

# **City of California City**

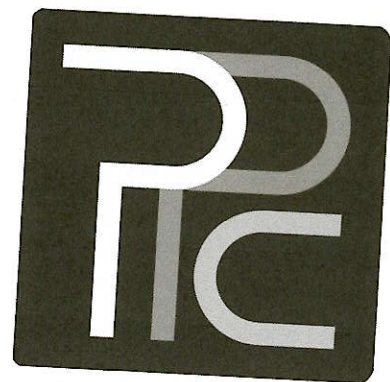
## **Cash and Fund Analysis with Recommendations** *(Estimated Balances as of June 30, 2025)*

**Prepared for:**

**City Council and City Manager**

**Prepared by:**

**Price Paige and Company  
Kenny Cooper, Finance Manager**



**City of California City**  
**Cash and Fund Analysis with Recommendations**  
*(Estimated Balances as of June 30, 2025)*

## **Executive Summary**

This analysis provides a comprehensive review of the City's estimated ending cash balances as of June 30, 2025, across all operating, special revenue, enterprise, and fiduciary funds. The purpose is to identify structural imbalances, improve fund-level alignment, and simplify financial reporting. While significant adjustments are recommended to correct fund-level issues, these changes will not affect the City's overall cash position. Instead, they will ensure that cash is properly allocated, funds are accurately presented, and financial statements reflect the true nature of operations.

The analysis was developed using a practical, cost-benefit approach, focusing on adjustments that meaningfully improve accuracy and transparency. Reasonable assumptions were applied where detailed historical data was unavailable, and conservative estimates were used when uncertainty existed. In addition, the review included an evaluation of General Fund cash availability on June 30, 2025, to confirm the City's capacity to sustain operations. Several funds are recommended for closure or consolidation to streamline reporting and reduce reconciliation complexity, while others require reclassification to better align with current operations.

## **Scope of Analysis**

- Reviewed estimated year-end cash balances for all funds with a goal of, when prudent, eliminating cash deficits.
- Evaluated historical activity, timing differences, and structural issues with a goal of simplifying and making more transparent the current fund structure utilized by the City.
- Analyzed General Fund cash availability at June 30, 2025, to ensure operational sustainability while implementing corrective actions.
- Identified stale or otherwise inactive funds and consider benefit of closing the funds.

## **Summary of Recommendations**

- Develop a strategic fiscal sustainability plan to determine whether operations can help generate sufficient positive cash flow and eliminate persistent deficits.
- Engage with an outside consultant to develop a comprehensive cost allocation plan. The General Fund is almost certainly undercharging other funds, reducing cash inflows into the General Fund.
- Post accounting transfers, as recommended in this report, to clear fund cash deficits and correct other imbalances.
- Perform physical bank transfers to reconcile bank balances to the general ledger after the recommended accounting adjustments are posted.
- Close inactive funds that no longer serve an operational or reporting purpose, as recommended in this report.
- Creation of a new fund for the Clean-Up Crew Grant to improve compliance and tracking.
- Reclassification of funds as they are presented in the financial statements to improve clarity and align with current operations.
- Detailed recommendations are provided for each fund, which should be strongly considered and implemented by the City.



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**Estimated Beginning Cash Balances**

The following chart presents the City's estimated cash balances by account as of June 30, 2025, organized according to how funds are grouped and reported in the City's financial statements. This information provides a clear snapshot of available resources at the fund level and serves as the foundation for evaluating structural imbalances, identifying dormant or obsolete funds, and determining necessary corrective actions. By aligning the presentation with the City's financial statement structure, this section ensures consistency, transparency, and ease of comparison during audit preparation and budget development. Of the 41 cash accounts presented below, 16 had cash deficits that we are considering as a part of this analysis.

Financial Statement	Account	Fund Description	Estimated Unadjusted Balance
General Fund	10-01010	General Fund	15,784,788
General Fund	14-01010	Balsitis Park	(7,361)
General Fund	29-01010	OHV Permit	168,834
General Fund	34-01010	Payroll Clearing	289,186
General Fund	39-01010	Proposition 64	(63,911)
General Fund	40-01010	Tierra Del Sol Golf Course	(3,292,742)
General Fund	60-01010	Restricted Funding	5,380,662
General Fund	73-01010	Successor Agency	(182,321)
General Fund	97-01010	General Fund Capital Projects	(121,618)
Parks and Recreation Donations Fund	15-01010	Parks and Recreation Donation	12,691
OHV Grant Fund	16-01010	OHV Grants Fund	(1,984,599)
OHV EMS Grant Fund	17-01010	OHV EMS Grant	419
Public Safety Services Fund	18-01010	Police Services	(5,599,884)
Public Safety Services Fund	19-01010	Fire Services	(1,228,462)
Public Safety Services Fund	30-01010	Police Forfeiture	6,391
Public Safety Services Fund	98-01010	Fire Capital Projects	(2,013)
COPS Recovery Fund	20-01010	COPS Recovery Fund	(150,465)
Supplemental Law Enforcement Fund	25-01010	Supplemental Law Enforcement	530,453
Public Safety Augmentation Fund	26-01010	Public Safety Augmentation	626,679
Proposition 39 AB109 Fund	28-01010	AB 109	1,281
Aspen Mall Maintenance District Fund	71-01010	AMMDA	192,840
Housing Authority Fund	74-01010	Housing Corporation	(1,013,300)
Housing Authority Fund	74-01030	Housing Corporation	1,258,005
Housing Authority Fund	74-01300	Housing Corporation	776,261
Housing Authority Fund	99-01010	Housing Authority	197,000
Housing Authority Fund	99-01030	Housing Authority	788,000
Subdivision Deferred Improvement Fund	72-01010	SDI	(113,643)
Subdivision Deferred Improvement Fund	72-01030	SDI	479,223
Special Tax Fund	22-01010	Measure C	5
Special Tax Fund	23-01010	Measure L	18,909
Special Tax Fund	24-01010	Measure A (Old)	2,583
Street Maintenance Fund	27-01010	Streets Operations	5,125,857
Street Maintenance Fund	94-01010	Streets Capital Projects	(4,769,350)
Water Fund	51-01010	Water Fund	2,362,332
Water Fund	95-01010	Water Capital Projects	4,629,143
Sewer Fund	52-01010	Sewer	3,802,949
Sewer Fund	92-01010	Sewer Capital Projects	(181,689)
Airport Fund	53-01010	Airport	(2,586,713)
Airport Fund	93-01010	Airport Capital Projects	1,342,909
Dial-a-Ride Fund	54-01010	Dial-a-Ride	(428,570)
Custodial Fund	12-01010	Impact Fee Passthrough	644,598
<b>Totals</b>			<b>22,695,357</b>

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**Cash Deficit Account Balances and Recommended Action**

The following chart identifies all cash accounts with deficit balances as of June 30, 2025 and outlines the recommended corrective actions for each. These recommendations include whether to transfer the entire deficit amount, transfer only a portion of the balance, or leave the deficit in place. Additionally, when a transfer of funds is recommended to eliminate or reduce the cash deficit, the chart includes the appropriate fund from which to provide funding. Any remaining deficits after these actions fall into one of two categories:

- Temporary deficits are expected to clear once incoming cash is received, typically through reimbursement for expenditure-driven grants.
- Long-term deficits that reflect historical underfunding or ongoing operational shortfalls and may require future subsidy from the General Fund.

