



# REPORT TO THE CITY COUNCIL

February 10, 2026



# / 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, 2024. 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.



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# / Leadership Team Serving CITY OF NEEDLES



# / 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



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## The Financial Statement Audit

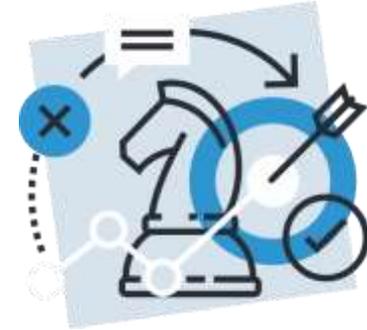
- City's basic financial statements
- City's Public Financing Authority (PFA)



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## The Single Audit

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



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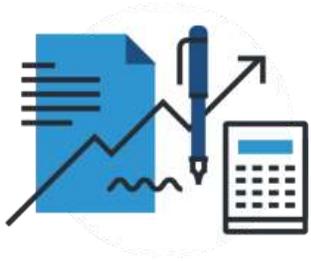
## Consultation

- Year-Round Consultation on Financial and Accounting Matters

# / Summary of Audit Results



# / Financial Statement Audit



## Unmodified (Clean) Opinions on the Basic Financial Statements

- The basic financial statements present fairly, in all material respects, the City's and the PFA's financial position as of June 30, 2024, the changes in net position, and cash flows for the year ended.
- The supplemental combining and individual financial statements, in all material respects, in relation to the basic financial statements as a whole.



## Internal Control over Financial Reporting

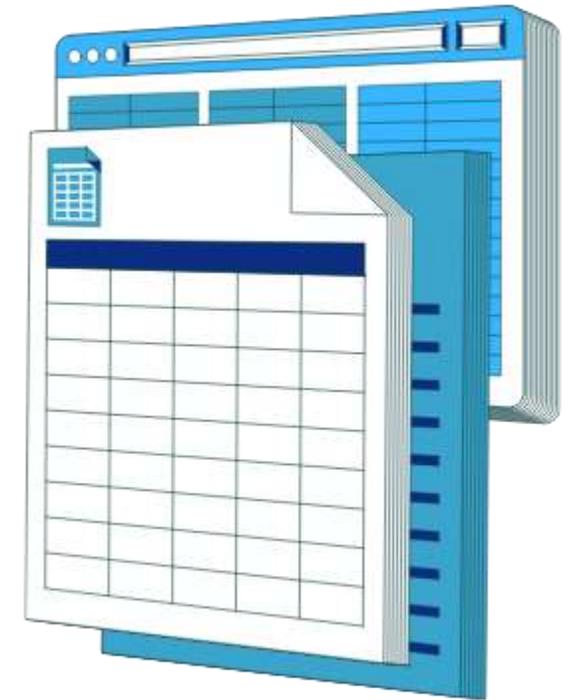
- Material weaknesses and significant deficiencies on internal control over financial reporting were noted.

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

## Material Weakness

### Significant Delay in Completing the Audit (Repeat Finding)

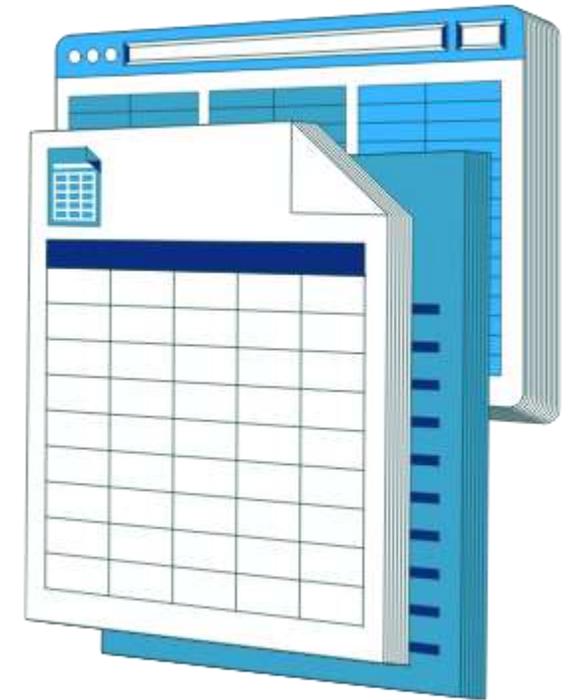
- The 2023 audit began in December 2023 but was not completed until July 2025, a 20-month turnaround driven by the turnover in the City's finance management, which delayed the preparation of required financial information. Audit progress depended on management's ability to provide accurate and timely documentation.
- During the 2023 audit, the auditors identified and corrected significant financial reporting errors, resulting in more accurate financial statements and placing the City in a stronger financial reporting position going into 2024.
- The same audit team performed the 2024 audit, demonstrating consistent capacity, expertise, and responsiveness.
- The 2024 audit began in September 2025 and was completed by January 2026, a 5-month turnaround.
- The contrast between the two years highlights that audit efficiency is directly tied to management stability and audit readiness.



