



# REPORT TO THE CITY COUNCIL

August 12, 2025





# / Introduction

## **To the Honorable Members of the City Council**

We are pleased to present this report related to our audit of the financial statements of the City of Needles (the City) as of and for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process, as well as other matters that we believe may be of interest to you. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

This report is intended solely for the information and use of the City Council and Management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the City.



# / Table of Contents

|   |    |
|---|----|
| Engagement Team   | 3  |
| Independence  | 4  |
| Scope of Services   | 5  |
| Summary of Audit Results  | 6  |
| Auditor's Required Communications to Those Charged<br>with Governance | 11 |
| New Accounting Pronouncements – GASB Implementation                   | 15 |
| Questions   | 16 |
| Contact Information   | 17 |

# / The Engagement Team



# / Independence

There are no relationships between any of our representatives and the City that in our professional judgment may reasonably be thought to bear on independence.

Vasquez & Company LLP meets the independence requirements of the AICPA and the *Government Auditing Standards* as it relates to the City.

# / Scope of Services



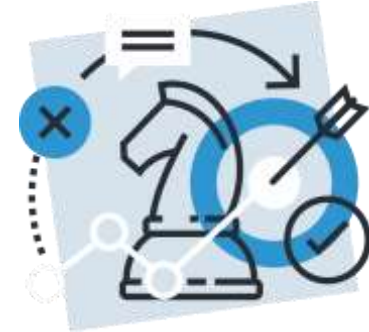
## **The Financial Statements Audit**

- City's basic financial statements
- City's Public Financing Authority (PFA)



## **The Single Audit**

- Audit of Major Federal Grant Programs in accordance with the Uniform Guidance



## **Consultation**

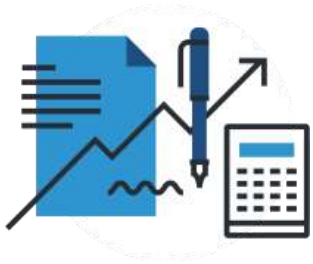
- Year-Round Consultation on Financial and Accounting Matters

# / SUMMARY OF AUDIT RESULTS





# / Financial Statements Audit



## Unmodified (Clean) Opinions on Financial Statements

- The financial statements present fairly, in all material respects, the City's and the PFA's financial position and changes in net position.
- The supplemental combining financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



## Internal Control over Financial Reporting

- Material weaknesses and significant deficiencies on internal control over financial reporting were noted.



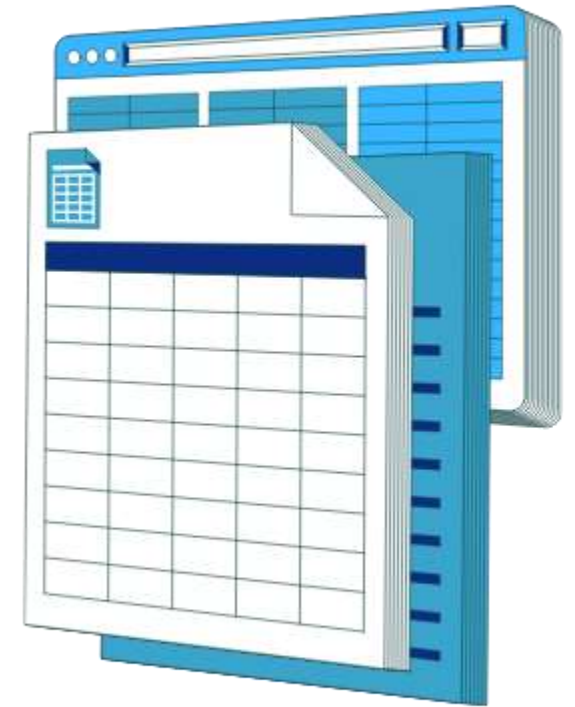
# / Material Weaknesses and Significant Deficiencies on Internal Control Over Financial Reporting

## Material Weaknesses

1. Significant Delay in the Year-end Closing Process and Completing the Audit
2. Material audit adjustments noted during the audit
3. Improper application of applicable basis of accounting

## Significant Deficiencies

1. Improper implementation of new accounting standards
2. Non-compliance with the CA Government Code Section 53646 – Annual Adoption of Investments policy and quarterly submission of Treasurer's report



# / Single Audit

## 1 Major Programs

- ALN 20.205 – Highway Planning and Construction (\$1.1 million)
- ALN 21.027 - Coronavirus State and Local Fiscal Recovery Funds (\$1.04 million)

The major programs covered 88% of total federal expenditures of \$2.5 million.

## 2 Classification

- The City is classified as a “High-Risk Auditee” based on the Federally-prescribed criteria.

## 3 Results

- Three (3) federal awards findings.

