED)

Needles Public Utility Authority

The Needles Public Utility Authority (NPUA) was formed on January 6, 1997, for the purpose of owning, operating, and maintaining the Utility Enterprise. The Utility Enterprise consists of the Water, Sewer, and Electric Enterprise Funds serving the City and the surrounding area. A seven-member Board that consists of members of the City Council governs the Utility Authority.

Other Governmental Agencies

Other governmental agencies providing various levels of service to the City include the State of California, the County of San Bernardino (County), as well as various special districts and school districts.

Each of the above agencies has an independent elected governing board or is dependent on an independently elected governing board other than the City Council. Accordingly, financial data and transactions of these agencies are not included within the scope of this financial report.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report on financial information for the City as a whole, excluding fiduciary activities such as employee pension plans. Individual funds are not displayed, but the statements distinguish governmental activities, which are generally supported by taxes and City general revenues, from business-type activities, generally financed as a whole or in part by fees charged to external customers.

The statement of activities reports the expenses of a given function, offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions on the specified program purposes. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns, with composite columns for non-major funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenue sources subject to accrual include cannabis taxes, property taxes, sales taxes, transient occupancy taxes, franchise taxes, intergovernmental revenues, and use of money and property.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as necessary. Restricted assets and liabilities payable from restricted assets that are considered current are reported as current assets and liabilities in the financial statements.

Assets that are restricted for the acquisition or construction of non-current assets, or are restricted for the liquidation of long-term debt, are considered non-current.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND TYPES AND MAJOR FUNDS

Governmental Funds

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources not reported in other funds.

State Recreation Grants Special Revenue Fund – This fund is being used to manage grant funding received for the improvement of parks and recreation facilities.

Proprietary Funds

The City reports the following major enterprise funds:

Public Utility Fund – This fund accounts for the operating activities of the City's public utility operations. NPUA transactions roll up to this fund.

Sanitation Fund – This fund accounts for the operating activities of the City's refuse collection service, which is contracted to a third-party service provider.

Other Fund Types

The City also reports the following fund types:

Internal Service Funds – These funds are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These include fleet maintenance, business office, and information technology. These are proprietary funds reported with business-type activities in the government-wide statements, as the majority of the activities are charged to other proprietary funds.

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION

Cash and Investments

The City maintains and controls one major cash and investment pool. Each fund's portion of the pool is displayed on its respective balance sheet as "cash and investments".

In addition, non-pooled cash and investments are separately held and reflected in respective funds or component units as "cash with fiscal agents" or "restricted cash".

For purposes of the accompanying statement of cash flows, the City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The fair value of the State Treasurer's Investment Pool is based on the stated fair value represented by the Pool.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION (CONTINUED)

Cash and Investments (Continued)

Cash deposits are reported at the carrying amount, which reasonably approximates fair value.

Inventory of Supplies

Inventories in governmental funds consist of expendable supplies held for consumption stated on an average cost basis. They are reported at cost, which is recorded as an expenditure at the time the inventory items are used. Proprietary fund inventories and similar component unit inventories are recorded at the lower of cost or market value on an average cost basis. Inventories are reported similarly in the fund financial statements and the government-wide financial statements.

Prepaid Expenses

Prepaid items represent payments made to vendors that benefit future reporting periods and are reported on a consumption basis. Prepaid items are reported similarly in the fund financial statements and the government-wide financial statements.

Land Held for Resale

Land held for resale is valued at the lower of cost or market.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements.

Proprietary and component unit capital assets are also reported in their respective funds and component unit financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings	20 – 30 years
Improvements, other than buildings	5 – 15 years
Mobile equipment	5 – 7 years
Furniture, machinery, and equipment	5 – 7 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION (CONTINUED)

Long-term Debt and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts and premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Governmental fund financial statements recognize debt proceeds and premiums as other financing sources of the current fiscal period. Issuance costs are reported as expenditures of the current fiscal period.

Unavailable Revenues

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be available to finance expenditures of the current period. Governmental funds report revenues in connection with receivables for revenues not considered available to liquidate as deferred inflows of resources in the current period. Unavailable revenues in the current year represent revenues not collected within the availability period of 60 days.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees up to specified maximums. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

Fund Balances

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental fund types report fund equity in one of five categories, as follows:

Nonspendable – Fund balances that cannot be spent because they are either:

- Not in Spendable Form – generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts, such as property acquired for resale or the long-term portion of loans receivable.
- Legally or Contractually Required to be Maintained Intact – amounts that are required to be maintained intact, such as the principal of a permanent fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION (CONTINUED)

Fund Balances (Continued)

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – This is the residual classification for the general fund (i.e., everything that is not in another classification or another fund).

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Net Position

The net position represents the residual interest in the City's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report the total net position and present it in three broad components:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION (CONTINUED)

Net Position (Continued)

Net investment in capital assets – The amount consists of capital assets, including infrastructure, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.

Unrestricted – Amount consists of all net position that do not meet the definition of “net investment in capital assets” or “restricted” net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

F. REVENUES, EXPENDITURES, AND EXPENSES

Utility Billings

The Public Utility Fund bills individuals and businesses for electric, water, and sewer services monthly. The billings are considered delinquent when they are not paid by the due date indicated on the billing, which is generally 20 days after the billing date. The City reserves an amount as uncollectible based on historical collection rates. The amount of the estimated uncollectible billings as of June 30, 2023 was \$341,527.

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Property Tax Revenues

All property taxes are collected and allocated by the County to the various taxing entities. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 30 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when available and measurable. The City considers property tax as available if it is received within 60 days after the year-end.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES, EXPENDITURES, AND EXPENSES (CONTINUED)

Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the 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.

G. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

During the year ended June 30, 2023, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APAs)*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The implementation of this standard did not have an impact on the City's financial statements as of June 30, 2023.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The implementation of this standard did not have an impact on the City's financial statements as of June 30, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, but the City has early implemented the requirements of this statement. The financial statements included herein apply the requirements and provisions of the standard.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 101 - *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the market value no more than 2% per year. The City receives a share of this basic levy proportionate to what it received in the 1976 and 1978 periods. Property tax rates for bond debt service are determined by the City, with collections and allocations made by the County.

Deficit Fund Balance/Net Position – Primary Government

Deficit fund balances/net position as of June 30, 2023 are as follows:

State Recreation Grants Special Revenue Fund	\$ (1,038,863)
Safe Routes to School Special Revenue Fund	(2,479)
Sanitation Enterprise Fund	(1,118,334)
Sewer Internal Service Fund	(91,188)

Budgets and Budgetary Accounting

The City prepared and adopted annual operating budgets for the General Fund, all Special Revenue funds, and all Capital Projects funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing on the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at a specially scheduled session, which is open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. The budget is legally adopted through passage of a resolution.
4. The City Manager is authorized to transfer funds within departmental budgets between major object classifications and between capital projects in the same fund. The City Council must authorize transfers between funds, between departments, and from the fund balances reserved for specific purposes.
5. Annual budgets presented are legally adopted and amended as required for the General, Special Revenue, and Capital Projects funds. All budgets presented are prepared on a basis consistent with GAAP.
6. Budgeted amounts are reflected after all applicable amendments and revisions.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the department level. The legal level of budgetary control is at the level called "department". A "department" for legal appropriation purposes may be a single organization (i.e., City Attorney), or an entire department having multiple organizations (i.e., Parks and Recreation), or an entire fund (i.e., Special Fund for Capital Outlay). All departments and funds should complete the year within legally authorized expenditures.

NOTE 3 CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2023, cash and investments were reported in the accompanying financial statements as follows:

	Unrestricted	Restricted	Total
Governmental Activities	\$ 5,462,157	\$ 1,739,448	\$ 7,201,605
Business-Type Activities	13,719,608	-	13,719,608
Total Cash and Investments	<u>\$ 19,181,765</u>	<u>\$ 1,739,448</u>	<u>\$ 20,921,213</u>

Cash and investments held by the City at June 30, 2024 consisted of the following:

California LAIF	\$ 1,469,252
Petty cash and cash drawers	4,846
Cash in banks	19,447,115
Total Cash and Investments	<u>\$ 20,921,213</u>

The City maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the financial statements as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

Disclosures Relating to Custodial Risk

Custodial credit risk for deposits with financial institutions is the risk that, in the event of a failure of the financial institution, the City's deposits will not be returned or the City will not be able to obtain collateral securities pledged by the financial institutions.

Custodial credit risk is not covered by bond indentures, although the indentures usually require the issuer to maintain reserve accounts with the trustee bank named in the indenture.

The City's policy, in accordance with the State of California Government Code, is to require financial institutions to collateralize the City's deposits at 110% of the deposit amount with U.S. government securities in the City's name.

California law allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposit. The City, at management's discretion, may waive the 110% collateral requirements for deposits that are federally insured up to \$100,000. Federal insurance provides up to \$250,000 of coverage for each depositor.

At June 30, 2023, the book balance of the City's deposits was \$19.4 million, and the bank balance was \$21.4 million, which is insured and collateralized under California law. The difference of \$2 million represents outstanding checks and other reconciling items. The City's deposits were covered by FDIC insurance or collateralized as required by California law.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of a security or a counterparty to the investment will not be able to fulfill its obligations with respect to the investment. The City does not have a formal policy with respect to credit risk.

Instead, the City follows State of California law, which authorizes the City to invest in obligations of U.S. Government agencies and U.S. Government securities, certificates of deposit, municipal securities, and the Local Agency Investment Fund (LAIF) of the State of California.

Disclosures Relating to Interest and Concentration of Credit Risk

Interest rate risk is the risk that a change in interest rates will have an adverse effect on the fair value of an investment. Concentration of credit risk is the risk of loss attributable to a concentration of funds in a single issue or issuer. The City's investments include only certificates of deposit or investments in LAIF. Accordingly, the City does not have a formal policy with respect to interest rate risk, the matching of investment maturities with anticipated future cash flows or concentration of credit risk.