# / Material Weakness and Significant Deficiencies on Internal Control Over Financial Reporting, Continued

## Significant Deficiencies

1. Non-compliance with the CA Government Code Section 53646 – Annual Adoption of Investments policy and quarterly submission of Treasurer’s report (Repeat Finding)
2. Unreported Custodial Fund Activity – The City failed to report \$9,349,382 restricted trust resources related to the Water Quality Maintenance of the All-American Canal in the prior years.



# / Single Audit

The City's federal expenditures, excluding the Housing Authority's federal expenditures audited by other auditors, did not exceed \$750,000. As a result, the City was not required to undergo a Single Audit and has submitted an exemption letter to the State.

# / Auditor's Required Communication To Those Charged With Governance



# / Required Communication to Those Charged with Governance

<b>Our responsibilities</b>	Our responsibilities have been described in our engagement letter dated September 16, 2025.
<b>Planned scope and timing of the audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and identified significant risks.
<b>Adoption of, or change in, accounting policies</b>	Management has the primary responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the fiscal year 2024.
<b>Significant accounting policies</b>	We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
<b>Significant unusual transactions</b>	We did not identify any significant 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. We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
<b>Disagreements with management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with other accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant issues discussed with management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Significant difficulties encountered in performing the audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.

# / Required Communication to Those Charged with Governance, continued

## Significant matters that required consultation

We did not encounter any difficult or contentious matters that required consultation outside the engagement team and that are, in our professional judgment, significant and relevant to your responsibility to oversee the financial reporting process.

## Shared responsibilities for independence

Independence is a **joint responsibility** and is managed most effectively when management, City Council, and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. AICPA and GAO rules require independence both in mind and in appearance when providing audit and other attestation services. Vasquez ensures that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement. Vasquez maintains a system of quality control over compliance with independence rules and firm policies.

## Internal controls and compliance matters

We have separately communicated on internal control and compliance over financial reporting identified during our audit of the financial statements as required by *Government Auditing Standards*. This communication describes the material weakness and significant deficiencies identified during the financial statement audit.

## Significant written communications between management and our firm

The most significant written communications between management and our firm were the Letter of Comments to Management and the Management Representation Letters.

# / 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.

To be implemented in FY 2025	<ul style="list-style-type: none"><li>• GASB 101 – Compensated Absences</li><li>• GASB 102 – Certain Risk Disclosures</li></ul>
To be implemented in FY 2026	<ul style="list-style-type: none"><li>• GASB 103 – Financial Reporting Model</li><li>• GASB 104 – Disclosure of Certain Capital Assets</li></ul>
To be implemented in FY 2027	<ul style="list-style-type: none"><li>• GASB 105 – Subsequent Events</li></ul>



# 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.

Vasquez + Company LLP is proud to be part of Aprio Alliance—a national association created by accounting professionals to help collaborative, growth-minded CPA firms thrive. This affiliation gives us access to leading expertise, resources, and best practices, while preserving what matters most: the personalized service and local insight you expect from an independent firm. Aprio Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from Aprio. “Aprio” is the brand name under which Aprio, LLP and Aprio Advisory Group, LLC (and its subsidiaries) provide professional services.

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