Currently, the only fund with a permanent remaining cash deficit is the Airport Operating Fund. This deficit will require further evaluation by City Management to determine whether airport operations can become financially sustainable or if a long-term subsidy will be necessary.

Additionally, this section highlights situations where recommended accounting transfers will be accompanied by physical bank transfers to correct pooled cash allocations and ensure that bank balances reconcile to the general ledger.

Financial Statement	Account	Fund Description	Estimated Unadjusted Balance	Recommended Transfer	Ending Balance	Offsetting Fund	Bank Transfer Required
General Fund	14-01010	Balsitis Park	(7,361)	7,361	-	General	No
General Fund	39-01010	Proposition 64	(63,911)	-	(63,911)	None	N/A
General Fund	40-01010	Tierra Del Sol Golf Course	(3,292,742)	3,292,742	-	General	No
General Fund	73-01010	Successor Agency	(182,321)	182,321	-	General	No
General Fund	97-01010	General Fund Capital Projects	(121,618)	121,618	-	General	No
OHV Grant Fund	16-01010	OHV Grants Fund	(1,984,599)	113,609	(1,870,990)	General	No
Public Safety Services Fund	18-01010	Police Services	(5,599,884)	5,599,884	-	General	No
Public Safety Services Fund	19-01010	Fire Services	(1,228,462)	1,228,462	-	General	No
Public Safety Services Fund	98-01010	Fire Capital Projects	(2,013)	2,013	-	General	No
COPS Recovery Fund	20-01010	COPS Recovery Fund	(150,465)	150,465	-	General	No
Housing Authority Fund	74-01010	Housing Corporation	(1,013,300)	1,013,300	-	General	No
Subdivision Deferred Improvement Fund	72-01010	SDI	(113,643)	113,643	-	Housing Corporation	No
Street Maintenance Fund	94-01010	Streets Capital Projects	(4,769,350)	1,877,416	(2,891,934)	SDI	Yes
Sewer Fund	92-01010	Sewer Capital Projects	(181,689)	181,689	-	Streets Operating	Yes
Airport Fund	53-01010	Airport	(2,586,713)	1,342,909	(1,243,804)	Sewer	No
Dial-a-Ride Fund	54-01010	Dial-a-Ride	(428,570)	-	(428,570)	Airport Capital Projects	Yes
						None	No
							N/A



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**Recommendations for Consolidating and Creating New Funds**

In this section, we identified funds that no longer serve an operational, reporting, or compliance purpose and recommend their closure. These funds are either inactive, tied to expired revenue sources, or associated with programs that have been discontinued. Maintaining these funds increases reconciliation complexity and obscures the City's true financial position. Closing them will streamline financial reporting, reduce administrative burden, and improve transparency.

The City currently maintains 36 funds. After implementing the recommended closures and creating one new fund for the Clean-Up Crew Grant, the total number of funds will be reduced to 25, resulting in a more efficient and modern fund structure. Where applicable, remaining balances will be transferred to the General Fund, and any future activity related to these programs will be recorded directly in the General Fund or in newly established funds as needed. Funds recommended for closure may be re-established in the future if new programs, grants, or operational needs arise, ensuring flexibility while maintaining clarity and accountability.

In addition to closing inactive funds, we recommend the City creates a new fund for the Clean-Up Crew Grant. This grant is currently commingled with unrelated activity in Fund 60, making compliance tracking and reconciliation cumbersome. Moving the grant into its own dedicated fund, grouped with the Streets Maintenance Fund for financial statement presentation, will eliminate ambiguity, improve compliance reporting, and allow staff to easily reconcile grant activity.

<u>Fund</u>	<u>Fund Description</u>	<u>Reason for Closure</u>
14	Field 3 Balsitis Park	No Activity since FY2020; deficit from project costs; no future revenues expected.
15	Parks & Recreation Donations	No activity since FY2019; immaterial balance; original purpose likely obsolete. Note: If future donations are anticipated, the fund may remain open but grouped with the General Fund for reporting.
17	OHV EMS Grant Fund	No activity since prior to FY2019; trivial balance; program discontinued.
18	Police Services	Dedicated revenue source expired; operations moved to General Fund.
19	Fire Services	Dedicated revenue source expired; operations moved to General Fund.
20	COPS Recovery Fund	Inactive since before FY2019; funding source no longer exists; deficit from historical costs.
22	Measure C	Inactive for many years; balance represents interest only.
23	Measure L	Minimal residual revenues; recommend transfer and close.
24	Measure A (Old)	Inactive for many years; balance represents interest only.
26	Public Safety Augmentation (Prop 172)	Limited compliance benefit; recommend accounting for revenue in General Fund.
73	Successor Agency Administration Fund	Accumulated deficit; reimbursements posted elsewhere; fund no longer serves a purpose.
98	Fire Capital Projects Fund	Small deficit tied to historical projects; no active revenue or projects.

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## **Fund Reclassification for Financial Statement Presentation**

The purpose of fund reclassification is to ensure that the City's financial statements present information in a way that is clear, consistent, and aligned with the nature of operations. This process involves grouping certain funds with the General Fund when their activity represents core governmental functions or when the fund is likely to be subsidized by the General Fund. Grouping funds in this manner improves transparency, simplifies reporting, and provides a more accurate picture of the City's financial position.

In practice, there are several instances where grouping a fund with the General Fund for financial statement presentation is beneficial:

- **Core Government Functions:** When a fund accounts for activities that are essential to the City's operations—such as public safety, parks, or general administration—and those activities are likely to receive ongoing General Fund support, grouping them together reflects the true financial relationship.
- **Alignment of Activity:** If the activity in a fund closely mirrors General Fund operations, such as police or fire services, presenting them together avoids confusion and highlights the integrated nature of these services.
- **Restricted Program Revenue with General Fund Risk:** For funds that operate under reimbursement-based grants (e.g., OHV Grants Fund) where the General Fund ultimately bears the risk of unreimbursed costs, grouping these funds with the General Fund provides clarity about the City's exposure and financial responsibility.

This approach does not eliminate the need for internal tracking or compliance reporting; rather, it enhances the usefulness of financial statements by reducing fragmentation and emphasizing the City's core financial activities. Below is a list of funds we recommend are consolidated into the General Fund for financial statement presentation:

<u>Fund</u>	<u>Fund Name</u>	<u>Reclassification Recommendation</u>
16	OHV Grants	OHV Grants are a core function of the City and any unreimbursed expenditures will be subsidized by the General Fund. Continue to track separately since most of the activity in this fund is supported by expenditure-driven grants.
25	Supplemental Law Enforcement	This funding source supports the police department so should be grouped with the General Fund for financial statement presentation. Continue to track separately in case police activities in a given year are not eligible to receive this funding
28	AB109	This funding source supports the police department so should be grouped with the General Fund for financial statement presentation. Continue to track separately since this fund accounts for expenditure-driven reimbursements.
29	OHV Permit	OHV Grants are a core function of the City and any unreimbursed expenditures will be subsidized by the General Fund.
30	Police Forfeiture	This funding supports the police department so should be grouped with the General Fund for financial statement presentation.