Investments in State Investment Pool

The City is a voluntary participant in the LAIF, which is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Board, which consists of five members, in accordance with state statute. The State of California's Treasurer's Office audits the fund annually. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis multiplied by the fair market value factor provided by the State.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements), inputs are quoted prices of similar assets in active markets (Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The City's investments in LAIF are not subject to the fair value hierarchy.

City of Needles, California
Notes to Basic Financial Statements
Year ended June 30, 2023

NOTE 4 CAPITAL ASSETS

A summary of the changes in capital assets follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 346,403	\$ -	\$ (6,000)	\$ 340,403
Construction in progress	212,317	1,716,634	(32,130)	1,896,821
Total capital assets, not being depreciated	<u>558,720</u>	<u>1,716,634</u>	<u>(38,130)</u>	<u>2,237,224</u>
Capital assets being depreciated and amortized				
Structures and improvements	29,398,855	2,554,952	-	31,953,807
Equipment	1,019,341	383,641	(21,195)	1,381,787
Right-of-use lease assets	84,754	-	-	84,754
Total capital assets being depreciated and amortized	<u>30,502,950</u>	<u>2,938,593</u>	<u>(21,195)</u>	<u>33,420,348</u>
Less accumulated depreciation and amortization for				
Structures and improvements	(13,514,465)	(961,919)	-	(14,476,384)
Equipment	(691,970)	(125,622)	-	(817,592)
Right-of-use lease assets	(12,324)	(18,373)	-	(30,697)
Total accumulated depreciation and amortization	<u>(14,218,759)</u>	<u>(1,105,914)</u>	<u>-</u>	<u>(15,324,673)</u>
Total capital assets being depreciated and amortized, net	<u>16,284,191</u>	<u>1,832,679</u>	<u>(21,195)</u>	<u>18,095,675</u>
Capital assets, net	<u>\$ 16,842,911</u>	<u>\$ 3,549,313</u>	<u>\$ (59,325)</u>	<u>\$ 20,332,899</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,209,553	\$ -	\$ -	\$ 3,209,553
Construction in progress	755,887	4,699,606	(13,480)	5,442,013
Total capital assets, not being depreciated	<u>3,965,440</u>	<u>4,699,606</u>	<u>(13,480)</u>	<u>8,651,566</u>
Capital assets being depreciated and amortized				
Structures and improvements	43,185,327	149,600	-	43,334,927
Equipment	1,979,419	1,258,165	(39,913)	3,197,671
Right-of-use lease assets	414,520	85,467	-	499,987
Water rights	2,662,807	-	-	2,662,807
Canal construction cost sharing	728,366	-	-	728,366
Total capital assets being depreciated and amortized	<u>48,970,439</u>	<u>1,493,232</u>	<u>(39,913)</u>	<u>50,423,758</u>
Less accumulated depreciation and amortization for				
Structures and improvements	(28,004,008)	(51,775)	-	(28,055,783)
Equipment	(606,463)	(1,517,340)	37,360	(2,086,443)
Right-of-use lease assets	(48,145)	(99,286)	-	(147,431)
Water rights	(490,687)	-	-	(490,687)
Canal construction cost sharing	(461,296)	(18,209)	-	(479,505)
Total accumulated depreciation and amortization	<u>(29,610,599)</u>	<u>(1,686,610)</u>	<u>37,360</u>	<u>(31,259,849)</u>
Total capital assets being depreciated and amortized, net	<u>19,359,840</u>	<u>(193,378)</u>	<u>(2,553)</u>	<u>19,163,909</u>
Capital assets, net	<u>\$ 23,325,280</u>	<u>\$ 4,506,228</u>	<u>\$ (16,033)</u>	<u>\$ 27,815,475</u>

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities		Business-Type Activities	
Public safety	\$ 17,737	Public Utility Fund	\$ 1,372,183
Public works	455,267	Golf course	100,416
Parks and recreation	277,046	Transit	77,493
Community development	355,864	Internal service funds	136,518
	<u>\$ 1,105,914</u>		<u>\$ 1,686,610</u>

NOTE 5 OPERATING LEASE RECEIVABLES

The City leases its property to other agencies in the course of making services available to the community. The material leases that fall under the scope of GASB 87 include the City subleasing Bureau of Land Management land to the County to operate the Marina, RV park, and other recreational services. It also leases the Needles Chamber of Commerce building to the Needles Area Chamber of Commerce nonprofit corporation for operating the Chamber of Commerce and Visitor's Center. The lease with the County first commenced in 1960 and has since been amended to extend through June 2048, while the lease with the Needles Area Chamber of Commerce expires in April 2026.

Commencing on October 25, 2022, the City entered into a 3-year lease agreement with the County to use a certain portion of the City-owned building known as Building C for monthly rent payments of \$4,052.

At June 30, 2023, the total operating lease receivables and deferred inflows of resources for the above leases were \$408,634 and \$398,796, respectively. Discount rates ranging from 0.712% to 3.378% were used to calculate the net present values of the leases. There were no significant variable payments received during the fiscal year ended June 30, 2023. The future minimum operating lease receivable payments as of June 30, 2023, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 56,671
2025	58,393
2026	27,434
2027	9,363
2028	7,367
2029-2033	52,949
2034-2038	59,625
2039-2043	65,305
2044-2047	71,527
Total	<u>\$ 408,634</u>

NOTE 6 BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

In general, outstanding balances between funds are presented in the financial statements as either “Due to/from other funds” (i.e., the current portion of interfund loans) or “Advances to/from other funds” (i.e., the non-current portion of interfund loans).

These balances include outstanding charges by one fund to another fund for goods or services or for other miscellaneous receivables/payables between funds. Balances between governmental funds and business-type funds are reflected in the government-wide financial statements as “internal balances”.

Due To/From Other Funds

The composition of due to/from other funds as of June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
Major Funds			
General Fund	Sanitation	\$ 3,093,930	Temporary cash borrowing
	State Recreation Grants	962,391	Temporary cash borrowing
	Other Governmental Funds		
	Department of Housing and Community Development Grant	136,565	Temporary cash borrowing
	Redevelopment Agency	80,421	Temporary cash borrowing
	Boating and Waterways Grant	10,995	Temporary cash borrowing
	Safe Routes to School Grant	2,479	Temporary cash borrowing
Public Utility Fund	Internal Service Funds	3,876,994	Reimbursement of expenses
	Other Governmental Fund		
	All American Canal	239,763	Reimbursement of expenses
Nonmajor Funds			
Other Governmental Fund	Other Governmental Fund		
Active Transportation Program	SANBAG Bus Stop Grant	725	Temporary cash borrowing
Internal Service Funds	Public Utility Fund	19,457	Reimbursement of expenses
		<u>\$ 8,423,720</u>	

Advances To/From Other Funds

The City entered into a Purchase Obligation with the NPUA in which the NPUA agreed to pay the City \$685,300 each February 1st, including interest imputed at 6.714% through February 2012. Starting February 2013, the annual payment was reduced to \$673,036 as a result of the \$400,000 prepayments made in 2012. The annual payment was further reduced to \$666,983 in fiscal year 2016 as a result of the additional prepayment made in 2013, amounting to \$350,000. The balance of the obligation as of June 30, 2023 was \$7,724,760.

**NOTE 6 BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY
(CONTINUED)**

Advances To/From Other Funds (Continued)

Annual maturities of the Purchase Obligation are presented below:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 147,796	\$ 518,640	\$ 666,436
2025	157,719	508,717	666,436
2026	37,293	498,128	535,421
2027	39,797	495,624	535,421
2028	42,469	492,952	535,421
2029 - 2033	259,139	2,417,966	2,677,105
2034 - 2038	358,625	2,318,480	2,677,105
2039 - 2043	496,304	2,180,801	2,677,105
2044 - 2048	686,838	1,990,267	2,677,105
2049 - 2053	950,520	1,726,585	2,677,105
2054 - 2058	1,315,432	1,361,673	2,677,105
2059 - 2063	1,820,436	856,669	2,677,105
2064 - 2066	1,412,392	193,756	1,606,148
	<u>\$ 7,724,760</u>	<u>\$ 15,560,258</u>	<u>\$ 23,285,018</u>

Transfers

Transfers and payments within the reporting entity are primarily to provide cash to meet operating and debt service needs or to fund the construction or purchase of capital assets. The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity:

Transfer To	Transfer From	Amount	Purpose
Major Funds			
General Fund	Other Governmental Fund		
	Gas Tax	\$ 153,828	Gas tax
	Sanitation Enterprise Fund	120,000	Fund operations
	Other Enterprise Fund		
	Transit	22,296	Fund operations
	Internal Service Funds	796,374	Fair share allocation
Public Utility Fund	General Fund	75,000	General fund reserves
Nonmajor Funds			
Other Governmental Funds			
Cemetery	General Fund	180,216	Cemetery Fund from General Fund
Boating and Waterways Grant	General Fund	25,486	Fund operations
Redevelopment Agency	Other Governmental Fund		
	Public Financing Fund	6,484	Transfer of RDA debt payment
Active Transportation Program	Other Governmental Fund		
	SANBAG Bus Stop Grant	725	Donation
Other Enterprise Funds			
Golf	General Fund	326,784	Fund operations
Transit	Other Governmental Fund		
	Measure I Transit	8	Fund operations
Internal Service Funds	General Fund	376,375	Transfer of capital assets
	Other Governmental Fund		
	All American Canal	18,168	Fund operations
		<u>\$ 2,101,744</u>	

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions of the City for the year ended June 30, 2023:

Description and Purpose	Balance July 1, 2022 (As restated)	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Bonds and Direct Borrowings:					
Tax allocation 1992 bonds	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Lease liability	73,044	-	(17,416)	55,628	18,093
Subtotal	223,044	-	(167,416)	55,628	18,093
Other Long-term Liabilities					
Compensated absences, net	184,177	51,891	-	236,068	-
Estimated claims liability	100,000	-	-	100,000	-
Total Governmental Activities	507,221	51,891	(167,416)	391,696	18,093
Business-Type Activities:					
Bonds and Direct Borrowings:					
NPUA 2016 bonds	10,878,983	-	(1,032,323)	9,846,660	1,072,556
Notes Payable	249,571	8,845	(30,629)	227,787	32,518
Lease liability	368,843	85,468	(94,247)	360,064	101,854
Subtotal	11,497,397	94,313	(1,157,199)	10,434,511	1,206,928
Other Long-term Liabilities					
Compensated absences, net	274,039	-	(23,886)	250,153	-
Total Business-Type Activities	11,771,436	94,313	(1,181,085)	10,684,664	1,206,928
Total Primary Government	\$ 12,278,657	\$ 146,204	\$ (1,348,501)	\$ 11,076,360	\$ 1,225,021

Bonds and Direct Borrowings

2016 Revenue Refunding Bonds (NPUA 2016 Bonds)

In December 2016, the Utility Authority issued \$15,488,000 in revenue bonds bearing interest at 3.86%. Principal payments in various amounts are due annually through February 2031. \$ 9,846,660

Debt service requirements for NPUA 2016 Bonds are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 1,072,556	\$ 369,830	\$ 1,442,386
2025	1,114,355	328,030	1,442,385
2026	1,157,784	284,600	1,442,384
2027	1,202,907	239,479	1,442,386
2028	1,249,787	192,598	1,442,385
2029-2031	4,049,271	277,885	4,327,156
	<u>\$ 9,846,660</u>	<u>\$ 1,692,422</u>	<u>\$ 11,539,082</u>

NOTE 7 LONG TERM LIABILITIES (CONTINUED)

Obligation under agreement with the County of San Bernardino (Notes Payable)

The note payable in the Sanitation Enterprise Fund resulted from an agreement the City made with the County on January 30, 1996. The County agreed to accept the landfill into the County landfill system and to serve as the lead agency for the cleanup, closure, and post-closure activities for the landfill.

The City agreed to reimburse the County \$665,195 for its share of the cleanup, closure, and post-closure costs, to provide in-kind services for post-closure activities, to assist the County in obtaining approval from regulatory agencies for a "monolithic soil cover", and in seeking recovery from other parties who may be responsible for the costs of cleanup, closure, and post-closure.

Per the agreement, interest shall accrue on the unpaid balance at 6% per annum compounded annually commencing on January 1 of the year following the year in which the landfill is deemed closed.

The landfill ceased accepting waste in 1994 and was closed in 2002. The Closure Agreement calls for annual principal payments of \$50,000 over 15 years.

The City settled this obligation with the County by agreeing to pay a principal amount of \$447,361 beginning on July 1, 2014. Payments are \$3,775 per month for 180 months ending on June 1, 2029. This debt bears interest at 6% per annum.

Future payments under this debt are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 32,518	\$ 12,783	\$ 45,301
2025	34,524	10,777	45,301
2026	36,654	8,647	45,301
2027	38,914	6,387	45,301
2028	41,314	3,987	45,301
2029	43,863	1,438	45,301
	<u>\$ 227,787</u>	<u>\$ 44,019</u>	<u>\$ 271,806</u>

Lease Liability

The City maintains several equipment operating leases that commenced during or before the fiscal year ended June 30, 2023. The City leases 7 vehicles serving the Code Enforcement, Public Works, Utility Office, Water, Wastewater, and Electric departments, which commenced in 2021 and will expire in fiscal year ending June 30, 2028. Upon expiration, there is a \$400 processing fee for each vehicle, which has been included in the total lease obligation being amortized. There is also an ongoing lease for 60 golf carts utilized by the Golf Course, which began in August 2021 and will expire in August 2026. The City leased a copy machine in July 2021 for the administrative offices, which expires in July 2026. None of the lease agreements carries any residual value guarantees or includes any variable payments. The discount rates used to calculate the lease liability range from 2.62% to 7.50%.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Lease Liability (Continued)

The following is a schedule of the intangible right-to-use assets for governmental activities and business-type activities, along with their related accumulated amortization as of June 30, 2023:

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Governmental Activities

Year Ending June 30:	Liability Reduction	Interest	Total Payments
2024	\$ 18,093	\$ 2,058	\$ 20,151
2025	18,801	1,350	20,151
2026	11,932	671	12,603
2027	6,802	204	7,006
Total	<u>\$ 55,628</u>	<u>\$ 4,283</u>	<u>\$ 59,911</u>

Business-Type Activities

Year Ending June 30:	Liability Reduction	Interest	Total Payments
2024	\$ 101,854	\$ 12,006	\$ 113,860
2025	105,505	8,339	113,844
2026	85,888	4,747	90,635
2027	60,847	1,693	62,540
2028	5,970	150	6,120
Total	<u>\$ 360,064</u>	<u>\$ 26,935</u>	<u>\$ 386,999</u>

Other Long-term Liabilities

Compensated Absences

The City's policies relating to compensated absences are described in Note 1 of the notes to financial statements. The outstanding balance at June 30, 2024, was \$486,221.

Estimated Claims Payable

See Note 10 regarding the City's risk management. The claims payable is normally liquidated by the General Fund. The outstanding balance at June 30, 2023, was \$100,000.

NOTE 8 UTILITY ENTERPRISE

As disclosed in Note 1, the Needles Public Utility Authority (NPUA) was formed on January 6, 1997, to own, operate, and maintain the Utility Enterprise. On March 6, 1997, NPUA purchased the Utility Enterprise (consisting of the Water, Sewer, and Electric Funds) from the City for \$65,000,000.

NOTE 8 UTILITY ENTERPRISE (CONTINUED)

To fund the acquisition, NPUA issued 1997 revenue bonds totaling \$21,145,000, of which \$17,941,092 was used as an initial down payment for the acquisition. These bonds were fully paid during the year ended June 30, 2017, with the proceeds of 2016 revenue refunding bonds issued by the NPUA. The 2016 Revenue Refunding bonds were issued in the face amount of \$15,488,000 and are more fully described in Note 7 above.

The balance of \$47,058,908 was financed by the City and evidenced by an advance from the City to the NPUA. This is being repaid with an annual purchase payment of \$685,300 through the year 2065. As a component unit, the NPUA is included as part of the City's reporting entity (see Note 1). Accordingly, the Utility Enterprise assets and liabilities acquired by NPUA are included in the financial statements at net book value rather than fair market value (acquisition price) and the note, which approximates the step-up to the fair market value, is shown as an interfund advance from the general fund to the NPUA (see Note 6).

The City and NPUA entered into a separate agreement wherein the City has agreed to continue to manage and administer the utility operations. As a result, the City performs the customer billing and collection function and pays the expenses related to the utility operations. NPUA reimburses the City monthly for expenses incurred.

Section 1202 of the Needles Municipal Code states, "Each utility shall be operated as a separate unit and all accounting respecting such utility shall be on that basis. All personal services of officers or employees and all costs incurred for the joint benefit of any such utility and any other office, department or agency of the city shall be prorated between them. Charges shall be made by the utility for all service, property or other things of value supplied or rendered by it to any other office, department or agency of the City."

The City acts as the manager and operator of NPUA's Enterprises under a Management Agreement. The City receives a management fee equal to its actual costs and direct overhead incurred in connection with the management and operation of the Enterprises. Such costs include, but are not limited to, salaries, insurance, and retirement benefits of City employees providing services to Enterprises. Each July 1, the Management Agreement is extended for one year, unless either party notifies the other that it does not intend to extend the term of the Agreement. Total payments made to the City for operating the Enterprises for the year ended June 30, 2023 amounted to \$16,069,965. This amount includes payment of Fair Share Allocation (FSA) and purchase of electric power and capital assets.

NOTE 8 UTILITY ENTERPRISE (CONTINUED)

In exchange for the City providing rights of way and rights of access to all real property owned by the City and necessary for NPUA to operate the Enterprises, the City collected an annual franchise fee from NPUA. The amount of the franchise fee was determined by the City, the payment of which is subordinate to NPUA's annual debt service. In August 2010, NPUA's Board approved the increase in franchise fee from 5% of gross revenues to 7.5% of gross revenues for two years, and then 5% thereafter. In November 2012, the voters of the City of Needles approved Measure T, eliminating 2.5% of the franchise fee that the City of Needles charges NPUA and establishing a utility user tax of up to 2.5% to be applied to electric, water, and sewer charges. In fiscal year 2017, the City underwent a study to determine the utilities' actual usage of rights of way and rights of access to all real property owned by the City. After the study, the City eliminated the franchise fee and created the Fair Share Allocation (FSA). The FSA and utility user tax amounted to \$1,139,686 for the year ended June 30, 2023.

NOTE 9 RESTRICTED FUND BALANCES AND NET POSITION

The fund balances of the governmental funds have been classified into the five categories of fund balance specified in GASB Statement No. 54. The City's fund balances at June 30, 2023 are as follows:

	General Fund	State Recreation Grants Special Revenue Fund	Other Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 33,913	\$ -	\$ 153,762	\$ 187,675
Land held for resale	-	-	182,153	182,153
Advances to other funds	7,724,761	-	-	7,724,761
Subtotal	7,758,674	-	335,915	8,094,589
Restricted				
Debt service	1,420,839	-	-	1,420,839
Public safety	-	-	181,929	181,929
Public works	-	-	991,084	991,084
Parks and recreation	-	-	320,485	320,485
Community development	-	-	1,319,421	1,319,421
Subtotal	1,420,839	-	2,812,919	4,233,758
Committed				
General government	350,000	-	-	350,000
Subtotal	350,000	-	-	350,000
Assigned				
Capital projects	-	-	220,911	220,911
Subtotal	-	-	220,911	220,911
Unassigned	5,727,260	(1,038,863)	(96,236)	4,592,161
Total	\$ 15,256,773	\$ (1,038,863)	\$ 3,273,509	\$ 17,491,419

NOTE 10 LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

**NOTE 10 LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE
(CONTINUED)**

B. Primary Self-Insurance Programs of the Authority (Continued)

Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For Fiscal Year 2022-23, the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City property currently has all-risk property insurance protection in the amount of \$55,718,509. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

**NOTE 10 LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE
(CONTINUED)**

C. Purchased Insurance (Continued)

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$34,875,734. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2022-23.