# / Material Weakness and Significant Deficiencies on Internal Control Over Major Programs (Compliance)

## Material Weaknesses

1. Delay in the completion and submission of single audit report

## Significant Deficiencies

1. Inaccurate reporting of federal expenditures
2. Reporting of federal expenditures outside of period of performance



# / AUDITOR'S REQUIRED COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE (AU-C 260)



# / Required Communication to Those Charged with Governance

|   |   |
|---|---|
| <b>Management's Responsibility</b>      | Management has primary responsibility for the accounting principles used, including their consistency, application, clarity and completeness.   |
| <b>Significant Accounting Policies</b>  | The City's significant accounting policies are appropriate, and management has applied its policies consistently with prior periods in all material respects. The City implemented GASB Statement No. 96 – <i>Subscription-Based Information Technology Arrangements</i> (SBITAs), GASB Statement No. 94, - <i>Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements</i> (APAs), and GASB 100, Accounting Changes and Error Corrections, during the fiscal year ended June 30, 2023. |
| <b>Controversial issues</b>             | No accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.   |
| <b>Significant Unusual Transactions</b> | We did not identify any significant or unusual transactions.  |

# / Required Communication to Those Charged with Governance, continued

|   |   |
|---|---|
| <b>Audit Adjustments</b>                    | Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the City are shown on the Summary of Recorded Audit Adjustments included in the Required Communication Letter. |
| <b>Disagreements with Management</b>        | We encountered no disagreements with management on financial accounting and reporting matters as it relates to the current year financial statements.   |
| <b>Consultations with Other Accountants</b> | We are not aware of any consultations management had with other accountants about accounting and auditing matters.  |
| <b>Conditions of Retention</b>              | No significant issues were discussed, or subject to correspondence, with management prior to retention.   |

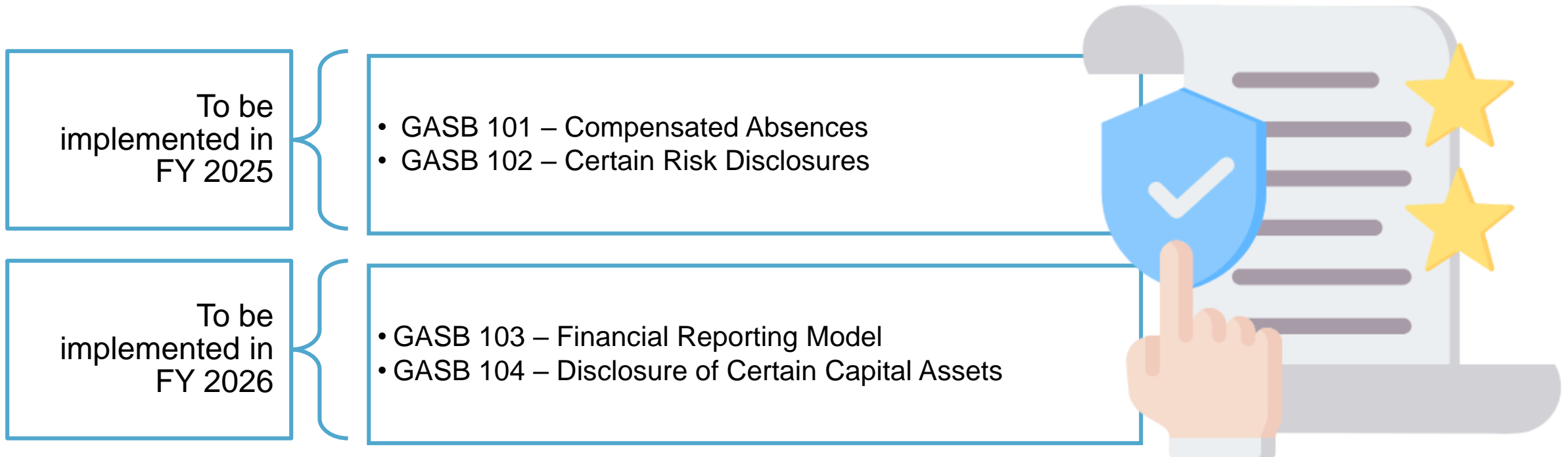
# / Required Communication to Those Charged with Governance, continued

|   |  |
|---|--|
| <b>Difficulties with Management</b>                     | We did not encounter any difficulties with management while performing our audit procedures that require the attention of the City Council.                                  |
| <b>Material Weaknesses and Significant Deficiencies</b> | <b>Material Weaknesses</b> and <b>Significant Deficiencies</b> on internal controls over financial reporting and compliance were identified.                                 |
| <b>Irregularities, Fraud or Illegal Acts</b>            | No irregularities, fraud or illegal acts or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures. |
| <b>Management Representations</b>                       | The City provided us with a signed copy of the management representation letter at the end of the audit and prior to our issuance of the report on financial statements.     |



# / New Accounting Pronouncements – Effective in Future Years

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.



# QUESTIONS

# / Contact Information

**Vasquez + Company LLP** has over 55 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, and governmental entities.

We are clients of the **Aprio Professional Services+ Practice**. As a client, we have access to the Professional Services+ Collaborative, a globally connected community that provides access to an ecosystem of capabilities, collaboration and camaraderie to help professional services firms grow and thrive in a rapidly changing business environment. As a participant in the PS+ Collaborative, we have the opportunity to interact and share best practices with other professional services firms across the U.S. and Canada.

**Roger A. Martinez, CPA**

O: +1.213.873.1703

[rmartinez@vasquezcpa.com](mailto:rmartinez@vasquezcpa.com)

**Cristy Canieda, CPA, CGMA**

O: +1.213.873.1720

[ccanieda@vasquezcpa.com](mailto:ccanieda@vasquezcpa.com)

**Rhoda Dollaga, CPA**

O: +1.213.873.1746

[rdollaga@vasquezcpa.com](mailto:rdollaga@vasquezcpa.com)

[www.vasquez.cpa](http://www.vasquez.cpa)

**Thank you for your  
time and attention!**