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**Schedule of Recommended Transfers and Ending Balances**

The following schedule summarizes all recommended accounting transfers necessary to eliminate structural cash deficits, correct pooled cash allocations, and align fund balances with operational activity. It also reflects the recommended fund reclassifications for financial statement presentation, ensuring that funds grouped with the General Fund are presented consistently with their underlying purpose. This schedule provides:

- Recommended Transfers: Amounts to be moved between funds to resolve deficits or consolidate resources.
- Ending Account Balances: Projected cash positions after transfers are recorded.
- Fund Reclassification: Identification of funds grouped with the General Fund for financial statement purposes, such as those supporting core government functions (e.g., public safety) or those likely to require ongoing General Fund subsidy.

Financial Statement	Account	Fund Description	Fund Status	Estimated Unadjusted Balance	Transfers in	Transfers out	Estimated Ending Balance
General Fund	10-01010	General Fund	Active	15,784,788			
General Fund	14-01010	Balsitis Park	Closed	(7,361)			
General Fund	16-01010	OHV Grants Fund	Active	(1,984,599)	7,361	\$ 5,014,277	10,770,511
General Fund	25-01010	Supplemental Law Enforcement	Active	530,453	113,609		
General Fund	28-01010	AB 109	Active	1,281		530,453	(1,870,990)
General Fund	29-01010	OHV Permit	Active	168,834			
General Fund	30-01010	Police Forfeiture	Active	6,391			1,281
General Fund	34-01010	Payroll Clearing	Active	289,186			168,834
General Fund	39-01010	Proposition 64	Active	(63,911)			6,391
General Fund	40-01010	Tierra Del Sol Golf Course	Active	(3,292,742)	3,292,742		289,186
General Fund	60-01010	Restricted Funding	Active	5,380,662			(63,911)
General Fund	73-01010	Successor Agency	Closed	(182,321)		5,380,662	
General Fund	97-01010	General Fund Capital Projects	Active	(121,618)	182,321		
Parks and Recreation Donation	15-01010	Parks and Recreation Donation	Closed	12,691	97,732		
OHV EMS Grant	17-01010	OHV EMS Grant	Closed	419		12,691	(23,886)
Public Safety Services Fund	18-01010	Police Services	Closed	(5,599,884)		419	
Public Safety Services Fund	19-01010	Fire Services	Closed	(1,228,462)	5,599,884		
Public Safety Services Fund	98-01010	Fire Capital Projects	Closed	(2,013)	1,228,462		
COPS Recovery Fund	20-01010	COPS Recovery Fund	Closed	(150,465)	2,013		
Public Safety Augmentation Fund	26-01010	Public Safety Augmentation	Active	626,679	150,465		
Aspen Mall Maintenance District	71-01010	AMMDA	Active	192,840		626,679	
Housing Authority Fund	74-01010	Housing Corporation	Active	(1,013,300)			192,840
Housing Authority Fund	74-01030	Housing Corporation	Active	1,258,005	1,013,300		
Housing Authority Fund	74-01300	Housing Corporation	Active	776,261		1,013,300	
Housing Authority Fund	99-01010	Housing Authority	Active	197,000			244,705
Housing Authority Fund	99-01030	Housing Authority	Active	788,000	788,000		776,261
Subdivision Deferred Improvement Fund	72-01010	SDI	Active	(113,643)		788,000	985,000
Subdivision Deferred Improvement Fund	72-01030	SDI	Active	479,223	113,643		
Special Tax Fund	22-01010	Measure C	Closed	5		113,643	365,580
Special Tax Fund	23-01010	Measure L	Closed	18,909		5	
Special Tax Fund	24-01010	Measure A (Old)	Closed	2,583		18,909	
Street Maintenance Fund	27-01010	Streets Operations	Active	5,125,857		2,583	
Street Maintenance Fund	94-01010	Streets Capital Projects	Active	(4,769,350)			
Street Maintenance Fund	NEW-01010	Clean-Up Crew Grant	Active		2,891,934	2,891,934	2,233,923
Water Fund	51-01010	Water Fund	Active		912,089		(1,877,416)
Water Fund	95-01010	Water Capital Projects	Active	2,362,332	4,623,558		912,089
Sewer Fund	52-01010	Sewer	Active	4,629,143			6,985,890
Sewer Fund	92-01010	Sewer Capital Projects	Active	3,802,949		4,623,558	5,585
Airport Fund	53-01010	Airport	Active	(181,689)	181,689		3,621,260
Airport Fund	93-01010	Airport Capital Projects	Active	(2,586,713)	1,342,909		
Dial-a-Ride	54-01010	Dial-a-Ride	Active	1,342,909		1,342,909	(1,243,804)
Custodial Fund	12-01010	Impact Fee Passthrough	Active	(428,570)			
			Active	644,598			(428,570)
		<b>Totals</b>		<b>\$ 22,695,357</b>	<b>\$ 22,541,711</b>	<b>\$ 22,541,711</b>	<b>\$ 22,695,357</b>

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**Schedule Ending Cash Balances – Active Funds**

This section presents the City's projected ending cash balances after all recommended transfers have been recorded and inactive or obsolete funds have been closed. By eliminating funds that no longer serve an operational or reporting purpose, the schedule provides a streamlined view of the City's active fund structure as it will appear following implementation of the recommendations. The consolidated schedule reflects:

- **Active Funds Only:** All closed funds have been removed to simplify reporting and reduce reconciliation complexity.
- **Adjusted Cash Positions:** Balances incorporate recommended transfers to resolve structural deficits, correct pooled cash allocations, and align resources with operational activity.
- **Improved Transparency:** The revised fund structure emphasizes core governmental functions, enterprise operations, and legally restricted resources, providing a clearer picture of available cash for ongoing programs and services.
- **Alignment with Financial Statement Presentation:** Funds grouped with the General Fund for reporting purposes are noted, ensuring consistency between internal accounting and external financial reporting.

This streamlined presentation will assist City management and the Council in evaluating available resources, planning future budgets, and monitoring compliance with grant and statutory requirements. It also positions the City for more efficient audit preparation and long-term financial sustainability.

Financial Statement	Account	Fund Description	Estimated Ending Balance
General Fund	10-01010	General Fund	10,770,511
General Fund	16-01010	OHV Grants Fund	(1,870,990)
General Fund	25-01010	Supplemental Law Enforcement	-
General Fund	28-01010	AB 109	1,281
General Fund	29-01010	OHV Permit	168,834
General Fund	30-01010	Police Forfeiture	6,391
General Fund	34-01010	Payroll Clearing	289,186
General Fund	39-01010	Proposition 64	(63,911)
General Fund	40-01010	Tierra Del Sol Golf Course	-
General Fund	60-01010	Restricted Funding	-
General Fund	97-01010	General Fund Capital Projects	(23,886)
Public Safety Augmentation Fund	26-01010	Public Safety Augmentation	-
Aspen Mall Maintenance District	71-01010	AMMDA	192,840
Housing Authority Fund	74-01010	Housing Corporation	-
Housing Authority Fund	74-01030	Housing Corporation	244,705
Housing Authority Fund	74-01300	Housing Corporation	776,261
Housing Authority Fund	99-01010	Housing Authority	985,000
Housing Authority Fund	99-01030	Housing Authority	-
Subdivision Deferred Improvement Fund	72-01010	SDI	-
Subdivision Deferred Improvement Fund	72-01030	SDI	365,580
Street Maintenance Fund	27-01010	Streets	2,233,923
Street Maintenance Fund	94-01010	Streets Capital Projects	(1,877,416)
Street Maintenance Fund	NEV-01010	Clean-Up Crew Grant	912,089
Water Fund	51-01010	Water Fund	6,985,890
Water Fund	95-01010	Water Capital Projects	5,585
Sewer Fund	52-01010	Sewer	3,621,260
Sewer Fund	92-01010	Sewer Capital Projects	-
Airport Fund	53-01010	Airport	(1,243,804)
Airport Fund	93-01010	Airport Capital Projects	-
Dial-a-Ride	54-01010	Dial-a-Ride	(428,570)
Custodial Fund	12-01010	Impact Fee Passthrough	644,598
<b>Total Cash</b>			<b>\$ 22,695,357</b>



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### **Analysis of Cash Deficits and General Fund Impact**

This section evaluates how cash deficits across various funds potentially affect the General Fund, distinguishing between temporary deficits and long-term structural deficits.