NOTE 11 DEFINED BENEFIT PENSION PLAN

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City's Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan 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. The plans in existence for employees hired before January 1, 2013, ("Classic" plans) are closed to new entrants.

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 at age 50 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.

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Plan	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Benefits as a % of annual salary	2.000%	2.000%
Required employee contribution rates	8.000%	6.750%
Required employer contribution rates	10.340%	7.732%

	Safety Plan	
	Prior to January 1, 2013	
Hire date		
Benefit formula	3% @ 50	
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50	
Benefits as a % of annual salary	3.000%	
Required employee contribution rates	0.000%	
Required employer contribution rates	0.000%	

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 both 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, 2023, the contributions recognized as part of pension expense for each Plan were \$790,333.

Net Pension Liability

As of June 30, 2023, the City reported a net pension liability of \$5,414,540 for its proportionate share of the net pension liability of the Miscellaneous Plan and \$200,470 for its proportionate share of the net pension liability of the Safety Plan.

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The City's net pension liability for the Miscellaneous Plan and the Safety Plan (the Plans) is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2022, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, 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 plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2023 and 2022 was as follows:

	Miscellaneous Plan	Safety Plan	Total
Proportion June 30, 2023	0.11571%	0.00292%	0.11863%
Proportion June 30, 2022	0.12172%	0.00061%	0.12233%
Change	-0.00600%	0.00230%	-0.00370%

Actuarial Assumptions - The total pension liabilities on June 30, 2021 actuarial valuations was determined using the following actuarial assumptions:

	Miscellaneous Plan	Safety Plan
Valuation date	June 30, 2021	June 30, 2021
Measurement date	June 30, 2022	June 30, 2022
Actuarial cost method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll growth	2.80%	2.80%
Projected salary increase	Varies by entry age and service	
Mortality ¹	Derived using CalPERS' membership data for all funds	
Post retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter	

¹ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Long-term expected rate of return - 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 return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class are as follows:

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed securities	5.00	0.5
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

Discount Rate – The discount rate used to measure the total pension liability was 6.9% for each plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan measured as of June 30, 2022 is as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Pension Liability/ (Asset)</u>
<u>Miscellaneous Plan</u>			
Balance at June 30, 2022	\$ 20,767,171	\$ 18,456,013	\$ 2,311,158
Changes in the Year:			
Service cost	503,138	-	503,138
Interest on the total pension liability	1,432,658	-	1,432,658
Changes in benefit terms	3,796	-	3,796
Changes in assumptions	672,250	-	672,250
Difference between expected and actual experience	(88,237)	-	(88,237)
Change in proportion	(341,394)	(648,561)	307,167
Net plan to plan resource movement	-	(8,247)	8,247
Contributions - employer	-	857,468	(857,468)
Contributions - employee	-	206,149	(206,149)
Net investment income	-	(1,353,461)	1,353,461
Benefits payments, including refunds of employee contributions	(1,003,990)	(967,289)	(36,701)
Administrative expense	-	(11,220)	11,220
Other miscellaneous income	-	-	-
Net Changes	<u>1,178,221</u>	<u>(1,925,161)</u>	<u>3,103,382</u>
Balance at June 30, 2023	\$ 21,945,392	\$ 16,530,852	\$ 5,414,540

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Continued)

	Total Pension Liability	Fiduciary Net Position	Pension Liability/ (Asset)
<u>Safety Plan</u>			
Balance at June 30, 2022	\$ 1,161,118	\$ 1,139,583	\$ 21,535
Changes in the Year:			
Service cost	22,401	-	22,401
Interest on the total pension liability	75,203	-	75,203
Changes in benefit terms	32	-	32
Changes in assumptions	38,834	-	38,834
Difference between expected and actual experience	(4,182)	-	(4,182)
Change in proportion	(89,115)	(124,854)	35,739
Net plan to plan resource movement	-	-	-
Contributions - employer	-	63,236	(63,236)
Contributions - employee	-	9,297	(9,297)
Net investment income	-	(77,601)	77,601
Benefits payments, including refunds of employee contributions	(55,978)	(61,179)	5,201
Administrative expense	-	(639)	639
Other miscellaneous income	-	-	-
Net Changes	<u>(12,805)</u>	<u>(191,740)</u>	<u>178,935</u>
Balance at June 30, 2023	\$ 1,148,313	\$ 947,843	\$ 200,470

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 the Miscellaneous and Safety Plans, calculated using the discount rate for the Plans, 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:

	Discount Rate Minus 1%	Current Discount Rate	Discount Rate Plus 1%
Employer's Net Pension Liability/(Asset)			
Miscellaneous Plan	\$ 8,406,093	\$ 5,414,540	\$ 2,953,235
Safety Plan	359,050	200,470	70,867
Total	<u>\$ 8,765,143</u>	<u>\$ 5,615,010</u>	<u>\$ 3,024,102</u>

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Annual Pension Cost – For 2023, the City recognized net pension expense of \$464,538. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 575,046	\$ -
Differences between expected and actual experience	117,032	75,003
Differences between projected and actual earnings on plan investments	1,023,457	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	301,213
Change in employer's proportion	299,265	-
Pension contributions subsequent to the measurement date	790,332	-
Total	<u>\$ 2,805,132</u>	<u>\$ 376,216</u>

The \$790,332 deferred outflow of resources related to pension contributions made subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2024	\$ 410,516	\$ 966	\$ 411,482
2025	371,662	9,272	380,934
2026	211,731	8,507	220,238
2027	606,619	19,311	625,930
2028	-	-	-
Thereafter	-	-	-
	<u>\$ 1,600,528</u>	<u>\$ 38,056</u>	<u>\$ 1,638,584</u>

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

General Information about the OPEB Plan

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. The City has elected to use the GASB 75 “lookback” method, where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022

Plan Description – In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Classified employees retiring after 20 or more years of service and after having reached age 58 or older are provided medical insurance coverage until the retiree becomes eligible for Medicare. Unclassified employees retiring at age 55 or later with 20 or more years of service are paid \$300 per month for medical insurance coverage until the retiree becomes eligible for Medicare.

Contributions – The contribution requirements of the City are established and may be amended by the City Council. While GASB Statement 75 requires that the liability for all post-employment benefits be measured, it does not require that an agency “pre-fund” the accrued liability. The City will pay for the post-employment healthcare cost on a “pay-as-you-go” basis. The provisions of GASB Statement 75 determine the amount that must be presented as an annual expense and accrued liability on the City’s financial statements. The contributions made on behalf of the plan members for the year ended June 30, 2023 were \$77,213.

Employees Covered – Participants eligible for OPEB were as follows:

	Valuation Date 6/30/2021
Active employees electing coverage	45
Active employees waiving coverage	4
Retirees electing coverage	4
Total	<u>53</u>

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (CONTINUED)

Total OPEB Liability

Actuarial Assumptions – Significant assumptions are as follows:

Discount rate	3.69%
Expected return on plan assets	N/A
Inflation rate	2.25%
Mortality	Pub-2010 General above median income Employee and Retiree and General disabled mortality tables projected with generational mortality improvement using 80% of scale MP-
Health care cost trend rate	6.7% for fiscal year 2022, gradually decreasing over several decades to an ultimate rate of 3.7% in fiscal year 2075 and later years.

Discount – The discount rate used to measure the total OPEB liability is the municipal bond rate of 3.69%. This discount rate approach is necessary as the City funds the OPEB benefit on a pay-as-you-go basis. The municipal bond rate is the assumed rate of return on general funds, and the assumption is that the City will use general funds to pay benefits.

Changes in the Total OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position, and the net OPEB liability during the measurement period ending on June 30, 2022, for the City's reporting date of June 30, 2023:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2022	\$ 1,396,406	\$ -	\$ 1,396,406
Changes recognized for the measurement period:			
Service cost	92,786	-	92,786
Interest	27,713	-	27,713
Differences between expected and actual experience	2,121	-	2,121
Change of assumptions	(188,098)	-	(188,098)
Employer contributions	-	91,648	(91,648)
Benefit payments	(91,648)	(91,648)	-
Net changes	(157,126)	-	(157,126)
Balance at June 30, 2023	\$ 1,239,280	\$ -	\$ 1,239,280

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (CONTINUED)

Sensitivity of the City's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB 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 discount rate:

	1% Decrease 2.69%	Discount Rate 3.69%	1% Increase 4.69%
Net OPEB liability	\$ 1,342,783	\$ 1,239,280	\$ 1,143,241

Sensitivity of the City's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 1,098,834	\$ 1,239,280	\$ 1,406,743

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

At June 30, 2023, the City's deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	Deferred Outflows of Resources ⁽¹⁾	Deferred Inflows of Resources
Contributions between measurement date and reporting date	\$ 77,213	\$ -

⁽¹⁾ Includes estimated implicit rate subsidy of \$33,918.

Deferred outflows from contributions between measurement date and reporting date will be recognized as OPEB expense in the year ended June 30, 2023.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (CONTINUED)

Net OPEB Expense (Income)

For the year ended June 30, 2023, the City's OPEB expense/(income) was \$(65,478). Detail of the expense is shown below:

Service cost	\$ 92,786
Interest cost	27,713
Differences between expected and actual experience	2,121
Changes of assumptions	<u>(188,098)</u>
Net OPEB Expense (Income)	<u>\$ (65,478)</u>

NOTE 13 RESTATEMENTS

Changes to or within the Financial Reporting Entity

Public Financing Authority and State Recreation Grant Special Revenue Fund were previously reported as major and nonmajor fund, respectively, in the 2022 Annual Financial Report. However, the size criteria for the current year changed the presentation for the funds. The effect of the change to or within the financial reporting entity is shown in column A below.