#### **Temporary Cash Deficits**

Temporary deficits occur primarily in funds that operate under expenditure-driven reimbursement grants. These funds record costs upfront and receive reimbursement only after eligible expenditures are incurred and claims are processed. As a result, negative cash balances are expected until the grant cycle is finalized and all reimbursements are received. While reimbursement is not guaranteed, all temporary deficit funds are expected to be fully reimbursed based on current grant agreements and historical experience. The funds with temporary cash deficits potentially affecting the General Fund, totaling \$2,387,357 as of June 30, 2025, include the following:

- Fund 16 – OHV Grants Fund - \$1,870,990
- Fund 39 – Proposition 64 Fund - \$63,911
- Fund 97 – General Fund Capital Projects Fund - \$23,886
- Fund 54 – Dial-A-Ride (Transit) Fund - \$428,570

The Streets Capital Projects Fund has been removed from this list because any unreimbursed costs will be covered by the Streets Operating Fund rather than the General Fund. Because these deficits are tied to reimbursable expenditures, they do not represent an immediate drain on the General Fund. However, the General Fund temporarily supports these activities by covering pooled cash allocations until reimbursements are received.

#### **Long-Term Structural Deficits**

In contrast, long-term deficits reflect historical underfunding or ongoing operational shortfalls that are unlikely to be resolved through reimbursement. These deficits either require or are likely to require permanent funding from the General Fund to restore positive cash positions. Examples include older capital projects that exceeded available funding and certain operations that cannot sustain themselves financially. A significant example is the Tierra Del Sol Golf Course, which is classified as a governmental fund because its operations are so reliant on General Fund subsidy. The golf course has accumulated a multi-year deficit and will require both an immediate transfer to eliminate the current shortfall and an ongoing subsidy to cover annual operating losses. Other structural deficits include the Airport Fund, with a cash deficit of \$1,243,804 as of June 30, 2025, which has maintained a significant cumulative deficit due to operational costs exceeding revenues over multiple years. Its financial sustainability should be evaluated to determine whether operational improvements or increased revenues can reduce the deficit or if a long-term General Fund subsidy will be necessary.

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**Analysis of Cash Deficits and General Fund Impact (Continued)**

The chart below provides a visual representation of the City's exposure to cash deficits that intersect with the General Fund. It consolidates both temporary and long-term impacts into a single view, highlighting the magnitude of each category relative to overall resources. Temporary deficits, while expected to be reimbursed, illustrate the short-term cash flow support required from the General Fund until reimbursements are received. Long-term structural deficits, by contrast, represent permanent obligations that will require direct transfers and, in some cases, ongoing subsidies to maintain financial stability.

This summary view is intended to help the Council and management quickly assess the scale of potential General Fund commitments and prioritize corrective actions that balance immediate liquidity needs with long-term sustainability.

<b>Account</b>	<b>Description</b>	<b>Cash Balance</b>
<b>General Fund Cash Balance</b>		
10-01010	General Fund	
	<b>Available General Fund Cash</b>	<u>10,770,511</u>
		10,770,511
<b>Long-term Cash Deficit</b>		
53-01010	Airport	
		<u>(1,243,804)</u>
	<b>Ending General Fund Balance</b>	<u>9,526,707</u>
<b>Temporary Cash Deficits</b>		
16-01010	OHV Grants	
39-01010	Proposition 64	(1,870,990)
97-01010	General Capital Projects	(63,911)
54-01010	Dial-A-Ride	(23,886)
		<u>(428,570)</u>
	<b>Total Temporary Cash Deficits</b>	<u>(2,387,357)</u>
	<b>Ending General Fund Cash with Temporary Deficits</b>	<u>7,139,350</u>
<b>Temporary Cash Deficits (Streets Fund)</b>		
94-01010	Streets Capital Projects	
		(1,877,416)



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## **I. Purpose and Methodology**

The purpose of this cash analysis is to provide a comprehensive review of the City's estimated ending cash balances as of June 30, 2025, and to identify opportunities to improve fund-level alignment, eliminate cash deficits, and simplify financial reporting.

This analysis serves as a working tool to help the City evaluate the relationship between available resources and fund activity across all operating, special revenue, enterprise, and fiduciary funds. The recommendations outlined herein are designed to ensure that each fund accurately reflects its financial position, that restricted resources are properly segregated, and that inactive or obsolete funds are closed to improve transparency and ease of financial management.

While the City's overall cash position is not expected to materially increase or decrease, certain reallocations of cash are anticipated as part of the year-end closing process in preparation for the financial statement audit. These reallocations are routine and will align final fund cash balances with year-end activity and interfund obligations. The year-end cash balances presented in this report are estimated, and while minor adjustments are expected during audit preparation, no significant changes are anticipated that would alter the conclusions or recommendations contained herein.

A cost-benefit approach was applied when determining the depth of historical research conducted for this analysis. In many cases, detailed reconstruction of older transactions would not have meaningfully improved accuracy relative to the time required. Where appropriate, reasonable assumptions were made based on available documentation, historical trends, and staff input. When uncertainty existed, conservative assumptions were used and are identified within individual fund narratives using qualifiers such as "likely," "almost certainly," or "not expected."

Finally, several funds are recommended for closure or consolidation to streamline financial reporting and improve clarity. These funds may be re-established in the future if needed to accommodate new programs or grant activity, ensuring the City maintains both operational flexibility and fund structure integrity.

## **II. General Fund Analysis**

### **Fund 14 – Field 3 Balsitis Park**

**Estimated Cash Balance:** (\$7,361)

There has been no change to cash or activity in this fund since FY 2020. The cash deficit almost certainly arose from project costs that exceeded available funding when the field improvements were made. This fund is dormant, with no current or future revenues expected to offset the deficit.

**Recommendation:**

- Transfer \$7,361 from the General Fund to eliminate the cash deficit.
- Close the fund, as it serves no continuing operational or reporting purpose.

### **Fund 29 – OHV Permit Fund**

**Estimated Cash Balance:** \$168,834

This fund accounts for Off-Highway Vehicle (OHV) permit revenues and related activities. The balance has remained stable since FY 2022, and all ongoing activity aligns with program requirements.

**Recommendation:**

- No action required. Continue accounting for OHV activity within this fund and include it in the General Fund grouping for financial reporting.