Correction of Errors in Previously Issued Financial Statements

During the fiscal year 2023, the City determined:

- a. that the prepayment made by the Public Utility Fund to the General Fund for purchase obligation intercompany advances was not applied to reduce its liability. Consequently, the General Fund did not recognize such prepayment and continued to record receivables from the Public Utility Fund. This resulted in an understatement of \$867,249 under Public Utility Fund and Business-Type Activities, while simultaneously causing an overstatement of \$1,738,359 under General Fund and Government Activities.
- b. that the City has incorrectly recognize a \$239,247 property tax payable to San Bernardino County in the prior year. This resulted in an understatement of both the Redevelopment Agency fund balance and Governmental Activities' net position by \$239,247.
- c. that the City failed to recognize available revenues for the Cemetery payments collected in the prior year. This resulted in an understatement of both the Cemetery fund balance and Governmental Activities net position by \$88,729.

NOTE 13 RESTATEMENTS (CONTINUED)

Correction of Errors in Previously Issued Financial Statements (Continued)

The effects of correcting the above errors are shown in column B below.

	June 30, 2022 As Previously Reported	Changes to or within the Financial Reporting Entity (A)	Error Corrections (B)	June 30, 2022 As Restated
Government-Wide				
Government Activities	\$ 33,133,819	\$ -	\$ (1,410,383)	\$ 31,723,436
Business-Type Activities	18,157,483	-	867,249	19,024,732
Total Primary Government	<u>\$ 51,291,302</u>	<u>\$ -</u>	<u>\$ (543,134)</u>	<u>\$ 50,748,168</u>
Governmental Funds				
Major Funds				
General Fund	\$ 16,687,863	\$ -	\$ (1,738,359)	\$ 14,949,504
State Recreation Grant	-	(65,849)	-	(65,849)
Public Financing Authority	161,777	(161,777)	-	-
Total Major Funds	<u>\$ 16,849,640</u>	<u>\$ (227,626)</u>	<u>\$ (1,738,359)</u>	<u>\$ 14,883,655</u>
Nonmajor Funds				
Cemetery	\$ 184,881	\$ -	\$ 88,729	\$ 273,610
Public Financing Authority	\$ -	\$ 161,777	\$ -	\$ 161,777
Redevelopment Agency	\$ (72,493)	\$ -	\$ 239,247	\$ 166,754
State Recreation Grant	\$ (65,849)	\$ 65,849	\$ -	\$ -
Proprietary Funds				
Major Fund				
Public Utility Fund	<u>\$ 14,289,947</u>	<u>\$ -</u>	<u>\$ 867,249</u>	<u>\$ 15,157,196</u>

NOTE 14 SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 28, 2025, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Needles, California
Budgetary Comparison Schedule
General Fund
Year ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Budgetary fund balance July 1, 2022, as restated	\$ 14,949,504	\$ 14,949,504	\$ 14,949,504	\$ -
Resources (inflows):				
Taxes	8,568,257	8,568,257	8,349,648	(218,609)
Licenses, permits, and fees	441,300	477,950	582,718	104,768
Intergovernmental	11,900	2,191,602	477,712	(1,713,890)
Charges for services	1,074,550	1,074,550	944,916	(129,634)
Fines and forfeitures	246,500	253,500	217,125	(36,375)
Use of money and property	125,138	125,938	156,389	30,451
Transfers from other funds	1,092,810	1,092,810	1,092,498	(312)
Other revenues	52,547	52,547	90,302	37,755
Amounts available for appropriation	11,613,002	13,837,154	11,911,308	(1,925,846)
Charges to appropriations (outflows):				
General government:				
City attorney	80,000	75,000	70,033	4,967
City manager	191,087	191,087	182,682	8,405
Finance and administration	637,216	786,097	661,249	124,848
City clerk	263,920	273,920	243,598	30,322
Planning and zoning	339,780	341,080	231,693	109,387
Engineer	326,423	326,423	271,437	54,986
Community development	38,900	60,665	90,655	(29,990)
Senior center	59,457	59,457	48,625	10,832
Public safety:				
Police	3,483,367	3,594,791	3,532,172	62,619
Animal control	229,746	229,746	216,322	13,424
Building and safety	604,377	605,677	337,455	268,222
Code enforcement	685,014	756,314	700,331	55,983
Public works:				
Streets	3,405,345	3,522,755	2,402,967	1,119,788
Sanitation	66,337	66,337	66,881	(544)
Parks and recreation:				
Aquatics	845,683	3,077,416	914,946	2,162,470
Jack Smith Park Marina	107,923	109,323	99,123	10,200
Recreation	371,884	687,248	550,009	137,239
Nondepartmental:				
Transfers to other funds	903,979	903,979	983,861	(79,882)
Total charges to appropriations	12,640,438	15,667,315	11,604,039	4,063,276
Budgetary fund balance June 30, 2023	\$ 13,922,068	\$ 13,119,343	\$ 15,256,773	\$ 2,137,430

Note: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

City of Needles, California
Budgetary Comparison Schedule
State Recreation Grant Special Revenue Fund
Year ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Budgetary fund balance July 1, 2022, as restated	\$ (65,849)	\$ (65,849)	\$ (65,849)	\$ -
Resources (inflows):				
Intergovernmental	-	3,899,640	-	(3,899,640)
Other revenues	-	-	77,121	77,121
Amounts available for appropriation	-	3,899,640	77,121	(3,822,519)
Charges to appropriations (outflows):				
Parks and recreation:				
Aquatics	-	306,342	198,938	107,404
Parks	-	3,593,298	851,197	2,742,101
Total charges to appropriations	-	3,899,640	1,050,135	2,849,505
Budgetary fund balance June 30, 2023	\$ (65,849)	\$ (65,849)	\$ (1,038,863)	\$ (973,014)

Note: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

City of Needles, California
Schedule of the City's Proportionate Share of the Net Pension Liability
and Schedule of Plan Contribution
Miscellaneous Plan
Last Ten Fiscal Years*

	June 30				
Measurement Date	2014	2015	2016	2017	2018
City's proportion of the net pension liability	0.03%	0.08%	0.10%	0.10%	0.10%
City's proportionate share of the net pension liability	\$ 2,054,707	\$ 2,283,923	\$ 3,417,806	\$ 3,947,484	\$ 3,782,261
City's covered payroll	\$ 2,347,411	\$ 2,129,947	\$ 2,150,169	\$ 2,183,340	\$ 2,366,448
City's proportionate share of the net pension liability as a percentage of its covered payroll	87.53%	107.23%	158.96%	180.80%	159.83%
City's proportionate share of the fiduciary net position as a percentage of the total pension liability	87.06%	85.73%	79.32%	78.17%	79.63%

	June 30			
Measurement Date	2019	2020	2021	2022
City's proportion of the net pension liability	0.10%	0.11%	0.10%	0.10%
City's proportionate share of the net pension liability	\$ 4,139,617	\$ 4,520,208	\$ 2,311,158	\$ 5,414,540
City's covered payroll	\$ 2,366,583	\$ 2,566,584	\$ 2,921,443	\$ 3,726,896
City's proportionate share of the net pension liability as a percentage of its covered payroll	174.92%	176.12%	79.11%	145.28%
City's proportionate share of the fiduciary net position as a percentage of the total pension liability	78.47%	77.34%	77.34%	75.33%

CalPERS - Schedule of City's contributions:

	June 30				
Fiscal Year End	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 174,760	\$ 357,824	\$ 363,108	\$ 386,723	\$ 448,179
Contributions in relation to the actuarially determined contribution	174,760	357,824	363,108	386,723	448,179
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,347,411	\$ 2,129,947	\$ 2,150,169	\$ 2,183,340	\$ 2,366,448
Contributions as a percentage of covered payroll	7.44%	16.80%	16.89%	17.71%	18.94%

	June 30			
Fiscal Year End	2020	2021	2022	2023
Actuarially determined contribution	\$ 500,300	\$ 583,707	\$ 690,883	\$ 790,332
Contributions in relation to the actuarially determined contribution	500,300	583,707	690,883	790,332
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,366,583	\$ 2,566,584	\$ 2,921,443	\$ 3,726,896
Contributions as a percentage of covered payroll	21.14%	22.74%	22.78%	21.21%

*Fiscal year ended June 30, 2015 was the first year of implementation.

City of Needles, California
Schedule of the City's Proportionate Share of the Net Pension Liability
and Schedule of Plan Contribution
Safety Plan
Last Ten Fiscal Years*

Schedule of the City's proportionate share of the Net Pension Liability:

	June 30				
Measurement Date	2014	2015	2016	2017	2018
City's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability	\$ -	\$ 10,757	\$ 99,001	\$ 130,042	\$ 131,962
City's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary net position as a percentage of the total pension liability	N/A	99.23%	92.89%	91.21%	90.91%

	June 30			
Measurement Date	2019	2020	2021	2022
City's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability	\$ 153,418	\$ 173,792	\$ 21,535	\$ 200,470
City's covered payroll	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan Fiduciary net position as a percentage of the total pension liability	86.96%	85.17%	98.15%	82.54%

CalPERS - Schedule of City's contributions:

	June 30				
Fiscal Year End	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

	June 30			
Fiscal Year End	2020	2021	2022	2023
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

*Fiscal year ended June 30, 2015 was the first year of implementation.