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**Cash and Fund Analysis with Recommendations**  
*(Estimated Balances as of June 30, 2025)*

## II. General Fund Analysis (Continued)

### Fund 34 – Payroll Liability Fund

**Estimated Cash Balance:** \$289,186

This fund exists solely to accumulate and remit payroll-related liabilities (such as payroll taxes, pension contributions, and insurance premiums). The cash balance will always fluctuate depending on the timing of payments made at year-end versus liabilities accrued. These annual changes in cash balance are expected and will resolve naturally once liabilities are paid.

**Recommendation:**

- Continue maintaining this fund as a payroll clearing account. No structural changes are recommended.
- Reconcile at fiscal year-end to ensure liabilities equal cash balance less prepaid amounts.

### Fund 40 – Tierra Del Sol Golf Course

**Estimated Cash Balance:** (\$3,292,742)

This fund is used to account for the operations of the Tierra Del Sol Golf Course (TDS). Since FY 2021, the golf course has operated at a consistent annual operating cash deficit averaging approximately \$285,500. This operating shortfall has accumulated into a multi-year cash deficit funded by the General Fund.

**Five-Year Cash Analysis:**

Fiscal Year End	Cash Balance	Transfers In (Current Year)	Operating Cash Balance	Annual Operating Cash Deficit
6/30/2021	(\$2,472,684)	(\$4,371)	(\$2,477,055)	
6/30/2022	(\$2,773,079)	(\$667)	(\$2,778,117)	(\$301,062)
6/30/2023	(\$3,077,317)	–	(\$3,082,355)	(\$304,238)
6/30/2024	(\$3,078,437)	(\$321,386)	(\$3,404,861)	(\$322,506)
6/30/2025	(\$3,292,742)	–	(\$3,619,166)	(\$214,305)

The table above demonstrates a consistent annual operating loss resulting in a growing cash deficit. The course's revenues have not been sufficient to cover expenditures, and the deficit has only been partially offset by occasional General Fund transfers.

**Recommendation:**

- Transfer \$3,292,742 from the General Fund to fully eliminate the FY2025 cash deficit.
- Budget an annual subsidy equivalent to the projected yearly operating loss (approx. \$285,000).
- Continue reporting TDS as a separate fund for transparency, allowing Council and the public to monitor its ongoing financial performance.
- Develop a strategic plan to make the golf course self-sustaining, which could include:
  - Increasing user fees or memberships,
  - Reducing expenditures, or
  - Considering a public-private partnership or third-party management contract (a strategy used by peer municipalities).



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## **II. General Fund Analysis (Continued)**

### **Fund 39 – Proposition 64 Fund**

**Estimated Cash Balance:** (\$52,911)

This fund supports a State-funded reimbursement program for cannabis-related law enforcement activities under Proposition 64. Because reimbursements are received after costs are incurred, a temporary cash deficit is expected throughout the grant cycle. The balance will remain negative until grant reimbursements are received.

**Recommendation:**

- Maintain the deficit as a short-term condition supported by the General Fund.
- No transfer is necessary unless the State disallows or fails to reimburse certain costs, in which case the General Fund should permanently fund those disallowed amounts.

### **Fund 60 – Restricted Fund**

**Estimated Cash Balance:** \$5,380,662

Fund 60 functions as a consolidated holding account for a variety of unrelated revenue sources and balances. While its title suggests that all resources within the fund are restricted, this is not the case. The fund contains a mix of restricted grant proceeds, unrestricted federal revenue, and discretionary contributions. This structure has made it difficult for staff to clearly monitor activity and available balances for each revenue source because the transactions flow through a single fund rather than dedicated accounts.

#### **Funding Sources and Descriptions**

- **Clean-Up Crew Grant** – \$912,089 (Restricted) – This State-funded Clean-Up Crew Grant supports street and right-of-way beautification efforts. Eligible expenditures must be recorded to account 27-4413. Because these grant proceeds are currently pooled with unrelated activity in Fund 60, tracking remaining grant availability requires manual analysis each year. Moving this activity into its own fund—grouped with the Streets Maintenance Fund—would eliminate ambiguity, streamline compliance reporting, and allow staff to easily reconcile expenditures to remaining grant authority.
- **American Rescue Plan Act (ARPA)** – \$2,682,956 (Unrestricted) - The City received its ARPA allocation in FY2022 and FY2023. Because the total award was under \$10 million, the City elected the Standard Allowance, classifying 100% of ARPA funding as revenue replacement under the ARPA Final Rule. This treatment allowed ARPA funding to be recognized as revenue in FY2023 and used for general government purposes. The FY2023 Single Audit confirmed that the City met all requirements associated with this designation.

Since ARPA funds were fully recognized as revenue replacement, the remaining cash in Fund 60 is unrestricted and available for any purpose at the direction of the City Council. These funds are no longer subject to ARPA expenditure limitations.

- **AES Donation** – \$1,785,617 (Unrestricted) - The City received a \$2.7 million unrestricted donation from AES in FY2025. The remaining balance — approximately \$1.8 million — remained unrestricted at 6/30/25 and may be appropriated at City Council's discretion. Roughly \$1.5 million of this contribution was used in FY2026 to fund the City's general liability insurance premium.

**City of California City**  
**Cash and Fund Analysis with Recommendations**  
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## **II. General Fund Analysis (Continued)**

### **Fund 60 – Restricted Fund (Continued)**

**Recommendation:**

- Transfer unrestricted ARPA and AES balances to the General Fund or adopt a formal Council commitment identifying their intended use, including whether to commit or assign any funds in accordance with GASB 60.
- Move the Clean-Up Crew Grant into its own dedicated fund, grouped with the Streets Maintenance Fund, to eliminate commingling and improve grant compliance.
- Use Fund 60 only for resources that are legally restricted or intentionally segregated by Council.

### **Fund 73 – Successor Agency Administration Fund**

**Estimated Cash Balance:** (\$182,321)

This fund was used to track City salary and overhead allocations related to the Successor Agency. Reimbursements for these costs were posted to the General Fund instead of this fund, leaving an accumulated deficit.

**Recommendation:**

- Transfer \$182,321 from the General Fund to eliminate the cash deficit.
- Close the fund; future reimbursements from the Successor Agency should be recorded directly in the General Fund. Maintaining this separate fund no longer provides value and increases reconciliation effort.

### **Fund 97 – General Fund Capital Projects Fund**

**Estimated Cash Balance:** (\$121,618)

This fund includes two current reimbursement-grant projects (EV Charging Station at Aspen Mall and Balsitis Park Playground) with a combined temporary deficit of (\$23,886) that will be reimbursed once grant revenues are received. The remaining (\$97,732) deficit dates back to pre-FY2020 underfunded capital projects that should have been subsidized by the General Fund.

**Recommendation:**

- Transfer \$97,732 from the General Fund to resolve the long-term deficit.
- Allow the temporary grant-related deficit to remain until reimbursements are received.
- Consider consolidating small capital projects into a unified capital-projects structure to reduce administrative complexity.

## **III. Special Revenue Fund Analysis**

### **Fund 15 – Parks and Recreation Donations Fund**

**Estimated Cash Balance:** \$12,691

This fund accounts for donations and other revenues received to support various Parks and Recreation programs and projects. No new funding has been received since FY2018, and there has been no expenditure activity since at least FY2019. Based on the lack of recent activity, it is unlikely that the original projects or programs associated with these donations are still active in their original form.



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### **III. Special Revenue Fund Analysis (Continued)**

#### **Fund 15 – Parks and Recreation Donations Fund (Continued)**

It is also likely that, in the years since donations were last received, the City has incurred eligible parks and recreation costs in the General Fund that would meet the original intent of these donations (e.g., maintenance, programs, or small capital items). Documentation for older donations may not be sufficiently detailed to trace the remaining balance to a specific purpose.

**Recommendation:**

- Review any available historical documentation to confirm the intended purpose and eligible use of the donations.
- If the original purpose can reasonably be tied to General Fund parks and recreation activities, transfer the remaining \$12,691 to the General Fund and apply it to eligible Parks & Recreation uses.
- If records are not detailed enough to clearly identify a restricted purpose, transfer the balance into the General Fund and close the fund, on the basis that the underlying activity is no longer ongoing and the amount is immaterial.
- If the City decides to continue using this mechanism for future donations, keep the fund open but group it with the General Fund for financial-statement presentation and ensure any new donations are supported by clear documentation of intended use.

#### **Fund 16 – OHV Grants Fund**

**Estimated Cash Balance: (\$1,984,599)**

This fund is used to account for off-highway-vehicle (OHV) grant activities funded primarily by expenditure-driven reimbursement grants. Grant reimbursements typically occur well after the end of the fiscal year, often lagging by as much as two fiscal years. As a result, this fund is expected to carry a significant cash deficit at year-end representing one to two years of reimbursable expenditures.

In addition to the portion expected to be reimbursed, there is currently an estimated \$113,609 that is not expected to be recovered through the grant. This amount reflects costs that exceed available grant funding or otherwise do not qualify under grant rules. Because the General Fund ultimately supports OHV-related services, this unreimbursed amount represents a long-term General Fund obligation.

**Recommendation:**

- Transfer \$113,609 from the General Fund to Fund 16 to cover the estimated portion of the cash deficit that is not expected to be reimbursed by the grant.
- Once all reimbursement claims are finalized for a given grant cycle, perform an annual analysis to identify any remaining unreimbursed expenditures and transfer cash from the General Fund to eliminate that portion of the deficit.
- Continue to allow the anticipated reimbursable portion of the cash deficit to remain temporarily, consistent with the timing of grant reimbursements.
- Because the General Fund ultimately bears the risk of unreimbursed costs, group Fund 16 with the General Fund for financial-statement presentation, even though it is maintained as a separate fund for grant tracking.

**City of California City**  
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**III. Special Revenue Fund Analysis (Continued)**

**Fund 17 – OHV EMS Grant Fund**

**Estimated Cash Balance:** \$419

This fund was used to account for OHV-related emergency medical services (EMS) reimbursements. There has been no activity other than interest accruals since prior to FY2019, and the City no longer receives this grant. The remaining balance is trivial, and the fund no longer serves a meaningful purpose.

**Recommendation:**

- Transfer the remaining \$419 to the General Fund due to the trivial nature of the balance.
- Close the fund, as the program is no longer active and no future revenues are expected.

**Funds 18, 19, 30, and 98 – Public Safety Services Funds**

These funds have historically been used to account for public-safety-related revenues and expenditures, mainly tied to special taxes and specific public safety programs.

**Funds 18 & 19 – Police and Fire Services**

- **Fund 18** – Police Services: (\$5,599,884)
- **Fund 19** – Fire Services: (\$1,228,462)

These funds were historically funded by dedicated public safety special taxes, including Measure C, which sunset on June 30, 2024. After expiration of Measure C, police and fire operations continued to be recorded in Funds 18 and 19, even though the dedicated revenue no longer existed. Beginning with the FY2026 budget, all police and fire operational activity was moved to the General Fund, and these two funds are no longer active for new activity.

The combined cash deficit of \$6,828,346 represents accumulated expenditures in excess of available special tax revenues. Because police and fire operations are now fully integrated into the General Fund, there is no practical benefit to retaining separate funds for these historical special-tax-supported operations.

**Recommendation:**

- Transfer \$6,828,346 from the General Fund to eliminate the combined cash deficit in Funds 18 and 19.
- Close both funds and record all police and fire operations within the General Fund going forward.



**City of California City**  
**Cash and Fund Analysis with Recommendations**  
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### **III. Special Revenue Fund Analysis (Continued)**

#### **Fund 30 – Police Forfeiture Fund**

**Estimated Cash Balance:** \$6,391

This fund accounts for seized and forfeited assets that have been legally awarded to the City, along with related interest earnings. Since FY2019, the only activity has been the accrual of interest; no new forfeitures have been recognized, and no expenditures have been made. These resources are restricted to police services and should continue to be tracked separately, even if eligible expenditures are recorded in the General Fund.

**Recommendation:**

- Keep the fund structure or, if desired, regroup the fund with the General Fund for financial-statement presentation while maintaining internal tracking.
- Use the balance for eligible police activities as opportunities arise.
- No immediate cash transfer is required.

#### **Fund 98 – Fire Capital Projects Fund**

**Estimated Cash Balance:** (\$2,013)

This fund was originally used to account for fire station construction and fire capital projects. The small cash deficit has remained unchanged since prior to FY2019, which strongly indicates that the deficit relates to historical capital projects that exceeded available funding, rather than any current project or grant timing issue. There is no active revenue source or outstanding grant associated with this fund.

**Recommendation:**

- Transfer \$2,013 from the General Fund to eliminate the cash deficit.
- Close the fund, as there are no active or anticipated fire capital projects requiring a separate fund.
- Record any future fire-related capital projects directly in the General Fund or in a newly created capital project fund, as needed.

#### **Fund 20 – COPS Recovery Fund**

**Estimated Cash Balance:** (\$150,465)

This fund has been inactive since before FY2019 and the funding source no longer exists. The cash deficit is almost certainly related to historical expenditures that exceeded available funding at the time. There are no active programs or awards tied to this fund, and no future revenues are expected.

**Recommendation:**

- Transfer \$150,465 from the General Fund to eliminate the cash deficit.
- Close the fund, as it no longer serves an operational, grant, or reporting purpose.

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**III. Special Revenue Fund Analysis (Continued)**

**Fund 25 – Supplemental Law Enforcement Fund (SLESF)**

**Estimated Cash Balance: \$530,453**

SLESF provides annual State funding intended to supplement, not supplant, local law enforcement resources. Funding is generally intended to support frontline sworn staff and related operations. The City last used this funding in FY2022, when \$512,850 was transferred to the General Fund. Since that time, SLESF receipts have accumulated to a cash balance of \$530,453 as of June 30, 2025.

Following the expiration of Measure C and the related special tax, the City's total frontline staffing levels have likely changed. Under SLESF rules, a reduction in staffing does not automatically mean noncompliance, particularly when the reduction is driven by external factors such as the expiration of a dedicated revenue source or recruitment and retention challenges rather than a decision to backfill General Fund obligations with SLESF. Given the City's circumstances, it is likely still in compliance with SLESF supplanting restrictions.