City of Needles, California
Schedule of Changes in the Net OPEB Liability and Related Ratios
and Schedule of OPEB Plan Contribution
Last Ten Fiscal Years*

Fiscal Year End	June 30				
	2018	2019	2020	2021	2022
Net OPEB liability					
Service cost	\$ 45,161	\$ 42,518	\$ 44,458	\$ 50,497	\$ 60,909
Interest	37,348	44,070	45,273	35,320	29,150
Differences between expected and actual experience	-	-	127,243	-	196,696
Change in assumptions	(59,030)	(5,315)	(266,725)	54,488	21,133
Benefit payments	(53,510)	(70,393)	(70,629)	(92,163)	(80,726)
Net change in Net OPEB liability	(30,031)	10,880	(120,380)	48,142	227,162
Net OPEB liability - beginning	1,260,633	1,230,602	1,241,482	1,121,102	1,169,244
Net OPEB liability - ending	\$ 1,230,602	\$ 1,241,482	\$ 1,121,102	\$ 1,169,244	\$ 1,396,406
Covered payroll	\$ 2,433,924	\$ 2,767,083	\$ 2,713,144	\$ 2,767,083	\$ 2,921,443
Net OPEB liability (asset) as a percentage of covered payroll	50.60%	44.90%	41.30%	42.30%	47.80%
Plan fiduciary net position as a % of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%

Fiscal Year End	June 30, 2023
Net OPEB liability	
Service cost	\$ 92,786
Interest	27,713
Differences between expected and actual experience	2,121
Change in assumptions	(188,098)
Benefit payments	(91,648)
Net change in Net OPEB liability	(157,126)
Net OPEB liability - beginning	1,396,406
Net OPEB liability - ending	\$ 1,239,280
Covered payroll	\$ 3,737,513
Net OPEB liability (asset) as a percentage of covered payroll	33.20%
Plan fiduciary net position as a % of the total OPEB liability	0.00%

*Fiscal year ended June 30, 2018 was the first year of implementation.

SUPPLEMENTARY INFORMATION

City of Needles, California
Combining Balance Sheet
Other Governmental Funds
June 30, 2023

	Special Revenue				
	CDBG	Cemetery	Caltrans grant (bridge project)	Special Gas Tax	Housing & CD Grant
ASSETS					
Cash and investments	\$ 4,942	\$ 159,336	\$ 944,720	\$ 176,906	\$ -
Restricted cash	-	252,956	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	41,422	21,185	160,000
Prepaid items	-	1,834	151,012	-	-
Land held for resale	-	-	-	-	-
TOTAL ASSETS	\$ 4,942	\$ 414,126	\$ 1,137,154	\$ 198,091	\$ 160,000
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 7,024	\$ -	\$ -	\$ 6,200
Accrued liabilities	-	46,483	-	-	-
Due to other funds	-	-	-	-	136,565
Unearned revenues	-	38,300	-	-	-
Total liabilities	-	91,807	-	-	142,765
DEFERRED INFLOW OF RESOURCES					
Unavailable revenues	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	1,834	151,012	-	-
Restricted	4,942	320,485	986,142	198,091	17,235
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	4,942	322,319	1,137,154	198,091	17,235
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 4,942	\$ 414,126	\$ 1,137,154	\$ 198,091	\$ 160,000

City of Needles, California
Combining Balance Sheet
Other Governmental Funds (Continued)
June 30, 2023

	Special Revenue				
	New Sanbag Meas. I	Measure I Transit	SANBAG Bus Stop Grant	COPS - AB 3229 Supplemental	I/S Commerce 140/J Street Project
ASSETS					
Cash and investments	\$ 509,488	\$ 10,718	\$ 725	\$ 208,237	\$ 2,049
Restricted cash	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	52,253	-	-	-	-
Prepaid items	-	-	-	-	-
Land held for resale	-	-	-	-	-
TOTAL ASSETS	\$ 561,741	\$ 10,718	\$ 725	\$ 208,237	\$ 2,049
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 13,125	\$ -	\$ -	\$ 26,308	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	725	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	13,125	-	725	26,308	-
DEFERRED INFLOW OF RESOURCES					
Unavailable revenues	17,930	-	-	-	-
Total deferred inflow of resources	17,930	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	530,686	10,718	-	181,929	2,049
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	530,686	10,718	-	181,929	2,049
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 561,741	\$ 10,718	\$ 725	\$ 208,237	\$ 2,049

City of Needles, California
Combining Balance Sheet
Other Governmental Funds (Continued)
June 30, 2023

	Special Revenue			
	Ca. Conserv. Recycle Grant	Safe Routes to School	Redevelopment Agency	All American Canal
ASSETS				
Cash and investments	\$ 35,279	\$ -	\$ 152,063	\$ 623,966
Restricted cash	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	350
Land held for resale	-	-	-	-
TOTAL ASSETS	\$ 35,279	\$ -	\$ 152,063	\$ 624,316
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,247	\$ -	\$ 6,771	\$ 1,356
Accrued liabilities	-	-	-	1,254
Due to other funds	-	2,479	-	239,763
Unearned revenues	-	-	-	-
Total liabilities	2,247	2,479	6,771	242,373
DEFERRED INFLOW OF RESOURCES				
Unavailable revenues	-	-	-	-
Total deferred inflow of resources	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	350
Restricted	33,032	-	145,292	381,593
Assigned	-	-	-	-
Unassigned	-	(2,479)	-	-
Total fund balances	33,032	(2,479)	145,292	381,943
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 35,279	\$ -	\$ 152,063	\$ 624,316

City of Needles, California
Combining Balance Sheet
Other Governmental Funds (Continued)
June 30, 2023

	Special Revenue	Capital Projects		
	Active Transportation Program	Redevelopment Agency	North Needles	South Needles
ASSETS				
Cash and investments	\$ -	\$ -	\$ 76,349	\$ 97,385
Restricted cash	-	-	-	-
Due from other funds	725	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	566	-	-
Land held for resale	-	182,153	-	-
TOTAL ASSETS	\$ 725	\$ 182,719	\$ 76,349	\$ 97,385
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 179	\$ 4,570	\$ 2,911
Accrued liabilities	-	13,157	-	-
Due to other funds	-	80,421	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	93,757	4,570	2,911
DEFERRED INFLOW OF RESOURCES				
Unavailable revenues	-	-	-	-
Total deferred inflow of resources	-	-	-	-
FUND BALANCES				
Nonspendable	-	182,719	-	-
Restricted	725	-	-	-
Assigned	-	-	71,779	94,474
Unassigned	-	(93,757)	-	-
Total fund balances	725	88,962	71,779	94,474
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 725	\$ 182,719	\$ 76,349	\$ 97,385

City of Needles, California
Combining Balance Sheet
Other Governmental Funds (Continued)
June 30, 2023

	Capital Projects Boating and Waterways Grant	Debt Service Public Financing Authority	Total Nonmajor Funds
ASSETS			
Cash and investments	\$ -	\$ -	\$ 3,002,163
Restricted cash	65,653	-	318,609
Due from other funds	-	-	725
Due from other governments	10,995	-	285,855
Prepaid items	-	-	153,762
Land held for resale	-	-	182,153
TOTAL ASSETS	\$ 76,648	\$ -	\$ 3,943,267
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 70,691
Accrued liabilities	-	-	60,894
Due to other funds	10,995	-	470,948
Unearned revenues	-	-	38,300
Total liabilities	10,995	-	640,833
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	10,995	-	28,925
Total deferred inflow of resources	10,995	-	28,925
FUND BALANCES			
Nonspendable	-	-	335,915
Restricted	-	-	2,812,919
Assigned	54,658	-	220,911
Unassigned	-	-	(96,236)
Total fund balances	54,658	-	3,273,509
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 76,648	\$ -	\$ 3,943,267

City of Needles, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
Year ended June 30, 2023

	Special Revenue				
	CDBG	Cemetery	Caltrans grant (bridge project)	Special Gas Tax	Housing & CD Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	15,800	-	1,309,619	238,700	160,000
Charges for services	-	31,306	-	-	-
Use of money and property	-	252	-	-	-
Other revenues	-	750	-	-	-
Total revenues	15,800	32,308	1,309,619	238,700	160,000
EXPENDITURES					
Current					
Public safety	-	-	-	-	-
Public works	7,896	-	113,135	-	-
Parks and recreation	-	163,815	-	-	-
Community development	-	-	-	-	38,046
Capital outlay	-	-	1,284,812	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	7,896	163,815	1,397,947	-	38,046
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,904	(131,507)	(88,328)	238,700	121,954
OTHER FINANCING SOURCES (USES)					
Transfers in	-	180,216	-	-	-
Transfers out	-	-	-	(153,828)	-
Total other financing sources (uses)	-	180,216	-	(153,828)	-
CHANGES IN FUND BALANCES	7,904	48,709	(88,328)	84,872	121,954
FUND BALANCES					
Fund balances - beginning, as previously reported	(2,962)	184,881	1,225,482	113,219	(104,719)
Restatements	-	88,729	-	-	-
Fund balances - beginning, as restated	(2,962)	273,610	1,225,482	113,219	(104,719)
Fund balances - ending	\$ 4,942	\$ 322,319	\$ 1,137,154	\$ 198,091	\$ 17,235

City of Needles, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds (Continued)
Year ended June 30, 2023

			Special Revenue		
	New Sanbag Meas. I	Measure I Transit	SANBAG Bus Stop Grant	COPS - AB 3229 Supplemental	I/S Commerce I40/J Street Project
REVENUES					
Taxes	\$ 221,959	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	211,798	2,049
Charges for services	-	-	-	-	-
Use of money and property	-	-	-	63	-
Other revenues	-	-	-	-	-
Total revenues	221,959	-	-	211,861	2,049
EXPENDITURES					
Current					
Public safety	-	-	-	202,479	-
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	-	-	202,479	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	221,959	-	-	9,382	2,049
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(8)	(725)	-	-
Total other financing sources (uses)	-	(8)	(725)	-	-
CHANGES IN FUND BALANCES	221,959	(8)	(725)	9,382	2,049
FUND BALANCES					
Fund balances - beginning, as previously reported	308,727	10,726	725	172,547	-
Restatements	-	-	-	-	-
Fund balances - beginning, as restated	308,727	10,726	725	172,547	-
Fund balances - ending	\$ 530,686	\$ 10,718	\$ -	\$ 181,929	\$ 2,049

City of Needles, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds (Continued)
Year ended June 30, 2023

	Special Revenue			
	Ca. Conserv. Recycle Grant	Safe Routes to School	Redevelopment Agency	All American Canal
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,000	-	-	-
Charges for services	-	-	-	952,113
Use of money and property	-	-	-	-
Other revenues	-	-	-	-
Total revenues	5,000	-	-	952,113
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	933,945
Parks and recreation	-	-	-	-
Community development	4,831	-	161,388	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	4,831	-	161,388	933,945
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	169	-	(161,388)	18,168
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(18,168)
Total other financing sources (uses)	-	-	-	(18,168)
CHANGES IN FUND BALANCES	169	-	(161,388)	-
FUND BALANCES				
- beginning, ✓ reported	32,863	(2,479)	306,680	381,943
Restatements	-	-	-	-
- beginning,	32,863	(2,479)	306,680	381,943
Fund balances - ending	\$ 33,032	\$ (2,479)	\$ 145,292	\$ 381,943

City of Needles, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds (Continued)
Year ended June 30, 2023

	Special Revenue Active Transportation Program	Redevelopment Agency	Capital Projects North Needles	South Needles
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	57,987	31,296
Use of money and property	-	-	-	-
Other revenues	-	-	-	-
Total revenues	-	-	57,987	31,296
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Community development	-	84,276	4,570	2,911
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	84,276	4,570	2,911
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(84,276)	53,417	28,385
OTHER FINANCING SOURCES (USES)				
Transfers in	725	6,484	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	725	6,484	-	-
CHANGES IN FUND BALANCES	725	(77,792)	53,417	28,385
FUND BALANCES				
Fund balances - beginning, as previously reported	-	(72,493)	18,362	66,089
Restatements	-	239,247	-	-
Fund balances - beginning, as restated	-	166,754	18,362	66,089
Fund balances - ending	\$ 725	\$ 88,962	\$ 71,779	\$ 94,474

City of Needles, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds (Continued)
Year ended June 30, 2023

	Capital Projects Boating and Waterways Grant	Debt Service Public Financing Authority	Total Nonmajor Funds
REVENUES			
Taxes	\$ -	\$ -	\$ 221,959
Intergovernmental	-	-	1,942,966
Charges for services	-	-	1,072,702
Use of money and property	-	332	647
Other revenues	-	-	750
Total revenues	-	332	3,239,024
EXPENDITURES			
Current			
Public safety	-	-	202,479
Public works	-	-	1,054,976
Parks and recreation	-	-	163,815
Community development	-	-	296,022
Capital outlay	5,808	-	1,290,620
Debt service			
Principal retirement	-	150,000	150,000
Interest and fiscal charges	-	5,625	5,625
Total expenditures	5,808	155,625	3,163,537
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,808)	(155,293)	75,487
OTHER FINANCING SOURCES (USES)			
Transfers in	25,486	-	212,911
Transfers out	-	(6,484)	(179,213)
Total other financing sources (uses)	25,486	(6,484)	33,698
CHANGES IN FUND BALANCES	19,678	(161,777)	109,185
FUND BALANCES			
ances - beginning, viously reported	34,980	161,777	2,836,348
Restatements	-	-	327,976
ances - beginning, tated	34,980	161,777	3,164,324
Fund balances - ending	\$ 54,658	\$ -	\$ 3,273,509

City of Needles, California
Combining Statement of Net Position
Other Enterprise Funds
June 30, 2023

	Golf Course	Transit	Total Other Enterprise Funds
ASSETS			
Current assets			
Cash and investments	\$ 206,028	\$ 230,703	\$ 436,731
Due from other governments	15,726	68,956	84,682
Inventory	9,527	-	9,527
Prepaid items	923	-	923
Total current assets	<u>232,204</u>	<u>299,659</u>	<u>531,863</u>
Non-current assets			
Capital assets, net	705,365	437,696	1,143,061
Total non-current assets	<u>705,365</u>	<u>437,696</u>	<u>1,143,061</u>
TOTAL ASSETS	<u>937,569</u>	<u>737,355</u>	<u>1,674,924</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	28,943	-	28,943
Deferred outflows of resources related to OPEB	834	-	834
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>29,777</u>	<u>-</u>	<u>29,777</u>
LIABILITIES			
Current liabilities			
Accounts payable	41,502	43,905	85,407
Deferred revenue	-	106,028	106,028
Lease liability	44,946	-	44,946
Other liabilities	4,855	-	4,855
Total current liabilities	<u>91,303</u>	<u>149,933</u>	<u>241,236</u>
Non-current liabilities			
Net pension liability	58,477	-	58,477
Other postemployment benefits liability	13,384	-	13,384
Lease liability	126,072	-	126,072
Total non-current liabilities	<u>197,933</u>	<u>-</u>	<u>197,933</u>
TOTAL LIABILITIES	<u>289,236</u>	<u>149,933</u>	<u>439,169</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows of resources related to pensions	3,122	-	3,122
TOTAL DEFERRED INFLOW OF RESOURCES	<u>3,122</u>	<u>-</u>	<u>3,122</u>
NET POSITION			
Net investment in capital assets	534,347	437,696	972,043
Unrestricted	140,641	149,726	290,367
TOTAL NET POSITION	<u>\$ 674,988</u>	<u>\$ 587,422</u>	<u>\$ 1,262,410</u>

City of Needles, California
Combining Statement of Revenues, Expenses and Changes in Net Position
Other Enterprise Funds
Year ended June 30, 2023

	Golf Course	Transit	Total Other Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 559,587	\$ 33,178	\$ 592,765
Other fees and sales	41,842	-	41,842
Total operating revenues	601,429	33,178	634,607
OPERATING EXPENSES			
Personnel costs	(103,833)	-	(103,833)
Contractual services	479,029	-	479,029
Power and utilities	177,564	-	177,564
Maintenance and operations	160,186	517,750	677,936
Administrative and management	56,100	16,137	72,237
Insurance	8,973	959	9,932
Depreciation and amortization	100,416	77,493	177,909
Total operating expenses	878,435	612,339	1,490,774
Operating loss	(277,006)	(579,161)	(856,167)
NON-OPERATING REVENUES (EXPENSES)			
Government grants	-	568,797	568,797
Interest expense and fiscal charges	(5,357)	(384)	(5,741)
Total non-operating revenues (expenses)	(5,357)	568,413	563,056
Loss before capital contributions and transfers	(282,363)	(10,748)	(293,111)
Capital contributions - AB 2766	-	15,000	15,000
Capital contributions - State of good repair	-	9,095	9,095
Transfers in	326,784	8	326,792
Transfers out	-	(22,296)	(22,296)
Net capital contributions and transfers	326,784	1,807	328,591
Changes in net position	44,421	(8,941)	35,480
Net position - beginning	630,567	596,363	1,226,930
Net position - ending	\$ 674,988	\$ 587,422	\$ 1,262,410

City of Needles, California
Combining Statement of Cash Flows
Other Enterprise Funds
Year ended June 30, 2023

	Golf Course	Transit	Total Other Enterprise Funds
Cash Flows from Operating Activities			
Cash collected from customers	\$ 582,265	\$ 79,688	\$ 661,953
Cash payments to suppliers for goods and services	(896,974)	(494,037)	(1,391,011)
Cash payments to employees for services	(5,093)	-	(5,093)
Net cash used in operating activities	<u>(319,802)</u>	<u>(414,349)</u>	<u>(734,151)</u>
Cash Flows From Noncapital Financing Activities			
Operating grants received	-	568,797	568,797
Operating transfers in	326,784	8	326,792
Operating transfers out	-	(22,296)	(22,296)
Net cash provided by noncapital financing activities	<u>326,784</u>	<u>546,509</u>	<u>873,293</u>
Cash Flows from Capital and Financing Activities			
Acquisition and construction of capital assets	(48,595)	(104,496)	(153,091)
Capital grants received	-	24,095	24,095
Payments of leases	(43,729)	-	(43,729)
Interest paid	(5,357)	(384)	(5,741)
Net cash used in capital and related financing activities	<u>(97,681)</u>	<u>(80,785)</u>	<u>(178,466)</u>
Net increase (decrease) in cash and investments	(90,699)	51,375	(39,324)
Cash and investments, beginning of year	<u>296,727</u>	<u>179,328</u>	<u>476,055</u>
Cash and cash investments, end of year	<u><u>\$ 206,028</u></u>	<u><u>\$ 230,703</u></u>	<u><u>\$ 436,731</u></u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (277,006)	\$ (579,161)	\$ (856,167)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation and amortization	100,416	77,493	177,909
Changes in assets and liabilities			
Decrease (increase) in:			
Due from other governments	(15,726)	46,510	30,784
Inventory	(4,200)	-	(4,200)
Prepaid expenses	762	-	762
Deferred outflows	9,517	-	9,517
Increase (decrease) in:			
Accounts payable	(15,122)	(4,282)	(19,404)
Deferred revenue	-	45,091	45,091
Net pension liability	(16,169)	-	(16,169)
OPEB liability	(31,301)	-	(31,301)
Deferred inflows	(70,973)	-	(70,973)
Net cash used in operating activities	<u><u>\$ (319,802)</u></u>	<u><u>\$ (414,349)</u></u>	<u><u>\$ (734,151)</u></u>

City of Needles, California
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Water	Sewer	Electric	Utility Office	Admin Facility
ASSETS					
Current assets					
Cash and investments	\$ 292,830	\$ 196,632	\$ 1,795,216	\$ 258,703	\$ 177,996
Due from other funds	-	-	19,457	-	-
Prepaid expenses	4,469	2,991	3,303,170	3,734	-
Total current assets	297,299	199,623	5,117,843	262,437	177,996
Noncurrent assets					
Capital assets, net	-	-	-	111,149	219,238
Total noncurrent assets	-	-	-	111,149	219,238
TOTAL ASSETS	297,299	199,623	5,117,843	373,586	397,234
LIABILITIES					
Accounts payable	25,889	26,197	154,509	2,069	66,484
Accrued payroll	11,462	3,840	18,062	4,783	-
Compensated absences	-	-	-	7,653	-
Other accrued liabilities	-	678	4,187	-	-
Due to other funds	235,804	260,096	3,381,095	-	-
Lease liability, current portion	-	-	-	5,435	2,548
Lease liability, noncurrent portion	-	-	-	6,531	5,540
TOTAL LIABILITIES	273,155	290,811	3,557,853	26,471	74,572
NET POSITION					
Net investment in capital assets	-	-	-	99,183	211,150
Unrestricted (Deficit)	24,144	(91,188)	1,559,990	247,932	111,512
TOTAL NET POSITION	\$ 24,144	\$ (91,188)	\$ 1,559,990	\$ 347,115	\$ 322,662