**Recommendation:**

- Transfer the full \$530,453 balance to the General Fund for eligible police uses.
- Annually budget the estimated SLESF revenue and transfer actual collections to the General Fund after confirming they are not supplanting local funding.
- Group this fund with the General Fund for financial-statement presentation while maintaining internal tracking to support SLESF compliance.
- Periodically document that frontline police costs and overall public safety spending continue to support the conclusion that SLESF is supplementing, not supplanting, local resources.

**Fund 26 – Public Safety Augmentation Fund (Proposition 172)**

**Estimated Cash Balance: \$626,679**

This fund accounts for the City's share of Proposition 172 half-cent sales tax, which is legally restricted to public safety services (e.g., police, fire, EMS). The City consistently spends far more on public safety than the annual amount received from Prop 172, meaning the legal requirement that eligible costs exceed the revenue is easily met. Maintaining a separate fund provides limited additional benefit for compliance.

**Recommendation:**

- Transfer the full \$626,679 to the General Fund.
- Close the fund and record all future Proposition 172 receipts and public safety expenditures directly in the General Fund.



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### **III. Special Revenue Fund Analysis (Continued)**

#### **Fund 28 – AB109 Fund**

**Estimated Cash Balance:** \$1,281

This fund is used to track reimbursement activity related to AB109 realignment, which supports specified police and criminal justice activities. The fund is intended to operate as an expenditure-driven reimbursement fund with a near-zero fund balance over time (revenues matching expenditures). The small positive cash balance likely reflects timing differences between reimbursements and expenditures.

**Recommendation:**

- No cash transfer is needed at this time.
- Periodically review activity to ensure the fund continues to function as an expenditure-driven fund and that fund balance is trued up close to zero at fiscal year-end.
- Group the fund with the General Fund for financial-statement presentation, as its activity supports police operations that are otherwise recorded in the General Fund.

#### **Fund 71 – Aspen Mall Maintenance District**

**Estimated Cash Balance:** \$192,480

This fund accounts for assessments and related expenditures for the Aspen Mall Maintenance District. The cash balance has been relatively stable over multiple years, and the nature and level of activity appear current. There is no indication that the balance represents either a structural surplus or an unfunded deficit. The fund still serves an ongoing purpose.

**Recommendation:**

- No changes are recommended at this time.
- Continue using this fund to track district-specific revenues and expenditures.

#### **Funds 74 and 99 – Housing Authority Funds**

**Combined Estimated Cash Balance:** \$2,005,966

These funds are used to account for the City's Housing Authority and related Desert Jade senior housing activities:

- **Fund 74 – Housing Corporation Fund** (Desert Jade operations and investments) - \$1,020,966 accounted for in the following accounts:
  - 74-01010 – Housing Corporation Cash (Pooled Cash): (\$1,013,300)
  - 74-01030 – Desert Jade Operating Account: \$1,258,004
  - 74-01300 – Desert Jade Certificates of Deposit: \$776,261
- **Fund 99 – Housing Authority Fund** (Low/Moderate Income Housing funds from former RDA) - \$985,000 accounted for in the follow accounts:
  - 99-01010 – Housing Authority Cash (Pooled Cash): \$788,000
  - 99-01030 – Desert Jade Operating Account: \$195,000

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### **III. Special Revenue Fund Analysis (Continued)**

These cash and investments are held in the following three bank accounts:

- Desert Jade Operations – approx. \$2,046,005
- Desert Jade Investments (CDs) – approx. \$776,261
- Housing Authority share of General Checking – (\$816,300)

The intent is that Desert Jade operations and investment balances should be held entirely in the Desert Jade operating and CD accounts, while the Housing Authority's share of pooled cash should be reflected in the General Account. However, the City has been paying certain Desert Jade costs out of its general checking account (e.g., allocated payroll, utilities, and some professional services) without regularly reimbursing that account from the Desert Jade funds. This practice has caused the pooled cash component in Fund 74 to go significantly negative, even though total Desert Jade and Housing Authority cash across all accounts is reasonable.

**Recommendation:**

- Reimburse the City's General Checking account from the Desert Jade operating account for approximately \$1,801,300, representing the amount of cash held in Desert Jade bank accounts that actually belongs to the General Checking pool.
- Reclassify cash balances within Funds 74 and 99 to reflect the corrected ownership of cash between Desert Jade operations and Housing Authority resources.
- Implement a process (at least quarterly) to reimburse the General Checking account for Desert Jade-related costs paid by the City and to reconcile pooled cash allocations across these funds.
- Note that this recommendation does not change total cash held by the City; it simply corrects the allocation of cash between funds and bank accounts.

#### **Fund 72 – Subdivision Deferred Improvement (SDI) Fund**

**Estimated Cash Balance:** \$365,579

Fund 72 holds Subdivision Deferred Improvement (SDI) monies, split between two cash accounts:

- 72-01010 – Bank of Sierra General Checking (Pooled Cash): (\$113,643)
- 72-01030 – Bank of Sierra SDI Account: \$479,261

Historically, certain legal and US Bank advisory fees for SDI-related matters were paid directly from the General Checking account rather than from the SDI account. Because no replenishing transfers were made from the SDI account, the SDI share of pooled cash became negative over time. Since FY2022, all SDI costs have been appropriately paid from the SDI account, and the pooled cash balance has remained unchanged.

**Recommendation:**

- Reimburse the General Checking account from the Bank of Sierra SDI account for the \$113,643 cash deficit.
- Record a corresponding adjustment in the general ledger to correct the pooled cash allocation for Fund 72.
- Going forward, ensure all SDI-related expenditures are paid directly from the SDI account or are promptly reimbursed if paid through pooled cash.



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### **III. Special Revenue Fund Analysis (Continued)**

#### **Funds 22, 23, and 24 – Special Tax Funds (Measures C, L, and A)**

**Combined Estimated Cash Balance:** \$21,497

- **Fund 22 – Measure C: \$5** – This fund has been effectively inactive, with only trivial interest earnings prior to the sunset of the tax.
- **Fund 23 – Measure L: \$18,909** – This fund continues to receive small residual amounts, generally less than \$5,000 per year, which could be used for General Fund eligible services.
- **Fund 24 – Measure A (Old): \$2,583** – This fund has been inactive for many years, with the current balance representing accumulated interest.

**Recommendation:**

- **Fund 22 (Measure C):** Transfer the remaining \$5 to the General Fund and close the fund, as no ongoing activity is expected.
- **Fund 23 (Measure L):** Transfer the \$18,909 balance to the General Fund, record any remaining revenues directly in the General Fund going forward, and close the fund.
- **Fund 24 (Measure A – Old):** Transfer the \$2,583 balance to the General Fund and close the fund, as no ongoing activity is expected.

#### **Funds 27 and 94 – Streets Maintenance Fund**

**Estimated Cash Balance:** \$356,507, consisting of the following accounts

- **Fund 27** – Streets Operating Fund: \$5,125,857
- **Fund 94** – Streets Capital Projects Fund: (\$4,769,350)

Fund 27 records street maintenance and operating revenues (e.g., Gas Tax, SB1, LTF) and related expenditures. Fund 94 is used for street capital projects, which are typically funded through a combination of State/Federal reimbursement grants and transfers from Fund 27.

The cash deficit in Fund 94 primarily reflects timing differences between project expenditures and the receipt of grant reimbursements or operating transfers. As of June 30, 2024, the expected deficit was approximately (\$1,877,416), supported by grant receivables, accounts payable, and retainage payable. The remaining portion of the FY2025 deficit will need to be evaluated once the year-end grant reconciliation and adjusting entries are completed.

**Recommendation:**

- Transfer cash from Fund 27 to Fund 94 to eliminate the deficit except for the \$1,877,416 attributable to timing of grant reimbursements and payables.
- During each fiscal-year close, perform a grant reconciliation to determine the portion of any remaining cash deficit in Fund 94 that must be permanently funded by operating transfers.
- Reclassify the Clean-Up Crew Grant currently stored in Fund 60 into a new, dedicated fund grouped with the Streets Maintenance category to avoid commingling and to support clearer compliance reporting.
- Consider creating separate funds for major street revenue sources (e.g., Gas Tax, SB1, LTF) to improve budgeting, TDA reporting, and compliance with State reporting requirements.

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#### **IV. Enterprise Fund Analysis**

##### **Funds 51 and 95 - Water Fund**

**Total Estimated Cash Balance:** \$6,991,476

- **Fund 51** – Water Operations: \$2,362,332
- **Fund 95** – Water Capital Projects: \$4,629,143

The Water Fund's cash remains appropriately divided between ongoing operational activity (Fund 51) and water-related capital projects (Fund 95). Fund 51 maintains a stable operating cash position supported primarily by user fees, while Fund 95 holds accumulated resources intended for planned water system improvements. When other funding sources are unavailable, available cash in Fund 51 should be utilized to support Fund 95 activity to ensure continuity of capital projects.

Water standby fees, although historically recorded in Fund 95, are available to be utilized for any water activity so should have historically been recorded in Fund 51 so as not to confuse that revenue source with other restricted resources. This approach simplifies financial reporting, ensures compliance with the intended purpose of standby fees, and provides flexibility in applying these resources to both operational and capital needs within the Water Fund. The cash balance in Fund 95 should only reflect cash required for ongoing projects accounted for in the fund. As of June 30, 2025, the cash balance in Fund 95 should only be \$5,585 to account for year-end accounts payable.

##### **Recommendation:**

- Transfer \$4,623,558 from Fund 95 to Fund 51 to adjust cash in Fund 95 to the amount necessary to pay for current liabilities.
- Continue using Fund 95 for all water capital projects.
- When grant funding is unavailable, budget and process transfers from Fund 51 to Fund 95 to ensure adequate cash for planned capital projects.

##### **Funds 52 and 92 - Sewer Fund**

**Total Estimated Cash Balance:** \$3,621,260

- **Fund 52** – Sewer Operations: \$3,802,949
- **Fund 92** – Sewer Capital Projects: (\$181,689)

The Sewer Fund's operational cash position remains stable and sufficient to support ongoing operations. Fund 92 contains a cash deficit that has existed since FY2021 and has not changed in several years. The lack of activity suggests that the deficit arose from historic sewer capital expenditures that exceeded the available funding at the time.

Future capital costs will need to be funded either by grants or by transfers from Fund 52. Maintaining a deficit in Fund 92 reduces transparency and obscures the true financial position of sewer operations.

##### **Recommendation:**

- Transfer \$181,689 from Fund 52 to eliminate the Fund 92 cash deficit.
- Continue to account for future sewer capital projects in Fund 92, funded through grants or planned transfers from Fund 52.
- Perform a reconciliation at fiscal year-end for all capital projects to ensure that funding sources are properly aligned with expenditures.



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#### **IV. Enterprise Fund Analysis (Continued)**

##### **Funds 53 and 93 - Airport Fund**

**Total Estimated Cash Balance:** (\$1,243,804)

- **Fund 53** – Airport Operations: (\$2,586,713)
- **Fund 93** – Airport Capital Projects: \$1,342,909

Fund 53 – Airport Operations reflects a significant cumulative deficit. Fund 93's cash surplus appears to be historical and almost certainly relates to a prior project that was overfunded many years ago. The Airport Capital Projects Fund has had no activity since FY2023, and both funds have maintained nearly the same cash positions since before FY2019.

Because operating costs are recorded in Fund 53, it is misleading to retain a surplus in Fund 93 while Fund 53 carries a large deficit. Consolidating the cash into the operating fund provides a more accurate financial representation.

The City should develop a long-term financial sustainability strategy for airport operations, including evaluating whether operational improvements or increased revenues can mitigate the annual deficit. Only after such an evaluation should the City consider whether a General Fund subsidy is required.

**Recommendation:**

- Transfer the \$1,342,909 cash surplus from Fund 93 to Fund 53 to accurately reflect the net Airport Fund cash position.
- Maintain Fund 93 for future grant-funded airport capital projects.
- Develop a strategic airport sustainability plan to determine whether operations can generate sufficient positive cash flow to reduce the deficit.
- Evaluate whether a future General Fund transfer will be necessary, but only after completing the operational review.

##### **Fund 54 – Dial-A-Ride (Transit)**

**Estimated Cash Balance:** (\$428,570)

The Dial-A-Ride Fund deficit is temporary and is directly related to the timing of State Transit Assistance (STA) and Local Transportation Fund (LTF) reimbursements. As of June 30, 2025:

- **Available STA funding:** \$512,279
- **Available LTF funding:** \$2,106,050

All available STA and LTF funding will be applied to eliminate the Dial-A-Ride cash deficit before being used to support Streets operations or Streets capital projects. The City has sufficient eligible costs and pending claims to fully eliminate the deficit once Kern COG processes the City's outstanding Transportation Development Act (TDA) claims.

The City expects to submit TDA claims for all outstanding fiscal years through FY2025 no later than March 31, 2026. Once those claims are filed and reimbursed, the fund will return to a positive cash position. There is no long-term financial impact to the General Fund.

**Recommendation:**

- Retain the temporary cash deficit until STA and LTF reimbursements are received.
- Submit all outstanding TDA claims through FY2025 by March 31, 2026.
- No General Fund subsidy is recommended or needed.
- Monitor TDA claims processing to ensure future reimbursements occur in a timely manner.

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## **Conclusion**

The City's overall cash position as of June 30, 2025 is estimated to be \$22,695,357, and no material changes are expected as a result of year-end audit adjustments. However, the detailed fund-level analysis demonstrates that several structural corrections are necessary to ensure that cash is properly aligned with operating activity, grant requirements, and long-term financial sustainability.

Many of the City's cash deficits relate to timing delays inherent in expenditure-driven reimbursement grants, while others are attributable to historical underfunding of older capital projects or to the continued use of funds that no longer receive dedicated revenues. Conversely, multiple funds contain unrestricted balances that can be more effectively utilized if transferred to the General Fund or reclassified for clearer financial reporting.

Implementing the recommendations contained in this report will:

- Eliminate outdated fund structures and close inactive funds;
- Restore transparency by ensuring that cash is held in the funds where the activity occurs;
- Improve compliance with grant and statutory requirements;
- Strengthen budget development by clarifying the availability and purpose of resources; and
- Provide Council and management with a more accurate picture of financial performance and long-term sustainability.

Finally, funds recommended for closure may be re-established in the future if new programs, grants, or operational needs arise. This provides the City with flexibility while still enabling a more modern and efficient fund structure. By adopting the recommendations across General Fund, Special Revenue, and Enterprise Funds, the City will improve accountability, reduce reconciliation challenges, and position itself for stronger financial management in future fiscal years.