City of Needles, California
Combining Statement of Net Position
Internal Service Funds (Continued)
June 30, 2023

	Fleet Maintenance	Information Systems	Vehicle Replacement	Total Internal Service Fund
ASSETS				
Current assets				
Cash and investments	\$ 587,437	\$ 133,454	\$ 706,986	\$ 4,149,254
Due from other funds	-	-	-	19,457
Prepaid expenses	1,254	-	-	3,315,618
Total current assets	588,691	133,454	706,986	7,484,329
Noncurrent assets				
Capital assets, net	6,026	48,222	238,097	622,732
Total noncurrent assets	6,026	48,222	238,097	622,732
TOTAL ASSETS	594,717	181,676	945,083	8,107,061
LIABILITIES				
Accounts payable	3,967	10,359	-	289,474
Accrued payroll	1,923	-	-	40,070
Compensated absences	3,883	-	-	11,536
Other accrued liabilities	-	-	-	4,865
Due to other funds	-	-	-	3,876,995
Lease liability, current portion	-	-	-	7,983
Lease liability, noncurrent portion	-	-	-	12,071
TOTAL LIABILITIES	9,773	10,359	-	4,242,994
NET POSITION				
Net investment in capital assets	6,026	48,222	238,097	602,678
Unrestricted (Deficit)	578,918	123,095	706,986	3,261,389
TOTAL NET POSITION	\$ 584,944	\$ 171,317	\$ 945,083	3,864,067

City of Needles, California
Combining Statement of Revenues, Expenses and Change in Net Position
Internal Service Funds
Year ended June 30, 2023

	Water	Sewer	Electric	Utility Office	Admin Facility
OPERATING REVENUES					
Charges for services	\$ 1,743,095	\$ 1,207,733	\$ 10,758,375	\$ -	\$ -
Total operating revenues	1,743,095	1,207,733	10,758,375	-	-
OPERATING EXPENSES					
Personnel	811,440	268,359	1,307,884	321,150	-
Contractual services	-	348,060	42,399	1,350	-
Power and utilities	182,405	110,217	7,560,420	-	44,904
Maintenance and operations	134,727	54,391	844,980	6,855	44,358
Administrative and management	146,292	148,194	31,046	21,874	85,390
Insurance	30,735	38,191	56,397	4,497	-
Depreciation and amortization	-	-	-	14,287	8,912
Total operating expenses	1,305,599	967,412	9,843,126	370,013	183,564
Operating income (loss)	437,496	240,321	915,249	(370,013)	(183,564)
NONOPERATING REVENUES (EXPENSES)					
Capital contributions	-	-	-	5,695	-
Interest revenue	217	427	305	-	-
Interest expense and fiscal charges	-	-	-	(407)	(2,816)
Total non-operating revenues (expenses)	217	427	305	5,288	(2,816)
Income (loss) before transfers	437,713	240,748	915,554	(364,725)	(186,380)
Transfers in	-	-	692	455,980	215,544
Transfers out	(447,019)	(240,321)	(984,259)	(17,496)	-
Net transfers	(447,019)	(240,321)	(983,567)	438,484	215,544
Changes in net position	(9,306)	427	(68,013)	73,759	29,164
Net position - beginning	33,450	(91,615)	1,628,003	273,356	293,498
Net position - ending	\$ 24,144	\$ (91,188)	\$ 1,559,990	\$ 347,115	\$ 322,662

City of Needles, California
Combining Statement of Revenues, Expenses and Change in Net Position
Internal Service Funds (Continued)
Year ended June 30, 2023

	Fleet Maintenance	Information Systems	Vehicle Replacement	Total Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ 13,709,203
Total operating revenues	-	-	-	13,709,203
OPERATING EXPENSES				
Personnel	148,337	-	-	2,857,170
Contractual services	-	128,531	19,234	539,574
Power and utilities	-	-	-	7,897,946
Maintenance and operations	84,441	73,961	55,896	1,299,609
Administrative and management	-	53,183	-	485,979
Insurance	-	-	-	129,820
Depreciation and amortization	670	14,624	98,025	136,518
Total operating expenses	233,448	270,299	173,155	13,346,616
Operating income (loss)	(233,448)	(270,299)	(173,155)	362,587
NONOPERATING REVENUES (EXPENSES)				
Capital contributions	-	-	-	5,695
Interest revenue	-	-	342	1,291
Interest expense and fiscal charges	-	-	-	(3,223)
Total non-operating revenues (expenses)	-	-	342	3,763
Income (loss) before transfers	(233,448)	(270,299)	(172,813)	366,350
Transfers in	281,076	257,364	76,608	394,543
Transfers out	-	-	-	(796,374)
Net transfers	281,076	257,364	76,608	(401,831)
Changes in net position	47,628	(12,935)	(96,205)	(35,481)
Net position - beginning	537,316	184,252	1,041,288	3,899,548
Net position - ending	\$ 584,944	\$ 171,317	\$ 945,083	\$ 3,864,067

City of Needles, California
Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2023

	Water	Sewer	Electric	Utility Office	Admin Facility
Cash Flows from Operating Activities					
Cash collected from customers	\$ 1,742,869	\$ 1,207,592	\$ 10,810,949	\$ (3,616)	\$ -
Cash payments to suppliers for goods and services	(545,927)	(710,132)	(8,570,584)	(36,421)	(122,471)
Cash payments to employees for services	(811,440)	(268,359)	(1,307,884)	(321,150)	-
Net cash provided by (used in) operating activities	385,502	229,101	932,481	(361,187)	(122,471)
Cash Flow From Noncapital Financing Activities					
Operating transfers in	-	-	692	455,980	215,544
Operating transfers out	(447,019)	(240,321)	(984,259)	(17,496)	-
Increase in due from other funds	-	-	(9,580)	-	-
Increase in due to other funds/advances	36,365	103,133	3,094,918	-	-
Net cash provided by (used in) noncapital financing activities	(410,654)	(137,188)	2,101,771	438,484	215,544
Cash Flow From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	-	-	-	(206,462)
Capital contribution	-	-	-	5,695	-
Payments of leases	-	-	-	(5,288)	(2,480)
Interest paid	-	-	-	(407)	(2,816)
Net cash used in capital and related financing activities	-	-	-	-	(211,758)
Cash Flow From Investing Activities					
Interest on investments	217	427	305	-	-
Net cash provided by investing activities	217	427	305	-	-
Net increase (decrease) in cash and investments	(24,935)	92,340	3,034,557	77,297	(118,685)
Cash and investments, beginning of year	317,765	104,292	(1,239,341)	181,406	296,681
Cash and cash investments, end of year	\$ 292,830	\$ 196,632	\$ 1,795,216	\$ 258,703	\$ 177,996
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 437,496	\$ 240,321	\$ 915,249	\$ (370,013)	\$ (183,564)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	-	-	-	14,287	8,912
Adjustment of beginning balances					
Changes in assets and liabilities					
Decrease (increase) in:					
Accounts receivable	-	-	2,102	-	-
Prepaid expenses	(226)	(141)	50,472	(3,616)	-
Increase (decrease) in:					
Accounts payable	(37,138)	(7,410)	(11,433)	556	52,181
Accrued liabilities	(14,630)	(3,669)	(23,909)	(5,478)	-
Compensated absences	-	-	-	3,077	-
Net cash provided by (used in) operating activities	\$ 385,502	\$ 229,101	\$ 932,481	\$ (361,187)	\$ (122,471)

City of Needles, California
Combining Statement of Cash Flows
Internal Service Funds (Continued)
Year ended June 30, 2023

	Fleet Maintenance	Information Systems	Vehicle Replacement	Total Internal Service Fund
Cash Flows from Operating Activities				
Cash collected from customers	\$ (71)	\$ -	\$ -	\$ 13,757,723
Cash payments to suppliers for goods and services	(82,117)	(254,866)	(75,130)	(10,397,648)
Cash payments to employees for services	(148,337)	-	-	(2,857,170)
Net cash provided by (used in) operating activities	(230,525)	(254,866)	(75,130)	502,905
Cash Flow From Noncapital Financing Activities				
Operating transfers in	281,076	257,364	76,608	1,287,264
Operating transfers out	-	-	-	(1,689,095)
Increase in due from other funds	-	-	-	(9,580)
Increase in due to other funds/advances	-	-	-	3,234,416
Net cash provided by (used in) noncapital financing activities	281,076	257,364	76,608	2,823,005
Cash Flow From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(620)	-	(207,082)
Capital contribution				
Payments of leases	-	-	-	(7,768)
Interest paid	-	-	-	(3,223)
Net cash used in capital and related financing activities	-	(620)	-	(212,378)
Cash Flow From Investing Activities				
Interest on investments	-	-	342	1,291
Net cash provided by investing activities	-	-	342	1,291
Net increase (decrease) in cash and investments	50,551	1,878	1,820	3,114,823
Cash and investments, beginning of year	536,886	131,576	705,166	1,034,431
Cash and cash investments, end of year	\$ 587,437	\$ 133,454	\$ 706,986	\$ 4,149,254
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (233,448)	\$ (270,299)	\$ (173,155)	\$ 362,587
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	670	14,624	98,025	136,518
Adjustment of beginning balances				
Changes in assets and liabilities				
Decrease (increase) in:				
Accounts receivable	-	-	-	2,102
Prepaid expenses	(71)	-	-	46,418
Increase (decrease) in:				
Accounts payable	2,065	809	-	(370)
Accrued liabilities	(2,874)	-	-	(50,560)
Compensated absences	3,133	-	-	6,210
Net cash provided by (used in) operating activities	\$ (230,525)	\$ (254,866)	\$ (75,130)	\$ 502,905



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